OFFERING CIRCULAR

Kawasaki Heavy Industries, Ltd.

(incorporated in Japan with limited liability under the laws of Japan)

¥50,000,000,000 Zero Coupon Convertible Bonds due 2031

OFFER PRICE: 103.5%

¥50,000,000,000 Zero Coupon Convertible Bonds due 2033

OFFER PRICE: 103.5%

This offering circular relates to the issue by Kawasaki Heavy Industries, Ltd. (the "Company"), a joint stock corporation organized under the laws of Japan, of ¥50,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2031 (the "2031 Bonds") and ¥50,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2033 (the "2033 Bonds," and together with the 2031 Bonds, the "Bonds," being bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*), and each a "Series," and which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated therein). We are issuing the 2033 Bonds as transition bonds.

The Bonds will be issued in registered form in the denomination of ¥10,000,000 each with a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Rights").

The Stock Acquisition Rights will be exercisable from, and including, August 14, 2026 in the case of both Series of Bonds, to, and including, July 17, 2031, in the case of the 2031 Bonds, and July 15, 2033, in the case of the 2033 Bonds, and will entitle the Bondholder (as defined in the terms and conditions of the Bonds for the relevant Series (the "Conditions of the 2031 Bonds" and the "Conditions of the 2033 Bonds," respectively and, collectively, the "Conditions")) to acquire fully-paid and non-assessable shares of common stock of the Company (the "Shares") at an initial conversion price, subject to adjustment in certain events as set out in the Conditions for the relevant Series of Bonds, of ¥3,913 per Share, in the case of the 2031 Bonds, and ¥3,783 per Share, in the case of the 2033 Bonds.

Unless previously redeemed or purchased and cancelled, or unless the Bonds have previously become due and repayable, the Bonds will be redeemed at 100% of their principal amount on July 31, 2031 in the case of the 2031 Bonds, and July 29, 2033 in the case of the 2033 Bonds. In addition, at any time on or after July 31 2029, in the case of the 2031 Bonds, or at any time on or after July 31, 2031, in the case of the 2033 Bonds, we may at our option redeem all, but not some only, of the Bonds of the relevant Series then outstanding at 100% of their principal amount as set out in the Conditions for the relevant Series of Bonds, provided that no such redemption may be made unless the Closing Price (as defined in the Conditions for the relevant Series of Bonds) of the Shares for any 20 Trading Days (as defined in the Conditions for the relevant Series of Bonds) in a period of 30 consecutive Trading Days, the last of which consecutive Trading Days occurs not more than 30 days prior to the date upon which the Optional Redemption Notice (as defined in the Conditions for the relevant Series of Bonds) is given, is at least 130% of the Conversion Price (as defined in the Conditions for the relevant Series of Bonds) in effect on each such Trading Day. We may also redeem all of each Series of Bonds, in whole but not in part, at 100% of their principal amount if Japanese withholding taxes are imposed on payments in respect of the relevant Series of Bonds, as set out in the Conditions for the relevant Series of Bonds. Further, if, at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the relevant Series of Bonds is less than 10% of the aggregate principal amount of the relevant Series of Bonds as at the date of issue thereof, the relevant Series of Bonds may be redeemed in whole but not in part at 100% of their principal amount, at our option, as set out in the Conditions for the relevant Series of Bonds. We may also redeem each Series of Bonds in whole but not in part in certain other limited events (including Corporate Events (as defined in the Conditions for the relevant Series of Bonds)), at the redemption price specified in the Conditions for the relevant Series of Bonds, as set out in the Conditions for the relevant Series of Bonds.

The Shares are listed on the Prime Market of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") and the Premier Market of the Nagoya Stock Exchange, Inc. (the "Nagoya Stock Exchange"). On July 14, 2026, the closing price of the Shares on the Tokyo Stock Exchange was ¥2,690.0 per Share.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see "Japanese Taxation" and Condition 9 of the Conditions for the relevant Series of Bonds).

Approval in-principle has been received for the listing of each Series of Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this offering circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of us, our subsidiaries and affiliates, or the Bonds. Each Series of Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

Each Series of Bonds will be evidenced by a global certificate (each, a "Global Certificate") evidencing the relevant Series of Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about July 31, 2026 (the "Closing Date") for the accounts of their respective accountholders. The Managers (as defined in "Subscription and Sale") expect to deliver each Series of Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date. The 2031 Bonds and the 2033 Bonds are not fungible with each other.

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 18 of this offering circular.

This offering circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. For a summary of certain restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights, see "Subscription and Sale."

Concurrently with the issue and offering of the Bonds (the "Offering"), we are planning to offer newly issued Shares (the "Offered Shares," and such concurrent share offering the "Concurrent Share Offering," and together with the Offering, the "Offerings"). No Offered Shares are being offered hereby. The closing of the Concurrent Share Offering is not conditional upon the closing of the offering of the Bonds and *vice versa*. See "Concurrent Share Offering."

Joint Global Coordinators

Nomura **Mizuho**

Joint Lead Managers and Joint Bookrunners

Mizuho **Nomura**

Co-Manager

SMBC NIKKO

The date of this offering circular is July 14, 2026.

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IMPORTANT INFORMATION ABOUT THIS OFFERING CIRCULAR

We accept responsibility for the information contained in this offering circular. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this offering circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

We, having made all reasonable enquiries, confirm that this offering circular contains all information with respect to us, our subsidiaries and affiliates, the Bonds and the Shares which is material in the context of the issue and offering of the Bonds, the statements contained in this offering circular are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this offering circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to us, our subsidiaries and affiliates, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this offering circular misleading in any material respect and all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements.

No person is authorised to give any information or to make any representation not contained in this offering circular and any information or representation not contained in this offering circular must not be relied upon as having been authorised by us or the Managers. Neither the delivery of this offering circular nor any sale made in connection herewith at any time implies that the information contained in this offering circular is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in our business affairs or financial position since the date hereof.

This offering circular does not constitute an offer of, or an invitation by or on our behalf or on behalf of any Manager or The Law Debenture Trust Corporation p.l.c. (the "Trustee") to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights. The distribution of this offering circular and the offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular comes are required by us and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and distribution of this offering circular, see "Subscription and Sale."

To the fullest extent permitted by law, none of the Managers (or their respective affiliates), the Trustee, the Principal Agent, the Registrar, the Custodian nor the Custodian's Agent (each as defined herein) accept any responsibility whatsoever for the contents of this offering circular or for any other statement, made or purported to be made on their behalf in connection with us or our subsidiaries and affiliates, or the issue and offering of the Bonds. Each of the Managers, the Trustee, the Principal Agent, the Registrar, the Custodian and the Custodian's Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this offering circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or the distribution of this offering circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the European Economic Area, the United Kingdom, Singapore, Hong Kong and to persons connected therewith. See "Subscription and Sale."

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA"). Each Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold, and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Potential investors should note that prior notification under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (the "FEFTA") may be required in the case of the acquisition of a certain proportion of our total issued common stock upon exercise of Stock Acquisition Rights. Potential investors should consult their own legal and other advisers on the consequences of the

acquisition of Shares (including any Shares to be acquired upon exercise of the Stock Acquisition Rights), including specifically the applicable notification, reporting and other procedures and any available exemptions therefrom under the FEFTA and related cabinet orders and ministerial ordinances.

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights may not be offered, sold or delivered within the United States. See "Subscription and Sale."

There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale."

Prohibition of sales to EEA retail investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of EU MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("DISC") for offering, selling or distributing the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

Disclosure of Demand and Allocation: Each prospective purchaser who places an order for the Bonds consents to the disclosure to us by the Managers of the prospective purchaser's identity, the details of such order and the actual amount purchased, if any.

NOTICE TO INVESTORS IN RESPECT OF THE 2033 BONDS (TRANSITION BONDS)

None of the Managers accepts any responsibility for any environmental and/or sustainability assessment of the 2033 Bonds, which are issued as transition bonds by us, or makes any representation or warranty or assurance whether the 2033 Bonds will meet any investor expectations or requirements regarding such "transition" label, including in relation to, but not limited to, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "EU Taxonomy Regulation") and any related technical screening criteria, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the "EU SFDR") and any implementing legislation and guidelines, any similar legislation and guidelines in the United Kingdom or elsewhere, or any market standards or guidance, including the Climate Transition Bond Guidelines (November 2025 version) (the "ICMA Transition Bond Guidelines") published by the International Capital Market Association ("ICMA"), the Climate Transition Finance Handbook (November 2025 version) (the "ICMA CTFH") published by ICMA, or the Basic Guidelines on Climate Transition Finance (March 2025 edition) issued by the Financial Services Agency of Japan, the Ministry of Economy, Trade and Industry of Japan and the Ministry of the Environment of Japan (the "Japan Transition Finance Guidelines"), or any requirements of such labels or market standards as they may evolve from time to time; or that any adverse environmental and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Transition Projects (as defined in "Use of Proceeds").

None of the Managers is responsible for (i) the use or allocation of proceeds for the 2033 Bonds, (ii) the impact, monitoring or reporting in respect of such use or allocation of proceeds, (iii) the alignment of the 2033 Bonds with our Sustainable Finance Master Framework (as defined in "Use of Proceeds") or the alignment of our Sustainable Finance Master Framework with the ICMA Transition Bond Guidelines (or any other equivalent principles or guidelines), nor do any of the Managers undertake to ensure that there are at any time sufficient Eligible Transition Projects to allow for allocation of a sum equal to the net proceeds of the issue of the 2033 Bonds in full.

None of the Managers is responsible for the assessment of our Sustainable Finance Master Framework including the assessment of the applicable eligibility criteria in relation to transition bonds set out therein.

Japan Credit Rating Agency, Ltd. ("JCR") has issued an independent opinion, dated March 16, 2026, on our Sustainable Finance Master Framework (the "Second Party Opinion"). The Second Party Opinion is a statement of opinion, on certain environmental and related considerations, and not a statement of fact. No representation or assurance is given by the Managers as to the suitability or reliability of the Second Party Opinion or any opinion, review, evaluation or certification of any third party (including any post-issuance reports prepared by an external reviewer) made available in connection with an issue of the 2033 Bonds.

The Second Party Opinion is not intended to address any credit, market or other aspects of an investment in the 2033 Bonds, including, without limitation, market price, marketability, investor preference or suitability of any security, or any other factors that may affect the value and marketability of the 2033 Bonds. As at the date of this offering circular, the providers of such opinions, reviews, certifications and post-issuance reports in relation to any bonds such as transition bonds are not subject to any specific regulatory or other regime or oversight. Regulation (EU) 2023/2631 on European Green Bonds (the "EU Green Bond Regulation") has introduced a supervisory regime of external reviewers of "European green bonds," but this does not apply to external reviewers in respect of the 2033 Bonds.

The Second Party Opinion and any other such opinion, review, evaluation, certification or post-issuance report is not, nor should be deemed to be, a recommendation by the Managers, or any other person to buy, sell or hold any 2033 Bonds, and is current only as of the date it is issued. Prospective investors must determine for themselves the relevance of the Second Party Opinion and any opinion, review, evaluation, certification or post-issuance report and/or the information contained therein. The criteria and/or considerations that form the basis of the Second Party Opinion or any other opinion, review, evaluation, certification or post-issuance report may change at any time and the Second Party Opinion or any other opinion, review, evaluation, certification or post-issuance report may be amended, updated, supplemented, replaced and/or withdrawn. Our Sustainable Finance Master Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this offering circular. Our Sustainable Finance Master Framework, the Second Party Opinion and any other such opinion, review, evaluation, certification or post-issuance report do not form part of, nor is incorporated by reference in, this offering circular.

STABILISATION AND OVER-ALLOTMENT

IN CONNECTION WITH THE ISSUE OF THE BONDS OF EACH SERIES, MIZUHO INTERNATIONAL PLC (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OF SUCH SERIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS OF SUCH SERIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS OF THE RELEVANT SERIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS OF SUCH SERIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS OF SUCH SERIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, "we," "us," "our," "our group," "the company" or "Kawasaki Heavy Industries" refer to Kawasaki Heavy Industries, Ltd. and its consolidated subsidiaries or, as the context requires, Kawasaki Heavy Industries, Ltd. on a non-consolidated basis.

In this offering circular, when information has been extracted from our financial statements and is presented in thousands, millions or billions of yen (or a fraction thereof), amounts of less than one billion, one million or one thousand (or a fraction thereof), as the case may be, have been rounded down. For other information presented in thousands, millions or billions of yen (or a fraction thereof), amounts of less than one billion, one million or one thousand (or a fraction thereof), as the case may be, have been rounded down to the nearest digit unless otherwise specified. In this offering circular, where information is presented as percentages, amounts less than one-tenth of one percent or one-hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, figures presented in tables in this offering circular may not total due to such rounding. In this offering circular, references to "yen" or "¥" are to the lawful currency of Japan. References to "U.S. dollar," "dollars," "US$" or "$" are to the lawful currency of the United States, unless noted otherwise. References to "£" are to the lawful currency of the United Kingdom. References to "€" or "euro" are to the lawful currency of those member states of the European Union that are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union. References to "₹ " are to the lawful currency of the Republic of India. References to "₩" are to the lawful currency of the Republic of Korea. References to "THB" are to the lawful currency of the Kingdom of Thailand. References to "R$" are to the lawful currency of the Federative Republic of Brazil. References to "₱" are to the lawful currency of the Republic of the Philippines. References to "CNY" are to the lawful currency of the People's Republic of China. References to "MYR" are to the lawful currency of Malaysia. References to "IDR" are to the lawful currency of Indonesia. References to "MXN" are to the lawful currency of Mexico.

References to "CAGR" are to "compound annual growth rate," which is calculated using the following formula:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\text{Number of Years}} \right)} - 1$$

Our audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards, or IFRS. Unless otherwise indicated, all financial information included in this offering circular is based on our consolidated financial statements prepared using IFRS.

Our consolidated financial statements included in this offering circular are our audited consolidated financial statements as of and for the years ended March 31, 2026 and 2025, including corresponding figures as of and for the year ended March 31, 2024.

THIRD-PARTY INFORMATION

We make statements in this offering circular about our competitive position and market share in, and the size of, the markets for our products and services. In addition, we include statistics relating to the industries in which we operate, including the aerospace, defense, shipbuilding, robotics and energy industries, as well as general economic trends. We have made these statements on the basis of statistics and other information from third-party sources, such as governmental agencies, research institutes and industry or general publications that we believe are reliable, and estimates derived from such information. Although we have no reason to believe any of this information is inaccurate in any material respect, we have not independently verified and cannot assure the accuracy of the data provided by or derived from third-party sources.

FORWARD-LOOKING STATEMENTS

This offering circular contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear in a number of places in this offering circular and include statements regarding the intent, belief or current expectations of our management with respect to our business, results of operations and financial condition. In many cases, but not all, we use such words as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "outlook," "plan," "potential," "predict," "probability," "project," "risk," "seek," "should," "target," "will," "would" and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Potential risks and uncertainties include, without limitation, those identified and discussed in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering circular to reflect future actual events or developments.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and our consolidated financial statements, contained elsewhere in this offering circular. Prospective investors should carefully consider the information set forth under the caption "Risk Factors" and all other information set forth in this offering circular.

Kawasaki Heavy Industries, Ltd.

Overview

We are a leading Japanese engineering manufacturer with nearly 130 years of experience in developing advanced industrial solutions and the innovations that power them. As a global technology leader with diverse integrated strengths, we have manufacturing operations in 11 countries and serve customers in the government, military and commercial sectors in various markets.

Our group mission is "Kawasaki, working as one for the good of the planet." We are committed to global business expansion, legal compliance, and social responsibility, aiming to build greater trust worldwide.

With this as our guiding motivation, we operate the following five main business segments, also referred to as "divisions":

- *Aerospace Systems*. We provide a comprehensive array of both air and space platforms and technologies, including aircraft, helicopters and launch vehicles. We are a key supplier in this field to both commercial and defense customers, and collaborate on our products with other major global aerospace companies and government agencies.
- *Rolling Stock*. We design, manufacture and maintain a fleet of products spanning the entire spectrum of railway systems—from Shinkansen and freight trains to locomotives and subway cars. Our rolling stock is utilized widely in Japan and across the globe, including in major overseas transportation centers like Washington, D.C. and New York.
- *Energy Solution & Marine Engineering*. We develop and supply energy systems such as turbines, compressors and boilers, as well as maritime vessels as complex and diverse as submarines, oil tankers and container ships. We also meet our customers' clean energy needs and our own sustainability goals by providing environmental technologies and infrastructure such as waste-to-energy plants, green gas engines and hybrid propulsion systems.
- *Precision Machinery & Robot*. We are a leading provider of precision components and systems used in construction, agriculture, industrial and marine machinery. We also create industrial robots to complete all manner of work tasks in fields from manufacturing to healthcare, helping our customers satisfy their automation and labor-saving requirements.
- *Powersports & Engine*. We manufacture and provide our powersports offerings directly to consumers, with a wide array of products available including motorcycles, off-road four wheelers and our trademark watercraft JET SKI®. We also create general-purpose gasoline engines and battery systems for diverse markets and customers across the globe.

As of March 31, 2026, we had 167 subsidiaries and affiliates.

We have achieved substantial business growth over the past several fiscal years. Our revenue grew at a CAGR of 11.4% between the fiscal years ended March 31, 2022 and March 31, 2026, and we achieved a historical high of ¥145.1 billion in business profit for the fiscal year ended March 31, 2026. This growth has been driven primarily by the combination of our Aerospace Systems and Energy Solution & Marine Engineering segments.

Our Strengths

Distinctive Business Portfolio Backed by Core Technologies

As a leading engineering manufacturer, we maintain a distinctive and diversified business portfolio that leverages core technologies, in conjunction with our advanced engineering capabilities, to address social challenges as well as generate profit from our businesses. With operations centered around five primary business segments (Aerospace Systems, Rolling Stock, Energy Solution & Marine Engineering, Precision Machinery & Robot and Powersports & Engine) covering a broad spectrum of industrial and commercial domains, we are able to provide products to customers across a wide range of fields, accumulating diverse, cross-segment feedback and expertise in the

process. We channel this feedback and expertise back into a deep portfolio of core technologies underpinning our operations, helping to drive our further innovation. This allows us to continue expanding our broad product offerings, which span cutting-edge defense and disaster prevention equipment, future-facing energy infrastructure, semiconductor robots, healthcare industry robots, commercial aerospace equipment, railcars and globally-recognized consumer powersports vehicles, among others. As a result, we are well positioned to address urgent societal needs through developing solutions in industrial automation and connectivity. We also pursue an open approach and seek to collaborate with various partners to develop and provide compelling solutions for our customers and society as a whole. In this way, we seek to capture demand in areas that have substantial long-term growth potential such as hydrogen energy solutions, physical artificial intelligence ("AI"), robotics and automation. At the same time, the diversity of our business segments has been a core contributor to our strong track record of revenue and profit growth over the past several years.

Our distinctive business portfolio also enables us to address key growth areas in Japan as we operate in business domains that directly address many of the strategic sectors identified as priorities by the Japanese government. These sectors include AI, to which we contribute through our physical AI solutions; shipbuilding, to which we contribute through naval vessel and marine propulsion system construction; aviation and space, covered by our Aerospace Systems segment; and energy, for which we provide hydrogen solutions and other products. Other strategic sectors in which we maintain a direct business presence include advanced medicine, particularly through our hinotori™ surgical assistance robot and other medical solutions; and the defense industry, via our various military platforms and technologies. We also contribute to national resilience and foodtech through various products and initiatives. As our business portfolio aligns closely with these government-designated strategic priorities, we believe we are positioned to benefit from continued investment and growth in these areas.

Broad Provider of Energy Infrastructure Well Positioned for the Ongoing Energy Transition

Our broad portfolio of energy infrastructure solutions covering both traditional energy areas as well as carbon-light and carbon-neutral energy areas positions us to enjoy sustainable profits during the ongoing energy transition. We maintain a robust product lineup to meet our customers' varied and evolving needs throughout this era of energy transition, with offerings including hydrogen co-firing gas turbines and engines, co-generation infrastructure, green gas engines, liquefied petroleum gas ("LPG") fuel systems, LPG/ammonia and liquefied natural gas ("LNG") carriers and our proprietary Kawasaki CO2 Capture system. These products are expected to continue to generate solid results, with orders for our hydrogen co-firing generators expected to grow significantly in the future based on our internal projections. In addition, the order backlog for our LPG carriers has remained relatively steady from 9 to 12 vessels as of the end of each of the past five fiscal years. While we are actively preparing to contribute to a carbon-neutral future, we also have the ability to generate strong results in the meantime even if the transition takes longer than anticipated due to our strength in both carbon-based and carbon-light energy offerings.

Leading Supplier for the Japanese Defense Industry

We are a leading supplier in the Japanese defense industry, providing critical platforms such as patrol aircraft, submarines and aero-engines to advance the reinforcement of Japan's defense capabilities. Backed by our advanced technological capabilities and deep expertise across business fields, we have built a strong competitive position in the defense business, which has significant barriers to entry for new entrants. For example, in the fiscal year ended March 31, 2025, we ranked second in terms of order amount for defense equipment contracts awarded by the Japan Ministry of Defense ("JMOD"), according to information published by JMOD. Our defense-related sales, which we define as sales to the JMOD, amounted to ¥429.7 billion, or 18.6% of our total sales, in the fiscal year ended March 31, 2026, and has been growing at a CAGR of 22.0% from the fiscal year ended March 31, 2024 to the fiscal year ended March 31, 2026. We believe that these strong results have been driven by expanding demand as defense budgets increase.

We are leading multiple initiatives across the JMOD's seven focal areas for national defense capabilities and functions, making us a key player in the Japanese defense sector. Such initiatives include anti -air missile systems in response to the government's call to bolster integrated air and missile defense capabilities; new surface-to-surface and surface-to-ship missiles to strengthen stand-off defense capabilities; new class submarines and naval electric propulsion systems to enhance cross-domain operation capabilities; and P-1 and C-2 derivative-type aircraft to advance command and control and intelligence-related functions. Further, we have initiatives related to our CH-47 helicopters and C-2 transport aircraft to further strengthen mobile deployment capabilities; missiles and high-energy lasers and maintenance, repair and overhaul to improve sustainability and resiliency; and unmanned aircraft to enhance Japan's unmanned defense capabilities. With a product portfolio aligned with the government's defense priorities, we believe we are well positioned to benefit from the structural tailwinds propelling the Japanese defense sector.

Our Strategies

We aim to pursue the next stage of growth in our business by contributing to manufacturing innovation through automation and robotics and physical AI. Our overall strategy is to leverage our existing portfolio of technologies and solutions to propel the development of products and solutions supporting the transformation of manufacturing.

The proceeds from the offering of the Bonds and the Concurrent Share Offering will enable us to execute capital expenditures aimed at strengthening the production base supporting the growth of our respective businesses. Such capital expenditures are expected to include the introduction of advanced production technologies, such as robotics and physical AI at our manufacturing facilities, in line with our strategic priorities. These initiatives are intended not only to expand our production capacity and maximize production efficiency, but also to utilize the operational data and know-how obtained therefrom to optimize solutions for our customers and maximize added value through the application of physical AI, robotics and mass production automation, as described in more detail in the strategies below. See "Use of Proceeds."

Pursue Growth in the Near to Medium Term Focusing on High Profitability Businesses

We aim to pursue growth in the near to medium term by focusing on the following growth drivers that we believe have strong potential to generate high profitability while contributing to manufacturing innovation in the long term:

Civil Aircraft Business

Our civil aircraft business has demonstrated consistent growth over the past several years, with revenue increasing from ¥182 billion in the fiscal year ended March 31, 2023 to ¥282 billion in the fiscal year ended March 31, 2026, and orders more than doubling from ¥179 billion to ¥390 billion across the same period (such revenue and orders calculated by subtracting defense-related business sales and orders from total Aerospace Systems revenue and orders). Building on this foundation, we expect this business to continue experiencing solid growth throughout the near to medium term in part in line with projected overall market expansion. For example, according to air passenger market analysis published by the International Air Transport Association, revenue passenger-kilometers—a key indicator of demand in the airline industry—is anticipated to double from approximately 9.0 trillion passenger-kilometers in 2024 to approximately 18.1 trillion passenger-kilometers in 2044 based on a mid scenario (or 17.3 trillion passenger-kilometers in a low scenario and 18.8 trillion passenger-kilometers in a high scenario) and 20.8 trillion passenger-kilometers in 2050 based on a mid scenario (or 19.5 trillion passenger-kilometers in a low scenario and 21.9 trillion passenger-kilometers in a high scenario). At the same time, we also aim to proactively expand revenue opportunities by entering new business sectors—particularly the high-margin aftermarket service segment through offering maintenance, repair and operations ("MRO") services. We specifically intend to launch MRO services for the PW1100G-JM engine platform at our Seishin and Akashi plants beginning in the second half of the fiscal year ending March 31, 2027. To this end, we aim to invest ¥7 billion in this initiative by 2026, and are targeting production of more than 50 units annually by the fiscal year ending March 31, 2032.

Gas Turbines

We expect demand for gas turbines to grow driven by a combination of the expansion of adjacent product markets and our own differentiated growth strategy. In particular, our gas turbines are important components in power generation equipment used to power data centers, which are expected to continue to expand at a rapid pace. According to the "2026 Global Data Center Market Outlook" report published by Jones Lang LaSalle Incorporated, nearly 100 gigawatts of new data centers are expected to be added between 2025 and 2030, effectively doubling global capacity. Notably, the Americas and Asia Pacific regions, which include the primary markets in which we operate, are projected to grow at a CAGR of 17% and 12%, respectively, across the same period. Complementing this, we believe that our focus on small scale turbines with shorter production lead times provides us with an advantage over competitors that focus on large-scale turbines with long lead times. Leveraging this competitive advantage, we aim to expand the production capacity for our gas turbine business through increased investment for emergency and regular production. We also aim to expand sales into the overseas DC power generation equipment market, capturing demand through short-lead-time products. Our revenue from major products in the energy business (including gas turbines and gas engines) has grown from ¥68 billion in the fiscal year ended March 31, 2022 to ¥86 billion in the fiscal year ended March 31, 2026, and we are aiming for further growth over the near to medium term.

Semiconductor Robots

We aim to achieve growth in our semiconductor robot business by leveraging both overall market growth and our unique strategy and competitive advantages. According to a report published by the World Semiconductor Trade Statistics, the overall market for semiconductor production equipment has been expanding in recent years, growing

from $440.4 billion in 2020 to $795.6 billion in 2025, and is expected to grow to $1,913.7 billion in 2027. In order to capture this growth, we will implement a multifaceted growth strategy to broaden our products into areas including system products, vacuum processes, back-end processes and the maintenance and automation market.

Ship and Offshore Structure

We expect near- to medium-term growth in our ship and offshore structure business to be buoyed in part by an expanding market for shipbuilding. For example, the Japanese government has set a target to nearly double shipbuilding output from a construction volume of 907 million gross tons in 2024 to 1,800 million gross tons by 2035. At the same time, the industry is facing a labor shortage, which is becoming a bottleneck with the potential to constrain further growth. Against this backdrop, we seek to provide solutions that address labor shortages and improve our efficiency through the use of in-house robotics solutions, which we also aim to provide to the industry as a whole. Further, we are focusing on the construction of both LPG carriers in Japan to provide high value-added products to our customers, along with the construction of cargo and bulk carriers through joint ventures in China by taking advantage of our in-house designs. Revenue from our ship and offshore structure business has demonstrated an overall trend of growth across the past five fiscal years, expanding from ¥64 billion in the fiscal year ended March 31, 2022 to ¥109 billion in the fiscal year ended March 31, 2026.

Build Innovative Physical AI Solutions Centered to Pursue Expansion

We aim to leverage our diverse, cross-segment engineering expertise and business insights to deliver high-precision, physical AI solutions across various domains. We believe that utilizing existing physical AI capabilities to further develop more effective solutions for a broad range of applications will be a key factor in fostering manufacturing innovation, and that our focus on physical AI will be supported by market trends that will drive demand for physical AI. For example, the Japanese government has identified physical AI as priority area. According to the Japanese Ministry of Economy, Trade and Industry's "AI Robotics Strategy: Accelerating Social Implementation and Opening Up Massive Markets" report, the Japanese government currently aims to secure 30% of the global share of the AI robotics market by 2040, a share estimated by such report to be worth approximately ¥20 trillion. At the same time, Japan faces an aging society where AI robotic solutions are expected to be increasingly in demand. The market for general purpose robots as a whole is also expected to expand in the coming years. According to a report published in 2026 by McKinsey & Company, the global market for such robots is projected to expand from less than $1 billion in 2024 to approximately $370 billion in 2040.

We also have a distinctive perspective on physical AI which informs our strategy. Whereas the public typically views physical AI as technology in which robots understand the physical world and act autonomously, with attention heavily focused on humanoid forms and demonstration use cases, we believe physical AI should safely and efficiently support human judgment and actions rather than replacing people, with applications rooted in real-world situations and actual demand. To this end, we seek to further the development of physical AI in two different domains—"body" and "place"—through customer touchpoints with various robots in diverse field environments and technologies cultivated through humanoid development. "Place" entails the practical application of physical AI, with a focus on field deployment from the outset and robot refinement based on analysis of actual work processes. Complementing this, "body" involves the technological implementation of physical AI, through which we seek to accumulate know-how for humanoid applications in pursuit of robots that replicate human movement and motion performance.

Within this context, we seek to expand our business and generate sustained profits through the integration of AI into platforms produced through our Precision Machinery & Robot segment. Specifically, we are targeting growth in the following three fields:

- *Semiconductor Robots*. As described above, we believe that semiconductor robots will be an important growth driver in the near to medium term, and we aim to continue to expand in this business area into new semiconductor areas to achieve further growth over the long term.
- *Medical Robots*. We aim for global expansion in the field of medical robots towards our long-term goal of creating a one-stop solution for hospitals. In February 2026, we launched our first overseas development base in France, through which we seek to capture the needs of stakeholders such as medical and nursing care professionals, connect with individuals and companies possessing cutting-edge technology and knowledge, and actively promote co-creation and collaboration to drive business development in the healthcare field. We also conduct related research and development at sites within Japan and the United States.
- *Social Robots*. We aim to accelerate the deployment of AI-powered social robots in labor-constrained service fields, such as nursing, care and logistics. To this end, we have developed our Kaleido, FORRO

and Nyokkey platforms, and seek to promote the development of new markets by leveraging open innovation. Our experience developing robotics solutions in these fields also serves as a source of insight to power our physical AI initiatives more broadly. The humanoid robot market is anticipated to show particularly high growth in the coming years, with an estimated CAGR of approximately 54% between 2025 and 2035 and approximately 23% between 2035 and 2050, according to Morgan Stanley's "Humanoids: A $5 Trillion Global Market" report published in May 2025.

In the physical AI sector, we are also advancing our SAFE ADVENTURE concept, which aims to eliminate mountain accidents and make mountainous regions safe and enjoyable for everyone. To this end, we are developing a mountain integrated navigation system, which detects weather, temperature, road surface conditions and wildlife appearances, guiding users to safe routes via devices such as smartphones. We are further augmenting this with our adaptive mobility solutions, such as our K-RACER as well as CORLEO, a four-legged off-road personal mobility vehicle.

Expand Diverse Energy Product Offerings to Achieve Growth in the Transition to a Carbon-Neutral Future

While we already occupy a leading market position as a multi-faceted manufacturer in the ongoing energy transition, we are also actively preparing ourselves for the carbon-neutral future in which hydrogen-based energy solutions are expected to play an important role. According to the International Energy Agency's "Net-Zero Roadmap" report published in September 2023, global hydrogen demand is projected to grow by approximately five times between 2022 and 2050 in line with the increased use of hydrogen energy for steel and chemical production, heat generation, mobility technologies and large-scale power generation. Through our ability to leverage the infrastructure and technologies already developed in the LNG field and elsewhere across our distinctive business segments, we are uniquely positioned to overcome the technological challenges associated with hydrogen energy and pursue sustained growth in our energy business.

For example, leveraging our cross-sector manufacturing expertise, we are developing product lines to cover the entire hydrogen supply chain—from production and transport to storage and use. Such products include hydrogen liquefiers, liquefied hydrogen carriers and tanks, hydrogen gas engines and fuel cell vehicles. In addition, applying our strengths honed from operating across business fields, we are also employing an open/closed strategy, whereby we seek market capture by differentiating between open (e.g., freely accessible technology and subscription licenses) versus closed (e.g., exclusive technologies and the sale of key parts) domains. We are also advancing discussions and partnerships with companies such as Kansai Electric Power Company, Incorporated, Toyota Motor Corporation and Daimler Truck Holding AG for the deployment of commercial hydrogen chains in countries around the world. In this way, we believe we possess and are further developing a unique competitive position that allows us to expand the overall market while preserving our unique status within it.

Harness Manufacturing Capabilities and Strong Position in Japanese Defense Ecosystem to Achieve Further Growth

We aim to leverage our manufacturing capabilities and strong position in the domestic defense ecosystem to capture the expected future expansion of the Japanese defense industry. This industry is currently benefiting from strong tailwinds as a result of the increased defense expenditures and contract system reforms being carried out by the Japanese government, which are expected to drive growth in both market scale and profitability. Government defense expenditures have already nearly doubled between the government fiscal year ended March 31, 2021 and the government fiscal year ended March 31, 2026, rising from ¥5.3 trillion to ¥8.7 trillion, due in part to the policy of the "Fundamental Strengthening of Defense Capabilities" announced in 2022, and are estimated to increase further to ¥9.0 trillion in the government fiscal year ending March 31, 2027. During this period, the Japanese government also introduced defense contracting system reforms aimed at increasing the assumed contract profit margin used to determine contract pricing for defense equipment contracts from about 8% to as high as 15% (5% to 10% for the base contract profit margin and 1% to 5% for an inflation adjustment) from the fiscal year ended March 31, 2024. The assumed contract profit margin for defense contract is calculated on a cost-plus basis as a percentage of the estimated project costs (including production costs, direct selling expenses and allowable general and administrative costs), and thus impacts the profitability of our defense equipment contracts with the Japanese government. The assumed contract profit margin is determined by the JMOD based on factors including the quality, cost and delivery timeline of the project. This assumed contract profit margin differs from business profit reported in our financial statements or business profit on a management accounting basis described below. In April 2026, the Japanese government also announced it was relaxing its long-standing restrictions on the export of lethal weapons, including categories of products we produce, to certain countries. Further increases in defense expenditures and expansion of defense initiatives are expected through and beyond 2030.

To capture the ongoing and future growth expected to be generated through these actions, we first aim to invest in key business areas such as aircraft and aircraft engines, while aligning our development and production priorities with those of the Japanese government and JMOD. See "Business—Our Strengths—Leading Supplier for the Japanese Defense Industry."

Through these strategies, we aim to increase revenue from sales to the JMOD, which we also refer to as our defense-related business, to around ¥700 billion over the medium term. We are also targeting a business profit margin (on a management accounting basis) in our defense-related business of above 10% over the medium term. For internal management purposes, we calculate and monitor our defense-related business profit as defense-related revenue after deducting direct cost of sales, directly related fixed costs and selling, general and administrative and other costs based on estimated internal allocations. Accordingly, while we view such business profit as an important management indicator for this business area, this metric differs from business profit as reported in our financial statements or the assumed contract profit margin used by the Japanese government to determine contract pricing for defense equipment contracts.

Boost Profitability through Implementing Automation and Robotics and Physical AI

As we pursue growth, we also aim to boost our profitability by focusing on business areas with attractive profit margins and pursuing cost efficiencies across our operations. Specifically, we aim to improve our profitability through the following initiatives:

Aerospace Systems

Business profit margin for our Aerospace Systems segment was 10.2% in the fiscal year ended March 31, 2026. We aim to build on this strong existing profitability and aim for profitability improvements. In our defense-related business, we aim to capture profitability improvements as Japan increases its defense budget and carries out revisions to contract structures. We possess technological capabilities that can address all seven priority areas identified by the JMOD. In the commercial aircraft area, following a challenging period of declining demand during the COVID-19 pandemic and persistent supply chain disruptions, we expect that the market will continue to recover and that growth in aircraft production volumes will support higher profit margins. In our commercial engine business, as unit sales of engines such as the PW1100G increase, we expect the higher-margin aftermarket services business to contribute to improved profitability over the medium to long term with our entry into the MRO business for the PW1100G-JM engine.

Rolling Stock

Business profit margin for our Rolling Stock segment was 3.7% in the fiscal year ended March 31, 2026. We aim to improve profitability in this segment by leveraging our strong market share in North America. In the United States, we have secured orders for New York subway cars, which provide high visibility for our revenue pipeline over the medium term. We are also working to improve productivity and aim to maintain profitability in this business. We also intend to expand our aftermarket services by leveraging the technology and customer relationships developed through this project, which offers opportunities to improve profitability. In Japan, we aim to capture orders for future projects, including next-generation bullet train projects, which are expected to commence in the medium term, and also aim to target projects in Asia financed by Japanese development loans which are expected to begin in the medium term.

Energy Solution & Marine Engineering

Business profit margin for our Energy Solution & Marine Engineering segment was 12.7% in the fiscal year ended March 31, 2026, demonstrating strong profitability across businesses in this segment. We have significant backlog that will allow us to continue to generate revenue and profit in this segment. At the same time, contract prices for ordered ships have improved, and we aim to achieve further increases in profitability. As described above, we are also targeting demand for certain products benefiting from positive market momentum such as gas turbines. In our hydrogen-related businesses, we expect deliveries of large liquefied hydrogen carriers and other products to begin in the medium to long term.

Precision Machinery & Robot

Business profit margin for our Precision Machinery & Robot segment was 5.6% in the fiscal year ended March 31, 2026, and we are aiming for profitability improvements in this segment. We are currently implementing structural reforms in our general-purpose robot business, including focusing on higher-margin product areas, which we expect to be completed by the fiscal year ending March 31, 2028. In China, we are pursuing cost reductions by using locally sourced components. As described in more detail above, we intend to pursue profitable growth in our semiconductor robots business while expanding into new and attractive areas that we believe will contribute to profitability. With respect to hydraulic machinery, while we are currently focused on construction machinery and hydraulic equipment for

the China market, we aim to expand our business to new customers in North America and other regions. We believe that there is potential to increase profit by expanding into broader hydraulic applications.

Powersports & Engine

Business profit margin for our Powersports & Engine segment was 3.3% in the fiscal year ended March 31, 2026. Profitability in this segment has been negatively impacted by the trade environment including U.S. tariffs, and we are aiming for profitability improvements in this segment. In order to boost profitability, we are working to reduce fixed costs and optimize scale to reduce manufacturing costs. In addition, we plan to bring our Mexico plant, which initially had low utilization, into full operation. With respect to sales models, particularly four-wheel vehicles, we aim to improve efficiency by narrowing the number of models offered. In addition, we believe that the motorcycle and four-wheel vehicle markets will continue to grow steadily, and we intend to efficiently capture revenue and profit by introducing products that respond to market preferences.

Through these initiatives, we are aiming to boost our business profit margin from 6.3% in the fiscal year ended March 31, 2026 to 10% or more in the medium term. Our ability to achieve this objective is based on a number of assumptions including but not limited to the successful execution of the strategies described above and actual market conditions being consistent with the market trends described above. In addition, we have assumed that macroeconomic factors (including but not limited to global economic conditions, the inflationary environment and foreign currency exchange rates) as well as geopolitical conditions would not have a significant negative impact on our ability to achieve this objective.

The discussion above includes forward-looking statements based on various assumptions and beliefs, including but not limited to the assumptions set forth above. Many of these assumptions and beliefs relate to matters that are outside of our control, including factors affecting the business and economic environment. These and other unanticipated events and circumstances could affect our ability to meet the financial goals set forth above. In addition, there can be no assurance as to our ability to implement our various strategic initiatives. As a result, we cannot and do not make any representation or assurance as to the achievability of our strategic objectives and goals or whether our underlying assumptions are appropriate. You should be aware that actual results may vary, potentially materially, from the above forward-looking statements. See "Risk Factors—Risks Relating to Our Business and Industries—We may be unable to successfully execute our growth strategies or achieve our strategic and medium-term profitability objectives" and "Forward-Looking Statements."

Summary Risk Factors

An investment in the Bonds and shares of our common stock involves significant risks, and prospective investors are urged to carefully consider the matters discussed under "Risk Factors" prior to making an investment in our shares. Such risks include, but are not limited to the following:

- our businesses may be cyclical and affected by changes in general economic conditions as well as specific industry conditions affecting the relevant business, which in turn can affect demand for our products and services and our results of operations;
- we operate in highly competitive markets;
- we may be unable to successfully execute our growth strategies or achieve our strategic and medium-term profitability objectives;
- we are exposed to the risk of cost overruns and completion delays, particularly with respect to long-term contracts;
- our products and services are highly sophisticated and specialized, and a major failure or quality issue affecting our products or third-party products with which our products are integrated can adversely affect our business, reputation, financial position, results of operations and cash flows;
- supply chain disruptions including significant input shortages, supplier capacity constraints, supplier or customer production disruptions, supplier quality and sourcing issues may negatively impact our business;
- increases in raw material and component costs could adversely affect our operating results and our financial condition;
- we must continue to invest in developing new technologies and introduce new products that achieve market acceptance, and there is no assurance any such efforts will enable us to recover our investments;

- we generate a significant portion of our revenue from government contracts with the JMOD, which exposes us to unique risks;
- misconduct by our officers, employees, suppliers or other third parties, or our failure to comply with laws or regulations applicable to our business, could cause us to lose customers or lose our ability to contract with government agencies;
- a small number of aircraft and aircraft component manufacturers contribute a significant portion of revenue in our Aerospace Systems business, and we are accordingly exposed to any factors affecting the business of those customers specifically as well as general demand fluctuations in the commercial air travel industry;
- in our Powersports & Engine segment, our continued success depends on our ability to enhance existing products and develop and market new or enhanced products that respond to customer needs and preferences as well as maintaining a positive perception of our brands;
- our results of operations and financial condition may be adversely affected by foreign currency exchange rate fluctuations;
- we have significant global operations, which expose us to additional risks;
- we rely on third parties in many aspects of our business, including technology and alliance partners, which exposes us to additional risks that could adversely affect our business, results of operations or financial condition;
- we rely on the proper function, availability and security of information technology systems to operate our business and a cyberattack or other breach of these systems could have a material adverse effect on our business, financial condition or results of operations;
- we depend on the efforts and abilities of our management and other key employees, and if we are unable to attract and retain qualified employees, it could adversely affect our results of operations;
- labor union disputes and other employee relations issues could materially adversely affect our financial results or operations;
- we may suffer losses in the event of a natural disaster, such as an earthquake, geopolitical threats, health emergencies or pandemics or other catastrophic events, in the markets in which we operate;
- our backlog is not necessarily indicative of the level of our future revenues;
- our business could be negatively impacted by corporate social responsibility and sustainability matters;
- our results of operations may fluctuate on a quarterly and annual basis, which could cause our stock price to fluctuate or decline;
- we may not realize the anticipated benefits of acquisitions, joint ventures, strategic alliances or divestitures;
- we face certain significant risk exposures and potential liabilities that may not be adequately covered by indemnity or insurance;
- changes to international trade policies, including tariffs, export controls and other foreign trade restrictions or regulations, could adversely affect our business;
- environmental laws and regulations and civil liability for contamination of the environment or related personal injuries may result in increases in our operating costs and capital expenditures and decreases in our earnings and cash flows;
- we are subject to a variety of laws and regulations in the countries in which we operate and conduct business;
- changes to laws, governmental regulations and policies, including those pertaining to government funding programs and spending policies, particularly those relating to defense and decarbonization, could affect demand for our services or cause delays in the timing of projects or cancellations of current or planned future projects;

- our tax liabilities are dependent, in part, upon the distribution of income among various jurisdictions in which we operate, as well as changes in tax law or regulation;
- we may not be able to recover our deferred tax assets;
- failure to comply with evolving data privacy and data protection laws and regulations or to otherwise protect personal data may adversely impact our business and financial results;
- we may be unable to protect our intellectual property adequately;
- we may be subject to intellectual property claims, which could be costly to defend and require us to pay significant license fees or damages;
- we are subject to the risk of litigation and other legal proceedings;
- our internal controls may not be effective in preventing future misstatements of our financial condition and results of operations;
- our indebtedness could adversely affect our financial condition, and we may be unable to obtain additional financing if so required;
- we may be required to recognize impairment losses with respect to our property, plant and equipment and other assets;
- we are exposed to risks in connection with our defined benefit pension plan commitments;
- future sales of shares by our existing shareholders or issuances of additional shares by us, including as a result of the conversion of convertible securities or the exercise of stock acquisition rights, could adversely affect the market price of our common stock and result in substantial dilution; and
- if we do not complete the Concurrent Share Offering, we may be unable to achieve the overall purpose of this offering.

For a discussion of these and other risks you should consider before making an investment in the Bonds and our common stock, see the section entitled "Risk Factors."

Company Information

Our registered office is located at 1-1, Higashikawasaki-cho 3-chome, Chuo-ku, Kobe, Hyogo 650-8670, Japan, and our Tokyo head office is located at 14-5, Kaigan 1-chome, Minato-ku, Tokyo 105-8315, Japan. Our corporate website is https://global.kawasaki.com/en/. The information contained on our website does not constitute a part of this offering circular.

THE OFFERING

Issuer	Kawasaki Heavy Industries, Ltd.
Securities Offered	2031 Bonds: ¥50,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2031 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*). 2033 Bonds: ¥50,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2033 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*). The 2033 Bonds are being issued as transition convertible bonds under our Sustainable Finance Master Framework.
Issue Prices	2031 Bonds: 101.0%. 2033 Bonds: 101.0%.
Offer Prices	2031 Bonds: 103.5%. 2033 Bonds: 103.5%.
Closing Date	On or about July 31, 2026.
Joint Global Coordinators	Nomura International plc Mizuho International plc
Joint Lead Managers and Joint Bookrunners	Mizuho International plc Nomura International plc
Co-Manager	SMBC Bank International plc
Delivery	It is expected that a Global Certificate in respect of each Series of Bonds will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	Each Series of Bonds will be issued in registered form, evidenced by a Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form."
Listing	Approval in-principle has been received for the listing of each Series of Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this offering circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of us, our subsidiaries and affiliates, or the Bonds. Each Series of Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Lock-up Arrangements	In connection with the issue and offering of the Bonds, we have agreed that, during the period beginning on the date of this offering circular and ending on the date that is 180 days from and including the Closing Date, we will not, without the prior written consent of the Joint Lead Managers (as defined in "Subscription and Sale") on behalf of the Managers: (i) issue, offer, allot, transfer, pledge, lend, sell or enter into any contract relating thereto, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale or otherwise dispose of

Shares or any other class of our capital stock or any securities convertible into, or exchangeable for, or that represent the right to acquire or receive, Shares or any other class of our capital stock, including the stock acquisition rights of the Company (collectively, the "Lock-up Securities") (in each case regardless of whether any such transaction is to be effected by actual disposition, cash settlement or other settlement for economic value);

(ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of the Lock-up Securities;

(iii) permit any entities or persons acting at the Company's direction to engage in any of the prohibited actions described in (i) or (ii) above;

(iv) announce or publicise the intention to enter into, or consent to, any of the prohibited actions described in (i) through (iii) above; or

(v) approve of or request for, or take any internal corporate action in order to approve of, any secondary offering of Shares or any other class of our capital stock by our shareholders.

The restrictions above also prohibit transactions undertaken with the intent to lead to or bring about, or transactions that could reasonably be expected to result in, sales or disposals of the Lock-up Securities, such as hedging or other transactions, including disposals of the Lock-up Securities, undertaken by third parties. Prohibited hedging and other transactions include, but are not limited to, short sales and any purchase, sale or grant of rights (including but not limited to put options and call options) relating to the Lock-up Securities or securities relating to or that derive their primary value from the Lock-up Securities.

Notwithstanding the foregoing, the restrictions described above will not apply to:

(A) the issue and sale of the Shares and Bonds in the Concurrent Share Offering and the Offering, respectively;

(B) the approval of, and the taking of any internal corporate action in order to approve of, the Concurrent Share Offering or the Offering;

(C) a stock split undertaken in accordance with Article 183 of the Companies Act or an allotment of shares without contribution undertaken in accordance with Article 185 of the Companies Act;

(D) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares in accordance with paragraph 3 of Article 194 of the Companies Act; or

(E) the issuance or delivery of Shares upon the exercise of the Stock Acquisition Rights relating to the Bonds or other stock acquisition rights outstanding on the date hereof and disclosed in this offering circular.

	See "Subscription and Sale."
Use of Proceeds	The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥101.0 billion. We intend to apply such net proceeds by the end of March 2031, for the establishment of a liquefied hydrogen supply chain aimed at achieving energy security and carbon neutrality, as well as the implementation of physical AI, as follows: (i) With respect to the net proceeds of the 2031 Bonds, we intend to apply: (a) approximately ¥20.0 billion, to fund commercial-scale demonstration projects aimed at the establishment of a liquefied hydrogen supply chain, through investments and loans to our subsidiary, Japan Suiso Energy, Ltd., as well as other carbon neutrality-related investments; and (b) approximately ¥30.5 billion, to research and development expenses for the development of physical AI, investments and loans to expand strategic alliances, and the repayment of borrowings or the redemption of bonds; and (ii) With respect to the net proceeds of the 2033 Bonds, we intend to apply approximately ¥50.5 billion, to fund commercial-scale demonstration projects for the establishment of a liquefied hydrogen supply chain, through investments and loans to our subsidiary, Japan Suiso Energy, Ltd., which we believe meet the criteria for qualifying as Eligible Transition Projects in accordance with our Sustainable Finance Master Framework. See "Use of Proceeds."
Concurrent Share Offering	Separately from the issue and offering of the Bonds, and concurrently, we are offering and intend to sell 37,350,000 newly issued Shares. The Concurrent Share Offering will be conducted outside Japan in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act ("Regulation S") and within the United States only to "qualified institutional buyers" (as defined in the Securities Act) ("QIBs"), in reliance on Rule 144A under the Securities Act. Subject to certain conditions, the joint lead managers for the Concurrent Share Offering will purchase the Shares at a purchase price of ¥2,501.40 per Share, and initially offer the Shares at the offer price of ¥2,609.0 per Share. It is expected that payment for the Shares offered in the Concurrent Share Offering will be made in Japanese yen for value on or about July 22, 2026 (Tokyo time) and delivered through the facilities of Japan Securities Depository Center, Inc. ("JASDEC") in Tokyo on or about July 23, 2026 (Tokyo time), or on such other date as we and the joint lead managers for the Concurrent Share Offering may agree. No Offered Shares are being offered hereby. The closing of the offering of the Bonds is not conditional upon the closing of the Concurrent Share Offering and *vice versa*. We estimate that the net proceeds that we will receive from the sale of Offered Shares will be approximately ¥92,457 million, after deducting estimated underwriting discounts and estimated offering expenses payable by us. We intend to apply such net proceeds by the end of March 2029, towards capital expenditures aimed at strengthening the production base supporting the growth of our respective businesses. Such capital

expenditures are expected to include the introduction of advanced production technologies, such as robotics and physical AI at our manufacturing facilities in line with our strategic priorities. These initiatives are intended not only to expand our production capacity and maximize production efficiency, but also to utilize the operational data and know-how obtained therefrom to optimize solutions for our customers and maximize added value through the application of physical AI, robotics, and mass production automation.

Specifically, we intend to apply such net proceeds of the Concurrent Share Offering to the following:

- capital expenditures aimed at increased production and improved production efficiency at our Gifu, Nagoya, Seishin and Akashi works, which serve as core sites for our commercial aircraft and commercial aircraft engine businesses;
- capital expenditures at our Akashi works aimed at expanding production capacity in our gas turbine business;
- capital expenditures at our Nishi-Kobe works in our robotics business, including measures to increase production of robots for semiconductor manufacturing equipment;
- capital expenditures at our Sakaide works, a core site for our shipbuilding business, to strengthen our production system for next-generation energy carriers, including liquefied hydrogen carriers and LPG and ammonia carriers; and
- any remaining amount will be applied towards working capital requirements.

THE BONDS

Form and Denomination	The Bonds are issued in registered form in the denomination of ¥10,000,000 each.
Initial Conversion Price	2031 Bonds: ¥3,913 per Share 2033 Bonds: ¥3,783 per Share, subject in each case to adjustment in certain events. See Condition 5 of the Conditions for the relevant Series of Bonds.
Coupon	2031 Bonds: Zero 2033 Bonds: Zero
Exercise of Stock Acquisition Rights	Subject to and upon compliance with the provisions of Condition 5 of the Conditions for the relevant Series of Bonds, any holder of a Bond may exercise the Stock Acquisition Right in respect thereof, at any time on and after August 14, 2026 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on: • in the case of the 2031 Bonds July 17, 2031 (but in no event thereafter); or • in the case of the 2033 Bonds July 15, 2033 (but in no event thereafter), in each case, to acquire fully-paid and non-assessable Shares. See Condition 5 of the Conditions for the relevant Series of Bonds.
Status	The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2 of the Conditions for the relevant Series of Bonds) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 of the Conditions for the relevant Series of Bonds and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
Negative Pledge	So long as any Bonds of any Series remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in the Conditions for the relevant Series of Bonds) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in the Conditions for the relevant Series of Bonds) unless the same security or such other security or guarantee as provided in Condition 2 of the Conditions for the relevant Series of Bonds is accorded to the relevant Series of Bonds. See Condition 2 of the Conditions for the relevant Series of Bonds.
Redemption at Maturity	Unless the relevant Series of Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the 2031 Bonds at 100% of their principal amount on July 31, 2031 and will redeem the 2033 Bonds at 100% of their principal amount on July 29, 2033.
Early Redemption—Increased Share Prices	At any time on or after July 31, 2029, in the case of the 2031 Bonds, or at any time on or after July 31, 2031, in the case of the 2033 Bonds, the Company may, but shall not be bound to, redeem all, but not some only, of the Bonds of the relevant Series then outstanding at 100% of their

	principal amount on the date fixed for such redemption, provided, however, that no such redemption may be made unless the Closing Price of the Shares for any 20 Trading Days in a period of 30 consecutive Trading Days, the last of which consecutive Trading Days occurs not more than 30 days prior to the date upon which the relevant Optional Redemption Notice is first given, is at least 130% of the Conversion Price of the relevant Series of Bonds in effect on each such Trading Day (taking into account any Retroactive Adjustment (as defined in the Conditions for the relevant Series of Bonds) not then reflected in the Conversion Price of the relevant Series of Bonds). See Condition 7.2 of the Conditions for the relevant Series of Bonds.
Early Redemption—Redemption at the Option of the Company upon Reduced Outstanding Amounts	The Company may, having given not less than 30 nor more than 60 days' prior irrevocable notice of redemption to the Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds, redeem all, but not some only, of the relevant Series of Bonds then outstanding at 100% of their principal amount if, at any time prior to the date of giving that notice, the outstanding principal amount of the Bonds is less than 10% of the aggregate principal amount of the Bonds as of the date of issue thereof. See Condition 7.3 of the Conditions for the relevant Series of Bonds.
Early Redemption—Redemption for Taxation Reasons	If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders, that: (i) the Company has or will become obliged to pay any Additional Amounts (as defined in the Conditions for the relevant Series of Bonds) in accordance with Condition 9 of the Conditions for the relevant Series of Bonds as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after July 14, 2026, and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the relevant Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds, redeem all, but not some only, of the relevant Series of Bonds then outstanding at 100% of their principal amount. If, however, the outstanding principal amount of the relevant Series of Bonds at the time of such notice of redemption is 10% or more of the aggregate principal amount of the relevant Series of Bonds as of the date of issue thereof, the relevant Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on the relevant Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.4 of the Conditions for the relevant Series of Bonds.
Early Redemption—Corporate Events	In the case of a Corporate Event (as defined in the Conditions for the relevant Series of Bonds), the Company shall give notice to the Trustee in

writing and to the Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds of such Corporate Event and the anticipated effective date of such transaction, and the provisions set out in Condition 6 of the Conditions for the relevant Series of Bonds shall apply.

Upon or following the occurrence of a Corporate Event, the Company shall give not less than 14 Tokyo Business Days' (as defined in the Conditions for the relevant Series of Bonds) prior notice to the Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds to redeem all, but not some only, of the relevant Series of Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the relevant Series of Bonds) determined in accordance with Condition 7.8 of the Conditions for the relevant Series of Bonds, subject to the provisions of Condition 7.5 of the Conditions for the relevant Series of Bonds, on the Corporate Event Redemption Date (as defined in the Conditions for the relevant Series of Bonds) specified in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date (as defined in the Conditions for the relevant Series of Bonds) or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1 of the Conditions for the relevant Series of Bonds;

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1 of the Conditions for the relevant Series of Bonds;

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2 of the Conditions for the relevant Series of Bonds, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in the Conditions for the relevant Series of Bonds) has been obtained for the shares of common stock of the New Obligor (as defined in the Conditions for the relevant Series of Bonds) and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director (as defined in the Conditions for the relevant Series of Bonds) stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate.

See Condition 7.5 of the Conditions for the relevant Series of Bonds.

Early Redemption—Delisting of the Shares	In certain circumstances where a tender offer is made to holders of Shares of the Company by an Offeror (as defined in the Conditions for the relevant Series of Bonds) where, *inter alia*, the Company expresses its opinion to support such offer, the Company or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange (as defined in the Conditions for the relevant Series of Bonds), and the Offeror acquires any Shares pursuant to the offer, then the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price determined in accordance with Condition 7.8 of the Conditions for the relevant Series of Bonds, subject to the provisions of Condition 7.6 of the Conditions for the relevant Series of Bonds. See Condition 7.6 of the Conditions for the relevant Series of Bonds.
Early Redemption—Squeezeout Event	Upon the occurrence of a Squeezeout Event (as defined in the Conditions for the relevant Series of Bonds), the Company shall redeem all, but not some only, of the relevant Series of Bonds then outstanding at the redemption price determined in accordance with Condition 7.8 of the Conditions for the relevant Series of Bonds, subject to the provisions of Condition 7.7 of the Conditions for the relevant Series of Bonds. See Condition 7.7 of the Conditions for the relevant Series of Bonds.
Cross Default	Each Series of Bonds is subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies). See Conditions 10.3 and 10.4 of the Conditions for the relevant Series of Bonds.
Taxation	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9 of the Conditions for the relevant Series of Bonds.
Governing Law	English law.
Jurisdiction	English courts.
International Securities Identification Number ("ISIN")	2031 Bonds: XS3406772007. 2033 Bonds: XS3406772346.
Common Code	2031 Bonds: 340677200. 2033 Bonds: 340677234.
Legal Entity Identifier ("LEI") of the Company	5493008FFSI8SQ74AT93.
Trustee and Custodian	The Law Debenture Trust Corporation p.l.c.
Principal Agent and Registrar	State Street Bank International GmbH, Luxembourg Branch.
Custodian's Agent in Japan	Mizuho Bank, Ltd.

RISK FACTORS

Prior to making an investment decision, you should carefully consider the risks described below as well as all the other information in this offering circular, including our consolidated financial statements and other financial information, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Financial Data and Other Information." The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that could adversely affect our business, financial condition and results of operations.

Our business, results of operations and financial condition could be materially and adversely affected by the factors discussed below. This offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this offering circular. See "Forward-looking Statements."

Risks Relating to Our Business and Industries

Our businesses may be cyclical and affected by changes in general economic conditions as well as specific industry conditions affecting the relevant business, which in turn can affect demand for our products and services and our results of operations.

We operate a broad portfolio of businesses in a range of geographical markets across the world. Each of our businesses may be cyclical and subject to various risks related to general economic conditions as well as specific industry conditions that impact the relevant business. Economic conditions in Japan and globally are subject to change and could be adversely affected by a range of economic, social and geopolitical developments. In Japan, our largest market in terms of revenue, the economic environment continues to be challenging due to a number of factors, including fluctuation in the exchange rate of the Japanese yen against the U.S. dollar and other major currencies, inflationary trends affecting the price of domestic and imported goods, commodities, energy and wages, increases in interest rates and longer-term challenges surrounding the impact of unfavorable demographic trends such as the declining birthrate and the declining and aging of the overall population. For example, the Bank of Japan has been gradually increasing policy interest rates since 2024, and most recently raised the target for the uncollateralized overnight call rate to around 1.0% on June 16, 2026. Economic conditions in the United States, our second largest market by revenue, are also exposed to various risks and challenges including inflationary trends and a potential slowdown in the job market. Economic conditions in each of our key markets may also be adversely affected by any future changes in fiscal and monetary policy, increased inflation, increases in interest rates or regulatory trends, which could reduce public and private investment and consumer spending. In addition, economic conditions globally are subject to a number of uncertainties and challenges, including the ongoing military conflict between Russia and Ukraine, the recent military conflict involving Iran, the United States and Israel, ongoing and potential disruptions to global supply chains and distribution channels, including disruptions in global supply chains for oil, gas, and solvents, among other commodities and goods, resulting from ongoing instability in the Middle East, geopolitical tensions between Japan and China as well as political disputes and trade tensions between the United States and China and other trading partners, the imposition of tariffs and other trade barriers by the United States and other major economies and any escalation of geopolitical risks associated with North Korea.

In addition to general economic conditions, each of our businesses is exposed to risks and uncertainties associated with the specific operating environment and industry of such business. Any of these risks and uncertainties, including those described below, could materially impact our business and results of operations.

Aerospace Systems

In our Aerospace Systems business, we serve both government customers in the defense sector, particularly the JMOD, as well as private sector customers in the air travel industry, such as Airbus and Boeing. Demand from government customers can be impacted by government budget appropriations for defense and other programs, which are impacted by a number of factors including economic conditions and changes in government priorities that impact government spending on defense and related areas. See "—We generate a significant portion of our revenue from government contracts with the JMOD, which exposes us to unique risks." Demand from private sector customers may be adversely affected by downturns in the global demand for air travel, which may impact new aircraft or aircraft engine production or result in the delay or cancellation of new aircraft or aircraft engine orders, delays in launch schedules for new aircraft, the retirement of aircraft and reductions in global flying hours, which impacts air transport and regional, business and general aviation aircraft utilization rates. For example, global demand for air travel significantly declined during the COVID-19 pandemic, resulting in delays and cancellations of orders for our products from private sector customers, as well as a reduction in the demand for repair and maintenance services due to the decrease in aircraft utilization. Operating results may also be adversely affected by any decrease in regional air travel

demand due to regional conflicts, such as the recent military conflict involving Iran, the United States and Israel, and regional restrictions or suspensions of service relating to safety, environmental or other concerns related to public health, such as any future pandemics. In addition, global air travel may be negatively impacted by other factors such as increased prices from higher fuel costs as a result of instability in the Middle East and related disruptions to fuel supply chains and distribution channels. For example, in response to recent global disruptions in the supply of oil resulting from the recent conflict between Iran, the United States and Israel, the International Energy Agency published recommendations to help reduce the negative impacts of such oil disruptions that included, among other measures, the avoidance of air travel where alternative options are available. Operating results in this business could also be impacted by changes in overall trends related to end market demand for our product portfolio, such as supply chain restructuring by our customers, as well as new entrants and non-traditional players entering the market. See "—A small number of aircraft and aircraft component manufacturers contribute a significant portion of revenue in our Aerospace Systems business, and we are accordingly exposed to any factors affecting the business of those customers specifically as well as general demand fluctuations in the commercial air travel industry."

Rolling Stock

The passenger transit sector in the markets where we operate is subject to significant fluctuations due to overall economic conditions, the use of alternate methods of transportation and the levels of public or private railway operators' spending on railway projects, which can be affected by government budgets and subsidies as well as government policies. In economic downturns, railway operators have deferred, and may defer, expenditures on transit infrastructure as a result of budgetary constraints. For example, the economic slowdown that was caused by the COVID-19 pandemic impacted the timing of some orders, as certain customers reviewed their investment plans, delayed ongoing projects and postponed bids for new projects. New passenger transit car orders vary from year to year and are influenced by a variety of factors, including major replacement programs, the construction or expansion of transit systems by railway operators and the quality and cost of alternative modes of transportation. To the extent that future funding for proposed railway projects is curtailed or withdrawn altogether as a result of changes in political, economic, fiscal, or other conditions beyond our control in any of the markets in which we operate, such projects may be delayed or canceled, resulting in a potential loss of business for us, including transit aftermarket and new transit car orders.

Energy Solution & Marine Engineering

Operating results may be adversely impacted by downturns in investments in energy, industrial and waste treatment plants, merchant ships and turbines, which could be impacted by adverse economic conditions and other factors. Periods of increased volatility in oil and natural gas prices, such as those that have occurred as a result of the recent military conflict involving Iran, the United States and Israel, may lead to reduced investment by our customers and, therefore, lower demand for our products and services. In addition, demand for our products supplied by this business that rely on fossil fuels could be adversely impacted by the ongoing and future advancement of decarbonization initiatives and technologies, as well as the increased volatility in oil prices related to the recent military conflict involving Iran, the United States and Israel. In addition, as we produce numerous products such as hydrogen-related products and solutions that contribute to low-carbon and decarbonization initiatives, our ability to expand our business in these areas depends on the continuation of and support for such initiatives by customers as well as by governments in the countries where our customers operate. However, it is possible that further progress towards implementing these initiatives by governments or across society may slow down, or commitments to furthering these initiatives by our customers may cease or be reversed altogether, resulting in a potential loss of business for us. For example, if electricity supply from renewable and nuclear sources does not keep pace with rising demand driven by the expansion of AI and data centers, reliance on carbon-based electricity generation may persist longer than currently expected. This could delay the adoption of hydrogen-related products and electrification, negatively affecting demand growth for these products. See "—Risks Relating to Legal, Regulatory, Compliance and Reputational Matters—Changes to laws, governmental regulations and policies, including those pertaining to government funding programs and spending policies, particularly those relating to defense and decarbonization, could affect demand for our services or cause delays in the timing of projects or cancellations of current or planned future projects."

Precision Machinery & Robot

Operating results may be adversely impacted by reduced investments in construction and industrial operations and machinery, process automation, changes in the competitive landscape, including new market entrants and new technologies that may lead to product commoditization, and adverse industry economic conditions, all of which could result in lower market share, reduced selling prices and lower margins. For example, demand for our hydraulic components, which are integral to construction equipment and various other industrial applications, is closely tied to capital expenditures and activity levels in these sectors, particularly in China where our products are used in construction equipment. Any downturn in these sectors, or a shift toward alternative industrial technologies, could significantly reduce sales volumes for our products. Similarly, sales of the robots we produce, such as those used in the automotive and semiconductor industries, among others, are subject to risks associated with changes in the spending

and practices in such industries, as well as changes in related regulatory approval processes and regulatory regimes and the pace of adoption of alternative robotic and AI-driven solutions in these industries. If we are unable to anticipate or respond effectively to these market dynamics, our business, financial condition and results of operations could be materially and adversely affected.

Powersports & Engine

Demand for products in our Powersports & Engine segment is impacted by discretionary consumer spending in our main operating markets including the United States and Europe. Weakening of, and fluctuations in, general economic conditions affecting the disposable income of our customers, such as employment levels, inflation, business conditions, changes in housing market conditions, tax rates, savings rates, interest rates, fuel and energy costs, the availability of consumer credit and other factors, could reduce overall spending or reduce spending on our products. Furthermore, product sales and segment profitability could be adversely impacted by the continuation or strengthening of tariffs and other trade barriers in the countries in which we operate, particularly those involving the United States given the importance of that market to this segment. For example, in the fiscal year ended March 31, 2026, while revenue for this segment increased, profit for this segment decreased due in part to tariff-related costs. Based on the current tariff environment, we expect that tariff-related costs will continue to have a negative impact on the profitability of this segment. See "—Risks Relating to Legal, Regulatory, Compliance and Reputational Matters—Changes to international trade policies, including tariffs, export controls and other foreign trade restrictions or regulations, could adversely affect our business." Our sales growth and profitability have been from time to time, and in the future could be, affected by a general reduction in consumer spending or a reduction in consumer spending on our main powersports products including motorcycles, off-road vehicles and watercraft. Adverse changes in these factors have previously, and may in the future, lead to a decreased level of demand for our products, which could negatively impact our business, results of operations, financial condition and cash flows. In addition, demand for the engines produced in this business that are powered by fossil fuels could also be affected by the ongoing and future advancement of decarbonization initiatives and technologies, as well as the increased volatility in oil prices related to the recent military conflict involving Iran, the United States and Israel, which could adversely affect demand for our products.

We operate in highly competitive markets.

Across our businesses, we operate globally and offer a wide range of products and services in a variety of markets. As a result, we compete with a variety of companies, including large multinational companies and smaller, specialized companies. Our competitors in particular geographic markets or product categories may have advantages over us such as greater financial resources, technical knowhow, a broader or more competitive product lineup and stronger marketing and research and development resources, or a more diversified business model. In addition, such competitors may benefit from established business relationships with particular customers, including national or local governments and government agencies. More specifically:

- In our Aerospace Systems segment, other major prime contractors for defense-related projects include Mitsubishi Heavy Industries, Ltd. and Subaru Corporation, although it is common for us and other companies active in this segment to act as suppliers for each other in connection with such projects. For private sector projects, we compete with Spirit AeroSystems Holdings, Inc. in the production of aircraft, as well as IHI Corporation and MTU Aero Engines AG in the production of aircraft engines. However, it is common for major private sector aircraft manufacturing to be shared among multiple suppliers for different phases of the manufacturing process. For example, for Boeing 787 manufacturing, we, Mitsubishi Heavy Industries, Ltd. and Subaru Corporation participate in different phases of production and assembly.

- In our Rolling Stock segment, we compete with Japanese railway suppliers such as Hitachi, Ltd. and Nippon Sharyo, Ltd. along with global rolling stock companies such as CRRC Corporation and Siemens AG.

- In our Energy Solution & Marine Engineering segment, for private sector projects, we compete with Japanese and global companies such as Mitsubishi Heavy Industries, Ltd., IHI Corporation and Wartsila Corporation in the energy solutions market; JFE Engineering Corporation and JGC Holdings Corporation in the plant manufacturing market; and Imabari Shipbuilding Co., Ltd., Japan Marine United Corporation and HD Hyundai Heavy Industries Co., Ltd. in the shipbuilding market. For defense-related projects, we compete primarily with Mitsubishi Heavy Industries, Ltd.

- In our Precision Machinery & Robot segment, we compete with global corporations such as Robert Bosch GmbH, Danfoss A/S and the Hengli Group in the precision machinery market, and Japanese industrial robotics companies such as FANUC Corporation and Yaskawa Electric Corporation and global equivalents such as ABB Group and KUKA AG in the robot market.

- In our Powersports & Engine segment, we compete with other Japanese and global motorsports brands such as Honda Motor Co., Ltd., Yamaha Motor Co., Ltd., Polaris Inc. and BRP Inc.

For products and services provided to corporate and government customers, we generally compete based on factors such as our ability to provide high-quality and tailored solutions that meet customer specifications, pricing level of after-sales support services and ability to comply with regulatory requirements. For consumer products, we also compete based on brand strength and familiarity to target customers, product features and pricing and the quality and safety of our products. As the industries in which we operate are characterized by rapid changes in technology and product development, there is a risk that our products and solutions could lose competitiveness if competitors are more successful in the development of new products, processes and technologies or if competitors choose to concentrate their financial and other resources into specific products or services that directly compete with ours, including as a result of consolidation among companies in our industry. In addition, we may face additional competition from local companies with a more established market position as we expand into new and emerging markets. New competitors may also emerge in the future, which could further intensify competition.

Our inability to compete effectively could result in a decline in our revenue and profitability and negatively affect our results of operations and financial condition.

We may be unable to successfully execute our growth strategies or achieve our strategic and medium-term profitability objectives.

Our ability to achieve further growth and profitability depends on the successful execution of a number of strategies, including those described under "Business—Our Strategies." These strategies include pursuing near- to medium-term growth by focusing on businesses with recent improvements in profitability such as our civil aircraft business, gas turbine business, semiconductor robots and ship and offshore structure business. We believe that we can leverage our strengths and benefit from market trends that we expect will support growth in these areas. However, if the opportunities we believe exist do not materialize, or we are unable to capture these opportunities, these strategies may not in fact translate into growth, enhanced profitability or increased shareholder value.

In addition, our strategy to build innovative physical AI solutions depends on our ability to deploy such technologies across multiple business segments and operational domains. For example, our strategic initiatives in this area include integrating AI into platforms in our Precision Machinery & Robot segment, expanding in fields such as semiconductor, medical and social robots, and applying these technologies across manufacturing and other operations. The success of our physical AI strategy will require us to adapt AI solutions to diverse environments, ensure compatibility with legacy systems, secure data availability and quality, and maintain safety and reliability standards. These markets are also subject to rapid technological change, evolving customer requirements, increasing competition and uncertain adoption. Moreover, although we expect to benefit from Japanese government support for the physical AI industry, there is no assurance that such government support will materialize into tangible benefits for our business. We may also fail to develop solutions that are commercially viable, safe, reliable or sufficiently differentiated from those of our competitors, or our solutions may not achieve acceptance by customers, regulators or end users. If we are unable to successfully commercialize and scale these technologies, we may not realize the anticipated benefits of our physical AI strategy, and our business, financial condition and results of operations could be materially and adversely affected.

In addition, our longer term strategy to expand diverse energy product offerings to generate stable returns into a carbon-neutral future depends on our ability to maintain and expand a product lineup that addresses customers' evolving needs during the energy transition. Our strategy depends on our ability to develop and commercialize products across the hydrogen supply chain, and to advance partnerships for commercial hydrogen chains. However, the pace, direction and economics of the energy transition remain uncertain, and demand for hydrogen-based and other carbon-light energy solutions may not develop at the rate or scale we expect. If regulatory frameworks, government incentives, customer investment priorities, fuel economics or required infrastructure do not develop favorably, or if technical, safety, cost or commercialization challenges delay or prevent adoption of our energy transition products, our energy strategy may not generate the stable returns or growth we expect.

Our strategy to expand our defense-related business depends significantly on continued Japanese government defense spending, procurement priorities and contract system reforms, as well as our ability to align our development and production priorities with those of the Japanese government and JMOD. There can be no assurance that the Japanese government will maintain or increase defense expenditures, continue current procurement or contract reform policies, maintain recently adopted export policy frameworks, or award us defense-related contracts at the levels or profitability we expect. In addition, orders from the JMOD can fluctuate significantly based on government budget allocations, long-term procurement plans and the timing of large orders, which can take multiple years to complete. Furthermore, while we believe that JMOD's changes in contract pricing policy create opportunities for higher profit margins, there is no assurance that we will be able to achieve improvements in profitability for defense-related business. Although we have established certain specific targets with respect to the revenue and business profit margin

(on a management accounting basis) for our defense-related business, any of the factors above could negatively impact our ability to achieve such targets in the timeframe we expect or at all.

We have also set an objective of boosting our business profit margin in the medium term through initiatives relating to automation, robotics and physical AI. Our ability to improve profitability depends on a number of assumptions, including our ability to increase sales in higher-margin businesses, improve production efficiency, manage fixed costs, control raw material, labor, energy and tariff-related cost increases, and successfully implement automation and productivity initiatives. There can be no assurance that we will achieve revenue growth while controlling costs to the extent we expect or at all, and any failure to do so could adversely affect our margins and our ability to achieve our medium-term profitability objectives.

As a result of these and other challenges and uncertainties, we may be unable to successfully execute our growth strategies, achieve our strategic objectives, realize expected returns on our investments or improve our profitability, and our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to the risk of cost overruns and completion delays, particularly with respect to long-term contracts.

Certain of our businesses involve large-scale, complex contracts that may take an extended period of time to complete and are subject to the risk of potential cost overruns and completion delays. The quality of our performance on such contracts depends in large part upon our ability to manage our client relationships and the project itself, such as the timely deployment of appropriate resources, including third-party contractors and our own personnel, and management of the schedule and costs associated with the project. Our results of operations, cash flows and liquidity could be adversely affected if we are unable to correctly estimate the cost, resources or time needed to complete orders due to the inherent unpredictability of such factors or otherwise. Although some of our contracts contain provisions that permit us to pass on cost increases to our customers, certain contracts require us to assume the risk of cost increases in certain circumstances. In particular, long-term projects such as plant construction and shipbuilding contracts are subject to a variety of uncertainties that may expose us to the risk of cost overruns as we may be unable to negotiate contracts that pass on cost increases to the customer. Even where we are able to enter into contracts permitting price adjustments for cost increases, the amount of cost increases that we can pass on to the customer may be capped or otherwise limited. In these cases, cost overruns would directly impact the profitability of the relevant orders. In addition, some of our agreements require that we pay liquidated damages or share cost coverages if we are unable to meet our contractual obligations including specified completion deadlines or other requirements. For these projects, any failure to properly estimate or manage costs, or delays in the completion of projects, could subject us to penalties, which could adversely affect our results of operations, cash flows and liquidity.

In addition, accounting for long-term contracts and related assets requires estimates and judgments related to our progress toward completion and the long-term performance on the contract. Significant judgments include potential risks associated with the ability and cost to achieve program schedule, including customer-directed delays or reductions in scheduled deliveries, and technical and other specific contract requirements including customer activity levels and variable consideration based upon that activity. Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenues and cost at completion is complex and subject to many variables. Contract revenue and total contract cost estimates are reviewed and revised on an ongoing basis as the work progresses. Adjustments arising from changes in the estimates of contract revenue or costs are reflected in the fiscal period in which such estimates are revised, and could require us to recognize losses to offset profit that was recorded in prior periods. Variances in actual results from related estimates on a large order, or on several smaller orders, could be material. Any such adjustments could result in reduced profitability and negatively affect our results of operations.

Our products and services are highly sophisticated and specialized, and a major failure or quality issue affecting our products or third-party products with which our products are integrated can adversely affect our business, reputation, financial position, results of operations and cash flows.

We produce highly sophisticated products, including aircraft (fixed-wing aircraft and helicopters), aircraft components, aircraft engines, aircraft engine components, industrial gas turbines and gas engines, and we provide specialized services for products that incorporate or use complex or leading-edge technology, including both hardware and software. Moreover, in addition to our aircraft offerings, we produce other products utilized for both mass and personal transportation such as train cars, motorcycles, four-wheelers and personal watercraft. We also manufacture platforms used to transport potentially hazardous resources, including LPG and hydrogen. Accordingly, the adverse impact of product quality issues can be significant.

Actual or perceived design, production, performance, durability or other quality issues related to new product introductions or existing product lines can result in reputational harm to our business, in addition to the potential need for increased inspections and shop visits, and direct warranty, maintenance and other costs that may arise. Such issues may also contribute to conditions leading to the falsification of quality assurance or inspection reports, such as past

compliance issues and irregularities relating to our submarine repair business and marine and submarine engine businesses. For more information, see "Business—Legal Proceedings and Regulatory Matters." In addition, a catastrophic product failure or similar event resulting in injuries or death, a product recall or fleet grounding in the case of aircraft, an environmental disaster or similar systemic consequences could have a material adverse effect on our business, reputation, financial position, cash flows and results of operations. Even when there have not been significant or widespread product failures in the field, many of our products and services must function under demanding operating conditions and meet exacting and evolving certification, performance, reliability and durability standards that we, our customers or regulators adopt. Developing and maintaining products that meet or exceed these standards can be costly and technologically challenging, and may also involve extensive coordination of suppliers and highly skilled labor from thousands of workers; a failure to deliver products and services that meet these standards could have significant adverse financial, competitive or reputational effects. Technical, mechanical and other failures occur from time to time, whether as a result of human factors, manufacturing or design defects, or operational process or production issues attributable to us, our customers, suppliers, third-party integrators or others. Such failures may necessitate the recall or repair of the affected products, which could have a material adverse effect on our business, reputation, financial position, cash flows and results of operations. For example, in 2024, we conducted a voluntary recall in coordination with the U.S. Consumer Product Safety Commission of certain models of our off-road vehicles in order to address potential improper combustion during engine startup. In 2025, we also recalled certain models of our motorcycles due to crank shaft primary gear failures, along with additional models of our off-road vehicles to fix loose seatbelt mounting bolts.

In some circumstances we have also incurred, and in the future we may incur, increased costs, delayed payments or lost equipment or services revenue in connection with a significant issue with a third-party product with which our products are integrated, or if parts or other components that we incorporate in our products have defects or other quality issues. In addition, we have entered into risk and revenue sharing partnership ("RRSP") contracts in connection with the joint development and manufacture of certain products such as aircraft components and, as a result, may be required to share the costs incurred in connection with any subsequent issues with these products, even if such issues were not directly caused by us. For example, in 2023, certain PW1100G-JM jet engines supplied for Airbus A320neo aircraft in connection with an RRSP arrangement were found to have significant operational issues and are in the process of being removed from the relevant aircraft for inspection and maintenance to resolve the issue, which will require prolonged grounding of the affected aircraft. In the fiscal year ended March 31, 2024, we recorded a reduction in revenue of ¥60.0 billion based on our share of the estimated future costs relating to such inspection and maintenance under the relevant RRSP arrangement and recorded "refund liabilities" of ¥59.6 billion as of March 31, 2024. We may incur further losses based on revised cost estimates in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Key Performance Drivers of Aerospace Systems Segment." In addition, any similar prolonged aircraft grounding, certification or production delays or other adverse developments with aircraft powered by our engines or engines jointly developed by us and partners could result in future losses or pose risks to our business. There can be no assurance that the operational processes around sourcing, product design, manufacture, performance and servicing that we or our customers or other third parties have designed to meet rigorous regulatory and quality standards will be sufficient to prevent us or our customers or other third parties from experiencing operational process or product failures and other problems, including through human factors, manufacturing or design defects, process or other failures of contractors or third-party suppliers, cyber-attacks or other intentional acts, software vulnerabilities or malicious software, that could result in potential product, safety, quality, regulatory or environmental risks.

Supply chain disruptions including significant input shortages, supplier capacity constraints, supplier or customer production disruptions, supplier quality and sourcing issues may negatively impact our business.

We source a variety of raw materials, parts, components, sub-systems and services required to provide our products and solutions from third-party suppliers, partners, contract manufacturers and service providers and from general commodity markets, and are accordingly exposed to volatility in the availability of these materials, parts, components, systems and services. As our supply chains are complex and extend into many different countries and regions around the world, we are also subject to global economic and geopolitical dynamics and risks associated with exporting components manufactured in particular countries for incorporation into finished products completed in other countries. For example, recent disruptions in global supply chains for oil, gas and solvents, among other commodities and goods, related to the recent military conflict between Iran, the United States and Israel have resulted in increased prices for inputs used in certain of our products, affecting demand for global air travel, negatively impacting demand for certain of our products. If such supply chain disruptions continue and we are unable to secure necessary materials and inputs, we may face production delays or temporary production suspensions, which could impair our ability to meet customer orders and adversely affect our business and financial results. See "—Our businesses may be cyclical and affected by changes in general economic conditions as well as specific industry conditions affecting the relevant business, which in turn can affect demand for our products and services and our results of operations." Additionally,

the Chinese government recently introduced restrictions on the export of certain dual-use items to designated entities and businesses, including our Aerospace Systems business division and our subsidiaries KAWAJU Gifu Engineering Co., Ltd., KGM Co., Ltd. and NIPPI Corporation, which are part of our Aerospace Systems segment, and may expand such restrictions in the future in the event of an escalation of tensions between Japan and China. Although we do not currently purchase the specified dual-use items directly from China and our supply chain has not been significantly impacted by such restrictions, our business could be negatively impacted if we are unable to source any restricted dual-use items necessary for our production in the future. Further, in the event of an escalation of trade restrictions by China, other supply chains involving China, including those for rare earths impacting certain of our products, could also be disrupted. We operate in a supply-constrained environment and are facing, and may continue to face, supply-chain shortages, inflationary pressures, shortages of skilled labor, transportation and logistics challenges and manufacturing disruptions that impact our revenue, profitability and timeliness in fulfilling customer orders. For example, there have recently been shortages in the global supply for semiconductors, although the impacts on our business have been limited. We anticipate supply chain pressures across our business will continue to challenge and may adversely affect our operations and financial performance for some period of time. In addition, some of our suppliers or their sub-suppliers are limited- or sole-source suppliers, and our ability to meet our obligations to customers depends on the performance, product quality, continued product availability and stability of such suppliers. We also have dependencies on certain key internal manufacturing or other facilities.

Disruptions in deliveries, capacity constraints, production disruptions up- or down-stream or decreased availability of raw materials or commodities, including as a result of war, natural disasters, public health pandemics or emergencies, geopolitical tensions, governmental, legislative or regulatory actions or other business continuity events, may adversely affect our operations and, depending on the length and severity of the disruption, can limit our ability to meet our commitments to customers or significantly impact our operating profit or cash flows. Further, a prolonged disruption at a significant supplier or discontinuation of an important material, part, component or system can require us to identify and qualify a new supplier or develop other manufacturing or production alternatives; this can require substantial time to implement, particularly if it involves new regulatory certifications, and can lead to costs or delays that adversely impact our production timelines, fulfillment of customer contracts, revenue, profitability, cash flows and reputation. Quality, capability, compliance and sourcing issues experienced by third-party providers can also adversely affect our costs, profitability and the quality and effectiveness of our products and services and result in liability and reputational harm. The harm to us could be significant if, for example, a quality issue at a supplier or with components that we integrate into our products results in a widespread quality issue across one of our product lines or our installed base of equipment. In addition, our suppliers may experience cyber-related attacks, which could negatively impact their ability to meet their delivery obligations to us and in turn have an adverse effect on our ability to meet our commitments to customers.

Increases in raw material and component costs could adversely affect our operating results and our financial condition.

We manufacture our products using various raw materials, parts, components and equipment, including steel, aluminum and titanium. The prices for these materials and components are subject to fluctuations and are influenced by demand for these materials and components from competitors within the industries in which we operate as well as from companies in other sectors, worldwide economic conditions, speculative market movements, inventory levels, availability of substitute materials, the exchange rate between the Japanese yen and other major currencies (in particular, the U.S. dollar), anticipated or perceived shortages, national trade policies governing natural resources and other factors. Additionally, geopolitical instability and the inflationary global economic environment may contribute to the volatility of prices of certain of our raw materials. If our cost of sourcing materials and key inputs increases, we may be unable to pass on such cost increases to our customers in full or at all. Certain long-term contracts, such as shipbuilding orders within our Energy Solution & Marine Engineering segment, are particularly susceptible to such increases in costs. In addition, in consumer products businesses such as our motorcycles and powersports vehicles business, we may face constraints on passing on cost increases to customers due to competitive pressures or other market factors. Although we aim to include provisions in our contracts that permit us to pass on cost increases to customers, certain of our contracts do not have such provisions or are subject to caps or limitations on our ability to recover increased costs. If we are unable to pass on cost increases to our customers, our profitability would be negatively impacted. In addition, even if we are able to increase our prices, customers could be deterred from purchasing our products if they view our products as too costly, which would also negatively impact our profitability.

We must continue to invest in developing new technologies and introduce new products that achieve market acceptance, and there is no assurance any such efforts will enable us to recover our investments.

The industries in which we operate are characterized by rapid technological development. Accordingly, we must keep pace with new technologies and continually enhance our products and services in order to remain competitive. We engage in research and development and capital expenditures in technologies and business areas where we believe

growth opportunities exist. However, if we fail to identify and invest in technologies or business areas that enable us to grow our business, we may be unable to recover our investments to the extent we expect or at all. For example, we are currently engaged in long-term development of products and solutions relating to hydrogen energy that require significant research and development efforts. If our research and development programs do not lead to commercially viable solutions and products, or if the market for hydrogen energy does not expand to the extent we expect, these efforts may not translate into future growth.

In light of the evolving nature of our operating industries, our future growth depends upon a number of factors, including our ability to:

- identify and evolve with emerging technological and broader industry trends, including technologies such as hydrogen energy power, storage and applications and AI in our target end markets;
- develop and maintain competitive products;
- defend our market share against an ever-expanding number of competitors, including many new and non-traditional competitors;
- enhance our products by adding innovative features that differentiate our products from those of our competitors and prevent commoditization of our products;
- develop, manufacture and bring compelling new products to market quickly and cost-effectively;
- monitor disruptive technologies and business models;
- achieve sufficient return on investment for new products introduced based on capital expenditures and research and development spending;
- respond to changes in overall trends related to end market demand; and
- attract, develop and retain individuals with the requisite technical expertise and understanding of customers' needs to develop new technologies and introduce new products.

Competitors may also develop after-market services and parts for our products which attract customers and adversely affect our return on investment for new products. The failure of our technologies or products to gain market acceptance due to more attractive offerings by our competitors or the failure to address any of the above factors could significantly reduce our revenues and adversely affect our competitive standing and prospects. Emerging technology, such as generative AI, is complex and rapidly evolving, and while we aim to develop and use AI responsibly, we may ultimately be unsuccessful in identifying or resolving all issues, and the technologies that we develop, or use may ultimately be flawed which could harm our reputation and expose us to risks related to such inaccuracies or errors in these outputs.

We generate a significant portion of our revenue from government contracts with the JMOD, which exposes us to unique risks.

We derive a substantial portion of our revenue from the Japanese government, primarily from defense related contracts with the JMOD as well as contracts with other Japanese government agencies. In the fiscal year ended March 31, 2026, the JMOD was our single largest customer, accounting for 18.6% of our total revenue. While we have a strong relationship with the JMOD, orders for defense-related contracts can fluctuate significantly based on various factors including the timing of large orders, which can take multiple years to complete. For example, orders received in the fiscal year ended March 31, 2026 decreased significantly compared to the prior fiscal year due to large-scale orders received during that prior fiscal year. In light of these factors, the timing and size of orders from the JMOD can be difficult to predict, which could lead to difficulties in forecasting future demand and managing internal resource allocation.

In addition, levels of government defense spending in particular can be difficult to predict and may be impacted by numerous factors such as the evolving nature of the national security threat environment, national security strategy, foreign policy, the domestic political environment macroeconomic conditions and the ability of the government to enact relevant legislation and secure budget appropriations. There continues to be uncertainty with respect to future acquisition priorities and program-level appropriations for the JMOD and other government agencies, including changes to national security and defense priorities, and tension between modernization investments, sustainment investments and investments in new technologies or emergent capabilities. Future investment priority changes or budget cuts, including changes associated with the authorizations and budget appropriations process, could result in reductions, cancellations and/or delays of existing contracts or programs or future program opportunities.

Our contracts with government customers are generally subject to extensive procurement regulations, and changes to those regulations could increase our costs. New procurement regulations or contractual disclosures, or changes to existing requirements, could increase our compliance costs or otherwise have a material impact on our profit margins. Most government contracts are awarded through competitive bidding or similar procurement processes, which could negatively impact our profit margins or require us to make efforts to reduce costs in order to sustain acceptable profit margins. In particular, certain of our government contracts do not permit us to pass on cost increases to the customer or include limitations on our ability to do so. Procurement requirements may also result in withheld payments and/or reduced future business if we fail to comply. Compliance costs attributable to current and potential future procurement regulations such as these could negatively impact our financial position, results of operations and/or cash flows.

Government customers also generally have the ability to modify, curtail or terminate contracts with us, in some cases without prior notice and either at its convenience or for default based on performance. In addition, funding pursuant to our government contracts may be reduced or withheld as part of the budget appropriations process due to changes in government policy or other reasons, fiscal constraints or a lack of funding available to pay incurred obligations, or for other reasons. Any loss or anticipated loss or reduction of expected funding and/or modification, curtailment or termination of one or more large programs could have a material adverse effect on our financial position, results of operations and/or cash flows.

In addition, government customers may have the right to routinely audit government contractors. Under such audits, these relevant customers may review, among other matters, our performance under contracts, cost structure and compliance with applicable laws, regulations and standards, as well as the adequacy of and our compliance with our internal control systems and policies. Any costs found to be misclassified or inaccurately allocated to a specific contract could be deemed non-reimbursable, and to the extent already reimbursed, may be required to be refunded. Any inadequacies in our systems and policies could result in withholds on billed amounts, penalties and reduced future business. Furthermore, if any audit, inquiry or investigation uncovers improper or illegal activities, we could be subject to civil and criminal penalties and administrative sanctions. See "—Misconduct by our officers, employees, suppliers or other third parties, or our failure to comply with laws or regulations applicable to our business, could cause us to lose customers or lose our ability to contract with government agencies." We also could suffer reputational harm if allegations of impropriety were made against us, even if such allegations are later determined to be false.

We have identified instances of misconduct and improper activity in connection with our government-related projects in the past. In 2024, we identified a long history of fabricated transactions that were used to fund payments for goods and services including personal items and expenses of submarine crew members. We also identified repeated instances of fabricated fuel efficiency and emissions testing results for our marine and submarine diesel engines. In connection with these fabricated testing results, we were suspended from bidding on projects for the JMOD for two and a half months from December 26, 2025 to March 11, 2026. Although we have recorded a provision for our estimated costs relating to these compliance issues in our submarine repair business and marine and submarine engine businesses, we may be required to record additional costs or provisions based on changes to our estimated costs in relation to these issues. Although we are implementing remedial measures to prevent future misconduct, there is no assurance that such measures will be effective. In addition, the introduction of remedial measures to prevent the recurrence of such incidents may result in additional costs to our business or otherwise require internal resources, which could negatively impact our financial position, results of operations and/or cash flows. For more information, see "Business—Legal Proceedings and Regulatory Matters." If we identify any additional misconduct or improper activity in the future, we could also be subject to further civil and administrative sanctions as well as criminal penalties. See "—Misconduct by our officers, employees, suppliers or other third parties, or our failure to comply with laws or regulations applicable to our business, could cause us to lose customers or lose our ability to contract with government agencies."

Misconduct by our officers, employees, suppliers or other third parties, or our failure to comply with laws or regulations applicable to our business, could cause us to lose customers or lose our ability to contract with government agencies.

Misconduct, fraud or other improper behavior of our officers, employees, agents, partners or other third parties, or our own failure to comply with laws or regulations, could have a significant negative impact on our business and reputation. Such misconduct or regulatory violations could include failures to comply with procurement regulations, environmental regulations, regulations regarding the protection of sensitive government information, legislation regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, and anti-corruption, anti-competition, export control, insider trading and other securities regulations and other applicable laws or regulations. For example, in 2024, we identified a pattern of fabricated transactions that were used to fund payments for goods and services including personal items and expenses of submarine crew members of the Japan Maritime Self-Defense Force (the "JMSDF"). We also identified instances of fabricated emissions testing results. See "Business—Legal Proceedings and Regulatory Matters."

We and our officers and employees may also be subject to civil and criminal penalties for such cases of fraud and misconduct, resulting in assessments of damages and limitations on our ability to enter into projects in the public sector. In particular, because our business involves contracts with government and government-related entities and extensive government permits and licenses, our officers, employees, suppliers and other third parties have extensive contact with government personnel, which may increase the compliance risk relating to anti-corruption laws and other regulations applicable to government contracts. Our failure to comply with applicable laws or regulations, misconduct by any of our officers, employees, subcontractors, partners or consultants, or our failure to make timely and accurate certifications to government agencies regarding misconduct or potential misconduct could subject us to fines and penalties, loss of government granted eligibility, cancellation of contracts and suspension or debarment from contracting with government agencies, any of which may adversely affect our business. For example, as a result of the misconduct described above, we were suspended from bidding on government contracts for the JMOD for a period of two and a half months from December 26, 2025 to March 11, 2026. See "Business—Legal Proceedings and Regulatory Matters." Further, these incidents were identified as having stemmed from potentially long-standing practices within our company, and while we are working to implement governance and organizational culture improvements to prevent recurrence of such incidents in the future, such efforts may not be successful in the short term or at all, nor is it certain that our business operations will proceed as usual after the incorporation of these improvements. See "Business—Compliance Framework."

A small number of aircraft and aircraft component manufacturers contribute a significant portion of revenue in our Aerospace Systems business, and we are accordingly exposed to any factors affecting the business of those customers specifically as well as general demand fluctuations in the commercial air travel industry.

In our Aerospace Systems segment, we generate a significant portion of our revenue directly or indirectly from a small number of aircraft and aircraft component manufacturers, including Boeing for aircraft fuselage and structural components and Airbus SE, Rolls-Royce Holdings plc and Pratt & Whitney for aircraft engines. In addition, as part of our operations in this segment, we have entered into RRSP contracts with certain partners in connection with the joint development and manufacture of aircraft components. As a result, we may be required to share the costs incurred in connection with any issues related to the jointly developed products, even if such issues were not directly caused by us. For example, in 2023, certain PW1100G-JM jet engines we supplied for Airbus A320neo aircraft were found to have significant operational issues and are in the process of being removed from the relevant aircraft for inspection and maintenance to resolve the issue, which will require prolonged grounding of the affected aircraft. In the fiscal year ended March 31, 2024, we recorded a reduction in revenue of ¥60.0 billion based on our share of the estimated future costs relating to such inspection and maintenance under the relevant RRSP arrangement and recorded "refund liabilities" of ¥59.6 billion as of March 31, 2024. We may incur further losses based on revised cost estimates in the future. In addition, in connection with joint development arrangements, our ability to develop and manufacture products could be affected by disruptions or changes to the operations, supply chains or other aspects of our partners' businesses or the materialization of other risks facing such partners. Any negative developments impacting the business of any of our key customers or any specific aircraft model for which we are a supplier or subcontractor could result in decreased orders from such customers, which would adversely impact our business and results of operations. For example, Boeing experienced a major strike in 2024 that resulted in a reduction in shipments of aircraft models on which we collaborate, adversely impacting our business and results of operations.

In addition, after-sales services such as repairs and maintenance for aircraft components we supply are an important source of revenue, and we may depend on such after-sales services to recover up-front costs in developing and manufacturing the components and generate an appropriate profit margin for the project overall. As a result, any decreases or delays in demand for after-sales services could adversely impact our ability to recover our costs in the timeframe we expected and negatively affect our results of operations.

We are also exposed to credit risk from receivables owed by customers and other counterparties, including the risk that a counterparty will default on its contractual obligations and cause us to incur losses. Receivables deemed uncollectable or exceedingly difficult to collect are considered defaulted. Although we seek to mitigate credit risk by assessing each counterparty's default risk, establishing maximum allowable credit amounts, allocating credit loss reserves and monitoring counterparty concentrations, our concentration of revenue from a small number of aircraft and aircraft component manufacturers may increase the potential impact of any deterioration in the creditworthiness or payment practices of those customers.

Furthermore, we are also exposed to general market conditions in the air travel industry that impact demand for commercial aircraft and after-sales services. The commercial aircraft market is predominantly driven by long-term trends in airline passenger and cargo traffic. The principal factors underlying long-term traffic growth are sustained economic growth and political stability in both developed and emerging markets. Demand for our commercial aerospace products is further influenced by additional factors including fuel prices, airline profitability, availability of aircraft financing, trade policies, geopolitics, technological advances, price and other competitive factors, inflationary

pressures, terrorism, pandemics, epidemics, sustainability-related preferences, environmental regulations and reputational factors. Historically, the airline industry has been cyclical and very competitive and has experienced significant profit swings and constant challenges to be more cost competitive. Furthermore, demand for models of our aircraft and engines that are powered by fossil fuels could also be affected by the ongoing and future advancement of decarbonization initiatives and technologies, which could adversely affect our results of operations.

Significant deterioration in the global economic environment, the airline industry generally or the financial stability of one or more of our major customers could result in fewer new orders for aircraft or services. Such a deterioration could also cause customers to seek to postpone or cancel contractual orders and/or payments to us, which could result in lower revenues, profitability and cash flows.

In our Powersports & Engine segment, our continued success depends on our ability to enhance existing products and develop and market new or enhanced products that respond to customer needs and preferences as well as maintaining a positive perception of our brands.

Unless we can continue to enhance existing products and develop and market new products and services in the Powersports & Engine segment, such as motorcycles and powersports vehicles sold to consumers, we may not be able to compete effectively in the market, and ultimately satisfy the needs and preferences of consumers in the global markets in which we compete. Product development requires significant financial, technological and other resources. There can be no assurance that our level of investment in research and development will be a sufficient competitive advantage in product innovation, which could cause our business to suffer. Product improvements and new product introductions also require significant engineering, planning, design, development and testing at the technological, product and manufacturing process levels and we may not be able to timely develop product improvements or new products. Our competitors' new products may be of a better quality, beat our products to market, and be more attractive in terms of features and price than our products.

Our continued success is also dependent on positive perceptions of the Kawasaki brand and individual product brands, such as our Ninja® series of motorcycles. We actively pursue branding, consumer awareness and advertising initiatives in order to maintain and strengthen our brands, but there can be no assurance that such initiatives will be effective to the extent we anticipate or at all. Moreover, reputational value of our brands is based in large part on perceptions and opinions, and negative opinions expressed on social media or other avenues can influence perceptions of our company. It may be difficult to control negative publicity, regardless of whether it is accurate. Negative incidents can quickly erode trust and confidence, particularly if they result in negative mainstream and social media publicity, governmental investigations or litigation. In addition, any negative incidents, such as those that give rise to quality and safety concerns or incidents related to our products or actions or statements of our employees, suppliers or dealers, could lead to tangible adverse effects on our business, including lost sales or employee retention and recruiting difficulties. Moreover, the reputation of our vendors and others with whom we choose to do business may affect our reputation.

Our results of operations and financial condition may be adversely affected by foreign currency exchange rate fluctuations.

Fluctuations in currency exchange rates could negatively affect our results of operations, financial position and cash flows. In the year ended March 31, 2026, 40.0% of our revenue was from Japan, 32.2% from the United States, 12.5% from Asia, 9.9% from Europe and 5.4% from other regions (in each case after elimination of inter-segment transactions). As a result, our results are impacted by changes in the value of the currencies in which our costs and expenses are denominated. Our consolidated financial statements are presented in Japanese yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our revenue, operating profit, profit attributable to owners of the parent, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange, particularly for the U.S. dollar and the euro. The strengthening of the Japanese yen against these currencies will generally have a negative impact on our results of operations, while weakening of the Japanese yen generally has a positive effect. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Other Factors Affecting Our Results of Operations." To minimize the impact of exchange rate fluctuations, we transfer production to overseas factories, import raw materials and flexibly utilize contracts to hedge against exchange rate volatility for trade receivables. However, such measures do not completely eliminate the impact of fluctuations in foreign currency exchange rates, and greater-than-expected movements in exchange rates could result in an adverse impact on our results of operations and financial condition.

We have significant global operations, which expose us to additional risks.

We have business operations in Japan, the United States, Europe and Asia and sell our products globally. We also have a global supply chain that spans multiple jurisdictions. As a result, we are subject to a number of risks, including the following:

- uncertainties regarding regional political and economic developments;

- fluctuations in the exchange rate between the Japanese yen and other major currencies (in particular, the U.S. dollar), as described in the immediately preceding risk factor;
- increased global focus on economic and national security, resulting in the continuation or strengthening of complex sanctions and export control regimes in various countries such as Japan, the U.S., the European Union (the "EU") and other jurisdictions, violations of which could lead to fines or other penalties (see "—Risks Relating to Legal, Regulatory, Compliance and Reputational Matters—Changes to international trade policies, including tariffs, export controls and other foreign trade restrictions or regulations, could adversely affect our business.";
- the impact of cultural and religious differences;
- difficulties in monitoring and coordinating research and development, marketing, supply-chain and other operations, as well as in collecting sufficient and up-to-date information about economic and political conditions, in a large number of jurisdictions;
- risks related to compliance with various laws, regulations and policies, as well as trade, capital and exchange controls and tariffs;
- changes with respect to taxation, including imposition or increases of withholding and other taxes on remittances and other payments by our overseas subsidiaries;
- varying standards and practices in the legal and regulatory systems and business cultures in which we operate, including potential inability to enforce contracts or intellectual property rights;
- geopolitical risks such as those arising from the Russia-Ukraine conflict, the recent conflict involving Iran, the U.S. and Israel, continued trade and technology tensions, in particular between the U.S. and China, which are expected to be particularly uncertain during the election season in the U.S., and increased political tensions surrounding Taiwan;
- difficulties associated with managing local personnel and preventing misconduct by local third-party suppliers, service providers and partners; and
- risks stemming from reliance on overseas suppliers for a large portion of raw materials and components, requiring countermeasures to ensure a stable supply of essential parts and materials and prevent the leakage of any associated technology to other nations.

If, due to the realization of these or other risks, our operations in particular markets or regions are impacted, our results of operations and financial condition could be adversely affected.

We rely on third parties in many aspects of our business, including technology and alliance partners, which exposes us to additional risks that could adversely affect our business, results of operations or financial condition.

We rely on relationships with third parties, including technology partners, alliance partners, suppliers, contractors, logistics providers and other external business partners, in many aspects of our business. In particular, we rely on technology partnerships with Lockheed Martin Corporation, Boeing and Leonardo UK Ltd. for aircraft manufacturing and sales; Honeywell International Inc. and Safran Helicopter Engines for engine assembly, repair and technical support; and Everllence SE (formerly MAN Energy Solutions SE) and Rolls-Royce for other product manufacturing and sales. As we currently use the proprietary technologies and technological support from these partners for our defense-related projects for the JMOD, any termination of these arrangements would impact our ability to complete the relevant defense-related projects and result in project delays or our removal from the project entirely. In such a case, we would expect to face significant difficulties in securing an alternative arrangement without substantial disruption to such projects or may be unable to continue such projects as currently planned. In addition, we have partnerships and alliances with other companies in various areas of our business, including international partnerships relating to the development and production of aircraft components and a partnership with ITOCHU Corporation relating to sales financing for products in our Powersports & Engine segment.

If we are unable to effectively manage our third-party relationships and the agreements under which our third-party partners operate, our business, results of operations or financial condition could be adversely affected. Our third-party partners could elect not to continue their arrangements with us at the end of the applicable term or seek to terminate such arrangements during the applicable term, either of which could cause disruptions in our business. We may also have disagreements or disputes with our third-party partners that may take significant time and attention to resolve, and may not be resolved in a manner that is beneficial to our interests. Furthermore, failure of these third parties to meet their obligations to us or substantial disruptions in our relationships with these third parties could adversely affect our business, results of operations or financial condition. While we have policies and procedures for

managing these relationships, they inherently involve a lesser degree of control over business operations and compliance practices, thereby potentially increasing our reputational, legal, financial and operational risk. For example, we are exposed to the risk of our manufacturers, suppliers or other third-party partners failing to comply with applicable laws, regulations, safety codes, employment practices, human rights standards, quality standards, environmental standards, health and safety standards, production practices or other obligations, norms or ethical standards. Any such issues affecting the third parties with which we transact in our business could damage our reputation or our brands, and we could be exposed to litigation, investigations, enforcement actions, monetary liability and additional costs that could adversely affect our business, results of operations or financial condition.

We rely on the proper function, availability and security of information technology systems to operate our business and a cyberattack or other breach of these systems could have a material adverse effect on our business, financial condition or results of operations.

As a major defense and aerospace company, it is critical that our information technology ("IT") and operational technology infrastructure, as well as the products and services we sell, are resilient to cyberattacks and other system breaches, and that the proprietary, classified, confidential or otherwise protected information, intellectual property and data from our commercial and government customers held and processed on them are appropriately secured. To this end, we rely on IT and operational systems, including technology from third-party vendors, to manufacture and ship our products, as well as to process, transmit and store electronic information in our day-to-day operations. Similar to other large multi-national companies, our IT systems and those of our third-party partners are exposed to risks of vulnerability to a cyber-attack, malicious intrusion, breakdown, destruction, loss of data privacy or other significant disruption. We may face enhanced risks in this regard because the activities of our Aerospace Systems and Energy Solution & Marine Engineering businesses involve defense-related contracts with the Japanese government, which could result in us being targeted by nation states or criminals as a route to obtain government secrets. In particular, we handle classified information from the Japanese government, including information on defense technologies, programs and priorities. Loss of this sensitive information either through deliberate or accidental means could result in fines, prosecution and potential debarment from current or future government contracts. The Japanese government also requires that we put in place appropriate measures to prevent cyber-attacks and to report any significant attacks that have the potential to endanger national security. Failure to put in place the required measures and to maintain them to an acceptable standard could preclude us from tendering for new government contracts.

Various other factors may also cause system failures or security breaches, including power outages, natural disasters, inadequate or ineffective backups, issues with upgrading or creating new systems or platforms, vulnerabilities in third-party software or services, errors by our staff or third-party service providers or breaches in the security of these technologies. Malicious actors may attempt to trick staff to disclose information to gain access to our systems and/or data. International conflicts, including but not limited to the Russia/Ukraine war, the recent military conflict between Iran, the United States and Israel, and tension between China/Taiwan, have also heightened cybersecurity risks on a global basis. If our incident response, disaster recovery, and business continuity plans fail, such failure could result in adverse impacts to our business operations and our financial results.

Cyberattacks continue to evolve in complexity and scope, and inherently may be difficult to detect. In particular, the increasing development, availability and use of AI, which may be used by malicious actors to create more targeted phishing narratives or otherwise strengthen social engineering capabilities or to more readily identify IT system vulnerabilities, has led to an increase in the sophistication and frequency of cyberattacks, increasing the need for and costs associated with countermeasures. We have seen, and could continue to see, software and supply-chain vulnerabilities and malware, which could affect our systems and the systems of our third-party vendors and business partners. In June 2020, we identified an incident of unauthorized access of our servers from Thailand, along with several additional incidents of unauthorized access from Indonesia, the Philippines and the United States through July of the same year. Although we incurred costs associated with our internal investigations and the implementation of countermeasures to prevent recurrence of such incidents, there is no assurance that our countermeasures will prevent future incidents of unauthorized access. Any failure by us to maintain or protect our systems, products and data integrity, including from cyberattacks, intrusions or other breaches, could result in outages or unauthorized access to information regarding our or our customers' or joint development and production partners' proprietary technology, data and personally identifiable information, theft of intellectual property or other misappropriation of assets, or otherwise compromise our or our customers' or joint development and production partners' confidential or proprietary information and disrupt our operations, or, in the worst case, could result in harm to our customers, our joint development and production partners or national security. Such failure, or demonstration of vulnerability to such failure, may also result in additional regulatory scrutiny. We also grow our company through acquisitions and may face risks associated with defects and vulnerabilities in their acquired systems as we work to integrate the acquisitions into our system.

Our information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards, the increasing need to protect our and our customers' and joint development and production partners' information as well as information regarding our or their proprietary technology, and changing customer patterns. In addition, third parties have and may continue to attempt to hack into our products to obtain data relating to our customers, including those in the government and defense sectors, or joint development and production partners, or alter the intended functionality of our products, or disrupt the performance of our products, or access our proprietary information and the technology from third-party vendors that we rely upon may have defects or vulnerabilities which, in turn, create vulnerabilities or disruptions in our system.

Any failure of our systems may cause us to lose existing customers, lead to difficulty preventing, detecting and controlling fraud, cause disputes with customers, subject us to legal claims and liability, result in regulatory sanctions or penalties, increase our operating expenses, cause us to incur expenses or lose revenues as a result of a data privacy breach or theft of intellectual property, or result in other adverse consequences, any of which could have a material adverse effect on our business, financial condition or results of operations.

We depend on the efforts and abilities of our management and other key employees, and if we are unable to attract and retain qualified employees, it could adversely affect our results of operations.

In order to operate our business and to execute our business strategies, we depend on the expertise and leadership of our senior management team and other employees in our organization including skilled engineers. The loss of key members of our organization, including senior members of our management team, could delay or prevent the achievement of major business objectives. In addition, our failure to hire and retain a sufficient number of skilled personnel could negatively impact our ability to operate our business and provide our products and services to customers. In particular, we may face difficulties in the hiring of skilled factory workers, particularly for our manufacturing operations in Japan as the working age population continues to decline. The market for these and other qualified personnel is competitive, and we are required to invest in the recruitment, training and retention of qualified individuals. In Japan, competition for qualified employees is expected to intensify due to the overall trend of population decrease and increased labor market mobility due to changing values and attitudes concerning employment. Despite our efforts to retain them, key employees could terminate their employment with us, and there can be no assurance that we will be able to attract or retain key employees and successfully manage them. Such employees may also be recruited by our competitors, which could weaken our competitive position. Our inability to attract, integrate and retain qualified personnel may weaken our ability to implement our strategy and meet our strategic objectives, which could ultimately adversely affect our business and results of operations.

Labor union disputes and other employee relations issues could materially adversely affect our financial results or operations.

A large portion of our employees are represented by labor unions under collective bargaining agreements with varying durations and expiration dates. While we have not experienced significant labor union disputes in the past, it is possible that we may experience such disputes in the future, which could result in strikes or work stoppages. We may not be successful in preventing such events from occurring in the future, and such events could lead to significant delays, increased costs or reputational harm. In addition, we may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. Any such stoppages or disturbances may adversely affect our financial condition and results of operations by limiting our capacity to bid on or complete projects or supply products and services to customers in addition to putting a strain on our employee relations. Labor issues affecting third-party suppliers and service providers may also impact their ability to supply necessary components, materials or services to us in a timely manner, potentially resulting in production delays, increased costs or increased regulatory scrutiny.

We may also experience other employee relations issues relating to excessive working hours, working conditions, workplace harassment or other issues that could negatively impact our ability to maintain employee satisfaction and operate our business. Such issues may result in administrative disciplinary actions or reputational damage or expose us to legal claims that may negatively affect our ability to attract or retain qualified employees. We also view our employees as a significant asset in executing our business strategy. Failure to maintain a positive corporate culture or work environment, support career development, or promote diversity and collaboration could negatively affect our performance and ability to execute our business strategies.

We may suffer losses in the event of a natural disaster, such as an earthquake, geopolitical threats, health emergencies or pandemics or other catastrophic events, in the markets in which we operate.

Japan and other regions in the world in which our manufacturing and other facilities are located are subject to the risk of natural disasters, including earthquakes, tidal waves, typhoons, floods, heavy snowfall and fires. Such risks may be amplified where we have multiple key facilities located in close proximity, such as our facilities in western and central Japan, which heightens our exposure to large-scale disasters affecting such regions. In addition, other events

outside our control, such as war, terrorism, civil or political unrest, deliberate acts of sabotage, or health emergencies or pandemics, could cause operational interruptions, or otherwise adversely affect certain of our manufacturing or other facilities. In the event of a major natural disaster or other uncontrollable event or accident, our facilities, particularly our production plants, may experience catastrophic loss, operations at such facilities may be halted, shipments of products may be suspended or delayed, and we may incur large losses and expenses to repair or replace affected facilities. Such negative consequences could cause product shortages, significant losses of sales or require significant unexpected expenditures, and materially adversely affect our business, financial condition and results of operations. Although we have established measures to mitigate the impact of disasters and other adverse events, there is no assurance that such measures will allow us to properly respond if such events occur.

In addition, in the event of significant societal disruption due to a natural disaster, geopolitical threats, health emergencies or pandemics or other catastrophic events, we may close facilities or suspend operations for the safety of our employees. In such event, costs associated with such closures or suspensions and the deterioration in our productivity could hurt our profitability and adversely affect our results of operations and financial condition.

Our backlog is not necessarily indicative of the level of our future revenues.

Our backlog, which is equivalent to our remaining performance obligations, represents the total amount of net sales we expect to record in the future based on orders for which products have not been provided or services have not been performed. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations." There is no guarantee that the revenue projected in our backlog will be realized or profitable or will not be subject to delay or suspension. Although backlog reflects orders we consider to be firm, project cancellations, scope adjustments or deferrals, or foreign currency fluctuations may occur with respect to contracts reflected in our backlog and could reduce the value of our backlog and the revenue and profits that we actually recognize. Some of our contracts have termination for convenience provisions allowing customers to cancel projects. Instability in the global economy, negative conditions in the global credit markets, volatility in the industries that our products serve, changes in government regulations or policies, adverse changes in the financial condition of our customers, adverse changes in the availability of raw materials and supplies or contract breaches could possibly lead to contract termination or cancellations of orders in our backlog or request for deferred deliveries of our backlog orders. Any of these factors could have a material adverse effect on our business, which could adversely affect our cash flows and results of operations.

Our business could be negatively impacted by corporate social responsibility and sustainability matters.

In recent years, there has been an increased focus from certain investors, customers, employees and other stakeholders concerning corporate social responsibility and sustainability matters. From time to time, we announce certain initiatives, including goals, regarding our focus areas, which include environmental matters, responsible sourcing, social investments and diversity, equity and inclusion. We could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could fail in accurately reporting our progress on such initiatives and goals. Such failures could be due to changes in our business. Moreover, the standards by which corporate social responsibility and sustainability efforts and related matters are measured are developing and evolving, and certain areas are subject to assumptions that could change over time. In addition, we could be criticized for the scope of such initiatives or goals or perceived as not acting responsibly in connection with these matters. We may also face cost increases due to the potential introduction of carbon taxes or further tightening of regulations for carbon emissions in various jurisdictions. Any such matters, or related corporate social responsibility and sustainability matters, could have a material adverse impact on our future results of operations, financial position and cash flows.

Our results of operations may fluctuate on a quarterly and annual basis, which could cause our stock price to fluctuate or decline.

Our quarterly results of operations have fluctuated in the past and may vary significantly in the future. As such, historical comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control and may not fully reflect the underlying performance of our business. These fluctuations could adversely affect our ability to meet our expectations or those of securities analysts, ratings agencies or investors. If we do not meet these expectations for any period, the value of our business and our securities could decline significantly. Factors that may cause these quarterly fluctuations include, without limitation, those listed below:

- the introduction of new products or solutions by us or our competitors;
- acquisitions or other strategic transactions by us or any of our competitors;
- our ability to offer products, equipment and services that meet customer needs;

- fluctuations in demand, including as a result of temperature and weather, for, or pricing of, our products;
- the mix of product sales in any particular period;
- increases in supply costs for our products;
- fluctuations in foreign currency exchange rates;
- any change in the competitive dynamics of our markets, including consolidation of competitors and new market entrants;
- changes in regulations or political policies affecting our business or industry in any of the markets where we operate;
- adverse litigation, judgments, settlements or other litigation-related costs, or claims that may give rise to such costs; and
- general economic, industry and market conditions.

Our revenue generation exhibits a cyclical pattern, with revenue across all segments typically peaking in the fourth quarter of each fiscal year. In general, this cyclicality is primarily attributable to customer production and orders being concentrated towards the end of our fiscal year. For example, in our Aerospace Systems segment, the production volume of Boeing tends to increase in the second half of the fiscal year. Additionally, delivery for JMOD projects tends to be scheduled in March to coincide with the end of the government fiscal year. With respect to our Powersports & Engine segment, new models of our vehicles typically launch and reach stores in the second half of the fiscal year in major markets like the United States. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Other Factors Affecting Our Results of Operations."

We may not realize the anticipated benefits of acquisitions, joint ventures, strategic alliances or divestitures.

As part of our business strategy, we may acquire businesses and enter into joint ventures and strategic alliances with other companies. Whether we realize the anticipated benefits from these transactions and related activities depends, in part, upon our ability to integrate the operations of the acquired business, the performance of the underlying product and service portfolio, and the performance of the management team and other personnel of the acquired operations. Accordingly, our financial results could be adversely affected by unanticipated performance issues, legacy liabilities, cybersecurity issues or vulnerabilities, transaction-related charges, amortization of expenses related to intangibles, charges for impairment of long-term assets, credit guarantees, partner performance and indemnifications. Consolidations of joint ventures could also impact our reported results of operations or financial position.

In addition, acquisitions, joint ventures and other transactions may result in us holding less than full ownership interests in other businesses, which involve unique challenges for effective collaboration, including as a result of relationships with such other stakeholders that hold remaining ownership interests in such businesses. Other stakeholders may at any time have economic or business goals that are inconsistent with our goals or the goals of such businesses.

There can be no assurance that, even if a definitive agreement is reached in connection with a proposed merger, sale or divestiture, the transaction will be consummated, as completion remains subject to the satisfaction of various closing conditions, including regulatory approvals and other customary requirements, any of which may not be fulfilled or may be delayed. The delay or failure of an agreed-upon transaction to close may have an adverse effect on our business.

We also may make strategic divestitures from time to time. Any such divestitures may negatively impact our results of operations, and there is no assurance that we will be able to secure attractive consideration and other terms for divestitures due to mismanagement of the divestiture process or otherwise, or that the consideration we obtain from any such divestitures will compensate for the impact on our results of operations. Moreover, even if we obtain sufficient consideration from divestitures, there is no guarantee that our use of any funds generated from divestitures would successfully lead to growth to the extent we expect or at all. We may also incur significant transaction costs or tax liabilities in connection with such divestitures.

We face certain significant risk exposures and potential liabilities that may not be adequately covered by indemnity or insurance.

A significant portion of our business relates to designing, developing and manufacturing advanced products and systems for complex applications including aerospace, defense, power generation and public transportation. New technologies may be untested or unproven. In addition, we may incur significant liabilities that are unique to our products and services. In some, but not all, circumstances, we may be entitled to indemnification from our customers through contractual provisions or have coverage through the insurance policies we maintain, such as trade insurance and marine insurance. In addition, we have implemented other safeguards against liabilities such as bank guarantees

and letters of credit transactions. We believe we maintain such insurance and safeguards in line with customary business practices. However, indemnification to which we may be contractually or otherwise entitled, our insurance coverage or coverage through the other safeguards we have implemented may not be adequate to cover all claims or liabilities. Accordingly, we may be forced to bear substantial costs resulting from risks and uncertainties of our business, which would negatively impact our results of operations, financial condition, and liquidity. Any accident, failure of, or defect in our products and services, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively. It could also affect the cost and availability of insurance in the future.

Risks Relating to Legal, Regulatory, Compliance and Reputational Matters

Changes to international trade policies, including tariffs, export controls and other foreign trade restrictions or regulations, could adversely affect our business.

We generate a majority of sales through exports from Japan to other markets and sales through our foreign subsidiaries, licensees and joint ventures. We also do business with industry suppliers located in various international markets. A protectionist trade environment in Japan, the United States, China or other countries where we operate, such as a change in the current tariff structures, export compliance or other trade policies, may adversely affect our business. For example, since April 2025, the United States government has announced significant increases in tariffs and other trade restrictions on goods imported into the United States. These include a temporary 10% import duty on broad categories of imported goods, including those from Japan, announced in February 2026 and originally effective through July 24, 2026. While a legal ruling in May 2026 found these tariffs to be illegal, the United States government has since appealed this decision, and the application of the decision has been paused for several entities in the interim. There continues to be uncertainty regarding these and other ongoing and potential future trade actions and legal challenges. For example, in March 2026, the United States also announced investigations targeting certain countries, including Japan, under Section 301 of the Trade Act of 1974, as a result of which Japan could face further tariffs and other trade restrictions. While the outcome of these investigations has yet to be announced, any unfavorable findings could result in additional punitive trade measures against Japan or other countries in which we do business, which could have a material adverse effect on our results of operations, financial condition, and business. Due to the relatively high proportion of sales of our motorcycles, four-wheelers and other leisure mobility products into the United States, we expect these import duties and any further tariffs or trade measures to primarily affect our Powersports & Engine division. In addition, because we expect to continue to compete with U.S. companies in our Powersports & Engine segment, our competitive position could be negatively impacted relative to such companies. These trade measures have and may also continue to impact other business segments as well, such as our Precision Machinery & Robot division. While we have been able to pass on a portion of these and other costs to customers, we may not be able to pass on such costs in the future due to competitive pressures from companies that are not subject to such tariffs or otherwise.

In addition, in April 2026, the Japanese government relaxed longstanding restrictions on the export of lethal defense equipment, which may create new market opportunities for certain of our products, including aircraft, naval vessels and other platforms with defense applications. However, any expansion of our defense export activities in response to such policy changes could expose us to new or enhanced risks and challenges. For example, if defense products manufactured by us or equipped with parts manufactured by us are exported to foreign governments or armed forces and subsequently deployed in combat operations, armed conflicts or internal security actions that result in civilian casualties or other controversial outcomes, our corporate reputation and brand value could be severely damaged, potentially leading to a decline in public sentiment, consumer boycotts of our non-defense products and increased scrutiny from foreign governments, domestic and foreign investors and other stakeholders. In addition, the current relaxation of export restrictions may be revised, narrowed or made subject to more onerous licensing and end-use monitoring requirements in response to changes in government policy or the international security environment, public opinion or diplomatic considerations. In such an event, we may be unable to recover capital expenditures already committed to the expansion of our production capacity, workforce, supply chain arrangements and related infrastructure undertaken in reliance on the continuation of such relaxed export policies, and existing contractual commitments to foreign purchasers may become impossible or impracticable to fulfill, exposing us to potential breach of contract claims, penalties or the need to renegotiate agreements on less favorable terms. There can be no assurance that the Japanese government will maintain its current export policy framework, that we will be able to manage the reputational risks associated with the foreign deployment of our defense products or that we will realize the anticipated benefits of any expansion of our defense export operations. Furthermore, the maintenance or expansion of these or introduction of similar policies may create or exacerbate global or regional geopolitical tensions, such as those between Japan and China. In such an event, Japanese companies could be subject to adverse trade measures, such as the strengthening of export controls on certain dual-use items discussed further below, which may have an adverse effect on our business.

Protectionist policies may also impact or delay our customers' investments in our products, reduce the competitiveness of our products in certain markets, and inhibit our ability to cost-effectively purchase necessary inputs from certain suppliers. For example, since January 2026, the Chinese government has restricted the export of certain rare earths, including those impacting the supply chains for certain of our products, to Japan as a result of diplomatic tensions concerning Taiwan. Additionally, the Chinese government recently introduced restrictions on the export of certain dual-use items to designated entities and businesses, including our Aerospace Systems business division and our subsidiaries KAWAJU Gifu Engineering Co., Ltd., KGM Co., Ltd. and NIPPI Corporation, which are part of our Aerospace Systems segment. International trade policies are affected by a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Although we actively monitor developments in international trade and proactively engage in efforts to mitigate the effect of trade policies, there can be no guarantee that these efforts will be successful.

Environmental laws and regulations and civil liability for contamination of the environment or related personal injuries may result in increases in our operating costs and capital expenditures and decreases in our earnings and cash flows.

Governmental requirements relating to the protection of the environment, including those requirements relating to solid waste management, air quality, water quality, generation, storage, handling, treatment and disposal of waste materials and cleanup of contaminated sites, as well as laws and regulations relating to human health and safety, have had a substantial impact on our operations. These requirements are complex and subject to frequent change as well as new restrictions. For example, various governmental authorities have considered and are continuing to consider the adoption of regulatory strategies and controls designed to reduce the emission of greenhouse gases resulting from regulated activities, which adoption in areas where we conduct business could require us or our clients to incur added costs to comply, may result in delays in pursuit of regulated activities and could adversely affect demand for the infrastructure and construction services we offer. Failure to comply with these requirements may result in the assessment of administrative, civil and criminal penalties, the imposition of investigatory or remedial obligations or the issuance of orders enjoining performance of some or all of our operations. In some cases, regulators can impose liability for the entire cost of mitigation of damages from a violation on any responsible party without regard to negligence or fault and impose liability on us for the conduct of others or conditions others have caused, or for our acts that complied with all applicable requirements when we performed them. Such expenditures and liabilities could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

In addition, our businesses often involve working around and with volatile, toxic and hazardous substances and other highly regulated pollutants, substances or wastes, for which the improper characterization, handling or disposal could result in criminal and civil liabilities. Environmental laws and regulations generally impose limitations and standards for certain pollutants or waste materials and require us to obtain permits and comply with various other requirements.

Governmental authorities may seek to impose fines and penalties on us, or revoke or deny issuance or renewal of operating permits for failure to comply with applicable laws and regulations, which could have a material adverse effect on our business and results of operations. We are also exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or wastes. We may incur liabilities that may not be covered by insurance policies, or, if covered, the financial amount of such liabilities may exceed our policy limits or fall within applicable deductible or retention limits. A partially or completely uninsured claim, if successful and of significant magnitude, could cause us to suffer a significant loss and reduce cash available for our operations.

We are subject to a variety of laws and regulations in the countries in which we operate and conduct business.

In addition to environmental regulations discussed in the immediately preceding risk factor, we are required to comply with a wide range of laws and regulations in the countries where we operate or conduct business, including laws relating to antitrust, labor, workplace safety, taxation, royalties, duties, tariffs, divestment, imports, exports, trade regulations, intellectual property, immigration, currency and foreign exchange, human rights, data privacy and data security, economic sanctions and anti-corruption and anti-bribery laws. Among others, we are subject to Japanese regulations concerning construction, shipbuilding, aircraft manufacturing, motor vehicles, public works contracts and subcontracting. See "Business—Regulation" for additional information regarding the laws and regulations that apply to us.

In particular, because we transact with government agencies and other public sector organizations, we are exposed to compliance risks relating to anti-corruption regulations in the jurisdictions in which we operate. We operate in jurisdictions that have experienced public and private sector corruption and where significant anti-corruption enforcement activities, prosecutions and settlements have occurred, which could expose us to enhanced compliance risks in these jurisdictions. Our suppliers or other third parties with which we engage in business may act inconsistently

with, or fail to maintain, appropriate standards, controls and procedures, including those relating to health, safety, environmental protection, human rights and community engagement. There can be no assurance that our internal control policies and procedures will always protect us from misinterpretation of or noncompliance with applicable laws and internal policies, recklessness, fraudulent behavior, dishonesty or other inappropriate acts committed by our affiliates, employees, agents, suppliers or contractors. As such, our corporate policies and processes may not prevent or detect all potential breaches of law or governance practices. Any breaches could result in safety incidents resulting in injuries or fatalities, significant criminal or civil fines and penalties, litigation or regulatory action or inquiries, shareholder activism (such as to stop using a certain supplier or contractor or to modify certain aspects of our operations), civil unrest or other adverse impacts on human rights and loss of operating licenses or permits, which may damage our reputation and which could have a material adverse effect on our cash flows, financial condition and results of operations. We have in the past, and may in the future, be subject to regular onsite inspections and compliance investigations resulting in fines, penalties, advisories, notices and other regulatory action.

We must also comply with various laws and regulations relating to the export and import of products, services, and technology from and into Japan and other countries having jurisdiction over our operations. Certain of our products, services and technologies have military or strategic applications, and in certain cases we are required to obtain licenses and authorizations from the appropriate government agencies before exporting these products. Foreign policy in Japan or the foreign policy of other licensing jurisdictions may affect the licensing process or otherwise affect our ability to engage in business dealings with certain individuals, entities, or countries. Any failure by us, our customers, or our suppliers to comply with these laws and regulations could result in civil or criminal penalties, fines, seizure of our products, adverse publicity, restrictions on our ability to engage in export or import transactions, or the suspension or debarment from doing business with the Japanese government. Moreover, any changes in export control, sanctions, or import regulations may further impact our ability to export or import certain of our products or services, and the possibility of such changes requires constant monitoring to ensure we remain compliant. For example, on April 21, 2026, the Japanese government announced it was relaxing its long-standing restrictions on the export of lethal weapons to certain countries. See "—Changes to international trade policies, including tariffs, export controls and other foreign trade restrictions or regulations, could adversely affect our business." Our ability to obtain required licenses and authorizations on a timely basis, or at all, is subject to risks and uncertainties, including changing laws, regulations, or foreign policies or geopolitical and other factors. Any further changes in policies regarding the export or import of our products or product lines could have a material effect on our competitive position, results of operations, financial condition, or liquidity.

Changes to laws, governmental regulations and policies, including those pertaining to government funding programs and spending policies, particularly those relating to defense and decarbonization, could affect demand for our services or cause delays in the timing of projects or cancellations of current or planned future projects.

Changes to current regulations or interpretations of current regulations, the imposition of additional regulations, or changes in government funding programs or spending policies could impact our and our clients' ability to acquire permits or fund projects. In particular, we generate a large portion of our revenue from the JMOD for defense-related products and services. Any changes in regulations or government policies affecting defense-related government spending in Japan could negatively impact our business. See "—Risks Relating to Our Business and Industries—We generate a significant portion of our revenue from government contracts with the JMOD, which exposes us to unique risks." In addition, we have committed significant resources to developing products and solutions to support the transition to decarbonization including hydrogen-related equipment and electrification solutions. Our development of these products and solutions depends in part from government funding, including subsidies from the Green Innovation Fund Managed by New Energy and Industrial Technology Development Organization ("NEDO"), and we may face challenges pursuing these business areas if such funding is terminated or otherwise becomes unavailable. If government regulations and policies shift away from supporting decarbonization efforts, our business and results of operations could be significantly impacted. For example, in January 2026, the United States withdrew from the Paris Agreement, which could impact progress towards decarbonization and demand for our products and services. Furthermore, our compliance with amended, new or more stringent regulatory requirements, stricter interpretations of existing requirements or the future discovery of regulatory violations may require us to make material expenditures or subject us to liabilities that we currently do not anticipate.

Our tax liabilities are dependent, in part, upon the distribution of income among various jurisdictions in which we operate, as well as changes in tax law or regulation.

Our future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in tax laws, regulations and judicial rulings (or changes in the interpretation thereof), potential taxation of digital services, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings permanently reinvested offshore, the results of audits and examinations of previously filed tax returns and continuing

assessments of our tax exposures, and various other governmental enforcement initiatives. Our tax expense includes estimates of tax reserves and reflects other estimates and assumptions, including assessments of our future earnings, which could impact the valuation of our deferred tax assets. In addition, our future effective tax rates could be subject to volatility or adversely affected by changes in tax laws, regulations, accounting principles, or interpretations thereof.

The Organisation for Economic Co-operation and Development ("OECD")/G20 and other invited countries developed a global tax framework inclusive of a 15% global minimum tax under the Pillar Two Global Anti-Base Erosion Rules (Pillar Two). On December 15, 2022, the Council of the EU formally adopted the OECD's framework to achieve a coordinated implementation amongst EU Member States consistent with EU law. The EU's Pillar Two Directive effective dates are January 1, 2024, and January 1, 2025, for different aspects of the directive. Other major jurisdictions are actively considering and implementing changes to their tax laws to adopt certain parts of the OECD's proposals. We have assessed this framework and determined, based upon available guidance, that these changes will not have a material impact to our results of operations. Any future changes in OECD guidance or interpretations, however, including local country tax legislative changes thereof, could impact our initial assessment and result in, among other things, greater tax expenses, and we continue to monitor and refine our assessment as further guidance is made available.

We may not be able to recover our deferred tax assets.

We recognize deferred tax assets with respect to unused tax loss carryforwards, tax credit carryforwards and deductible temporary differences. As of March 31, 2026, we had deferred tax assets of ¥119,475 million. We assess the recoverability of our deferred tax assets based on projected future taxable income in line with our business plans and available tax planning strategies. If our expectations regarding future taxable income or applicable tax planning strategies change, we may be required to reassess the recoverability of our deferred tax assets. To the extent we determine that it is no longer probable that we will generate sufficient future taxable income to realize the benefit of some or all of our deferred tax assets, we would be required to decrease our deferred tax assets. Factors that could adversely affect our ability to generate sufficient future taxable income include, among others, deterioration in macroeconomic conditions, changes in the markets in which we operate, adverse regulatory developments and negative developments in our operating performance. Any decrease in deferred tax assets would have a negative impact on our results of operations. For more information on our deferred tax assets, see Note 15 to our consolidated financial statements for the fiscal year ended March 31, 2026 included elsewhere in this offering circular.

Failure to comply with evolving data privacy and data protection laws and regulations or to otherwise protect personal data may adversely impact our business and financial results.

We handle a variety of personal and other sensitive information in connection with our business, including consumer information in connection with our Powersports & Engine segment as well as information relating to our personnel. Accordingly, we are subject to many rapidly evolving privacy and data protection laws and regulations around the world, including the Act on the Protection of Personal Information in Japan, the General Data Protection Regulation in Europe as well as the California Data Privacy Act and the California Privacy Rights Act (effective in January 2023) in the United States. This requires us to operate in a complex environment where there are significant constraints on how we can process personal data across our business. Breaches of applicable data privacy laws could result in substantial fines, which in some cases could be up to four percent of our worldwide revenue. In addition, a breach of data privacy or data protection laws or regulations could result in regulatory investigations, reputational damage, orders to cease/change our use of data, enforcement notices, as well as potential civil claims including class action type litigation. We have invested, and continue to invest, human and technology resources in our data privacy and data protection compliance efforts. There can be no assurance that any such actions will be sufficient to prevent cybersecurity breaches, disruptions, unauthorized release of sensitive information or corruption of data. Despite such actions, there is a risk that we may be subject to fines and penalties, litigation and reputational harm if we fail to properly process or protect the data or privacy of third parties or comply with applicable data privacy and data protection regimes.

We may be unable to protect our intellectual property adequately.

We regard the protection of our patents, proprietary technology trademarks, trade names, copyrights, trade secrets and similar intellectual property as critical to our success. However, policing the unauthorized use of our intellectual property is difficult and expensive. Although we have taken steps to prevent the misappropriation of our intellectual property, including by applying for patents for certain of our technologies, and entering into non-disclosure agreements with our employees, consultants and other relevant persons, such protective measures may not be adequate to prevent their unauthorized use.

We rely in part on trade secrets, proprietary know-how and other confidential information to maintain our competitive position. Although we enter into non-disclosure and invention assignment agreements with our employees,

enter into non-disclosure agreements with our customers, consultants and other parties with whom we have strategic relationships and business alliances and enter into intellectual property assignment agreements with our consultants and vendors no assurance can be given that these agreements will be effective in controlling access to and distribution of our technology and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products.

Any misappropriation of intellectual property that is used in our business, whether licensed to us or owned by us, could have a material adverse effect on our business, financial condition and results of operations. We may resort to court proceedings to enforce our intellectual property rights, which might result in substantial costs and diversion of management attention and resources away from the operation and growth of our business. There can be no assurance that our means of protecting our intellectual property will be adequate or that our competitors will not independently develop similar technology. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking their validity and enforceability. These steps may be inadequate to protect our intellectual property. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect or defend against unauthorized use.

We may be subject to intellectual property claims, which could be costly to defend and require us to pay significant license fees or damages.

Some companies in the industries in which we operate own large numbers of patents, trade secrets and other intellectual property and occasionally enter into litigation based on allegations of infringement, misappropriation or other violations of intellectual property or other rights. Our success depends in part on our ability to conduct our business without infringing the intellectual property rights of third parties. However, there is a possibility that we may be subject to litigation involving claims of patent infringement or other violations of intellectual property rights of third parties. Existing or future claims against us, whether valid or not, may be time consuming, distracting to management, expensive to defend and negative to our reputation. Intellectual property litigation or claims could force us to obtain a license from the holder of the infringed intellectual property, which may not be available on commercially favorable terms, or at all, and may be terminated in the future. Any such license agreements could result in us incurring substantial additional costs and, if terminated, we may be forced to stop developing certain products or solutions. Additionally, in the event that there is a determination that we have infringed the proprietary rights of any third party, we could incur substantial liabilities. Any of the above may have a material adverse effect on our business, financial condition and results of operations.

We are subject to the risk of litigation and other legal proceedings.

In the ordinary course of business, we are subject to the risk of litigation and other legal proceedings from parties such as customers, business counterparties, competitors, employees, regulators and others in connection with claims such as breaches of contract, labor issues, intellectual property rights violations and leaks of confidential information, among others. See "Business—Legal Proceedings and Regulatory Matters." In the event of such claims, an adverse judgment or out-of-court settlement in connection with any legal proceedings could result in significant losses or damage to our reputation. Even absent an adverse finding, defending legal claims can take a significant amount of time and resources to resolve, divert attention and resources away from other areas of our business and create negative publicity or otherwise harm our reputation. As a result, our business, financial condition and results of operations could be adversely affected.

Our internal controls may not be effective in preventing future misstatements of our financial condition and results of operations.

In accordance with the FIEA, we are required to evaluate the effectiveness of our internal controls over financial reporting as of the end of our fiscal year and have our internal controls report audited by our independent auditor. We have established a system of internal controls to support appropriate and reliable financial reporting and seek to continue to improve those controls. There can be no assurance, however, that our internal controls will be fully effective in preventing misstatements or errors in our financial reporting, due to fraud, misconduct or other unanticipated factors. If our internal controls over financial reporting are found to have material weaknesses as a result of our evaluation or the audit conducted by our independent auditors in the future, our ability to produce reliable financial reports on a timely basis could be adversely affected, resulting in damage to our reputation and a loss of confidence in our financial reporting by investors. Such failures could also result in violations of law, administrative sanctions and potential legal claims for damages. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and thus are subject to inherent limitations. Changes in our business or operating environment after our internal controls were developed could also make them ineffective if we are not able to adjust our internal organization and procedures in response. We cannot be certain that our internal controls over financial reporting will prevent the risk of misstatements, errors and fraud.

Risks Relating to Our Financial Position, Liquidity and Capital Resources

Our indebtedness could adversely affect our financial condition, and we may be unable to obtain additional financing if so required.

We require significant capital resources in order to engage in the required capital and operating expenditures necessary to operate and grow our business. As of March 31, 2026, we had ¥861,189 million in bonds, borrowings and other financial liabilities, and we expect that we will continue to rely on borrowings as a source of financing going forward. Our significant indebtedness, when combined with our other financial obligations and contractual commitments, could have important consequences, including:

- requiring us to dedicate a significant portion of our cash flows from operations to payments on our indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions, ongoing projects, shareholder dividends and other purposes;
- increasing our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage compared to our competitors that have relatively less indebtedness;
- limiting our flexibility in planning for, or reacting to, changes in our business and industry;
- increasing our exposure to rising interest rates because our borrowings are at variable interest rates;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures; and
- limiting our ability to borrow additional funds, or to dispose of assets to raise funds, if needed, for working capital, capital expenditures, acquisitions and other purposes.

A portion of our borrowings is subject to floating interest rates, which exposes us to increased interest expenses when interest rates increase. While we enter into interest rate swaps with respect to certain of our floating rate borrowings, we would be exposed to the risk of higher interest rates when we refinance fixed rate or hedged borrowings. Our borrowing agreements also contain certain financial and other covenants. If we become unable to meet these financial covenants due to the deterioration of our financial performance, financial position or credit rating, the lenders could require us to repay the full amount of the relevant borrowings or provide additional collateral or increase the interest rate or commission rate of the borrowings, which may limit our ability to raise additional funds.

When we require additional borrowings in the future, any inability to enter into additional borrowings on acceptable terms could impact our ability to operate and grow our business. Our ability to obtain additional financing, if and when required, will depend on our operating performance, investor and lender demand, the condition of the capital markets and other factors and, in the case of financing for a potential acquisition, the business, operating results and cash flow of the acquisition target, and we cannot assure you that additional financing will be available to us on reasonable terms, or at all. Moreover, the terms of potential financial agreements may contain additional restrictive covenants that require us to meet certain required financial ratios or subject us to other requirements, which could restrict our ability to operate our business. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation and growth of our business could be significantly impaired and our operating results may be adversely affected. In addition, if we incur significant additional indebtedness, the related risks that we face regarding holding significant indebtedness described above could increase.

We may be required to recognize impairment losses with respect to our property, plant and equipment and other assets.

As of March 31, 2026, we had ¥542,937 million in property, plant and equipment, representing 16.3% of our total assets. We also had other non-current assets including intangible assets of ¥82,519 million and right-of use assets of ¥67,931 million as of the same date. Whenever events or changes in circumstances indicate that the carrying value of a particular non-current asset or cash-generating unit may not be recoverable, we are required to perform an impairment test to determine whether such asset or cash-generating unit has become impaired. We also conduct an impairment test every year for any goodwill and intangible assets with indefinite useful lives or not yet available for use, regardless of any such indication. If the amount at which we carry an asset or cash-generating unit on our statement of financial position exceeds the recoverable amount (being the higher of fair value less costs of disposal and value in use), we would be required to recognize an impairment loss. Therefore, we may be required to recognize an impairment loss and/or additional amortization expenses as a result of any deterioration in our prospects. See Note 3 to our consolidated financial statements as of and for the year ended March 31, 2026 included elsewhere in this offering circular. Any impairment losses and/or additional amortization expenses for non-current assets (including goodwill) we recognize will increase our expenses and adversely affect our results of operations and financial condition.

We are exposed to risks in connection with our defined benefit pension plan commitments.

We have funded and unfunded defined benefit pension plans and retirement plans, which provide defined post-employment benefits to certain of our employees. As of March 31, 2026, we had ¥50,600 million in net retirement

benefit liabilities associated with these benefit plans. The plan assets associated with our funded defined benefit obligation are subject to fluctuation based on market conditions and other factors. Any decrease in the value of plan assets could increase our net retirement benefit liabilities associated with the benefit plans.

Defined benefit plan assets are invested in various asset classes and their value may fluctuate in accordance with market conditions. Any deterioration in the value of the defined benefit pension plan assets could therefore increase our obligations and result in additional outflow of funds to finance these obligations. In addition, because our defined benefit obligation is based on discount rates and other actuarial assumptions, any change in assumptions could impact our net retirement benefit liabilities.

Moreover, applicable law or the terms of the relevant defined benefit pension plan may require us to make cash contributions or provide financial support upon the occurrence of certain events. We cannot predict whether, or to what extent, changing market or economic conditions, regulatory changes or other factors will further increase our pension expense or funding obligations.

Risks Relating to the Offerings

If we do not complete the Concurrent Share Offering, we may be unable to achieve the overall purpose of this offering.

Concurrently with this offering, we plan to conduct the Concurrent Share Offering. The offering of the Bonds described in this offering circular is not conditional upon the completion of the Concurrent Share Offering, which is scheduled to occur nine days before the closing of this offering. Therefore, at the time investors decide to purchase Bonds in this offering, there is no assurance that the Concurrent Share Offering will be completed. If we do not complete the Concurrent Share Offering, we may be unable to secure alternative financing under comparable terms or at all, which may negatively impact our ability to execute our strategies and goals for our future sustainable growth. See "Concurrent Share Offering" for additional details on the Concurrent Share Offering and the use of proceeds.

Risks Relating to the Bonds and the Shares

There will be limitations on the timing of exercise of Stock Acquisition Rights.

Under the current rules and practices of JASDEC it will take at least three Tokyo business days for the delivery of the Shares to the Bondholders after the Stock Acquisition Date (as defined in the Conditions for the relevant Series of Bonds). In order to avoid any JASDEC system processing errors around the record dates, the Stock Acquisition Rights have been designed under Condition 5.1.4 of the Conditions for the relevant Series of Bonds so that they may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in the Conditions for the relevant Series of Bonds). Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period around any record date in respect of Shares set by the Company (under the Articles of Incorporation of the Company as at the date of this offering circular, March 31 and September 30 in each year).

No cash amounts will be payable in respect of Shares that constitute less than a full unit.

Since the coming into effect of the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act"), making it possible for listed shares of Japanese companies comprising less than one full unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one full unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one full unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises 100 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the Companies Act, the rules of the JASDEC book-entry transfer system, the Company's Articles of Incorporation and the Company's Share Handling Regulations if they would like the Company to do so. The rights of holders of Shares not constituting one full unit are limited under the Company's Articles of Incorporation and may not be sold on the stock exchanges on which they are listed. See "Description of Common Stock—Unit Share System."

The anti-dilution protection for Bondholders is limited.

The Conversion Price at which the Stock Acquisition Rights may be exercised will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Conditions for the relevant Series of Bonds. There

is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and therefore, adversely affect the value of the Bonds.

The trading price of the Bonds will be affected by fluctuations in the trading price of the Shares.

The trading price of the Bonds is expected to be affected by fluctuations in the trading price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Any decline in the trading price of the Shares will have an adverse effect on the trading price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, our financial position and results of operations, including the reporting of our financial results. In addition, the trading price of the Bonds is expected to be affected by any downgrade or other events negatively affecting our credit rating.

A trading market for the Bonds may not develop.

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop, and even if such a market does develop, it may not be liquid. Furthermore, there can be no assurance that the Bonds will not trade at prices lower than the initial Offer Prices.

The Bonds are unsecured.

The Bonds do not benefit from any security and the Bondholders' claims will rank behind any secured creditors in the event of our liquidation or bankruptcy.

Future changes in Japanese law may affect rights relating to the Bonds.

Future changes to provisions relating to Stock Acquisition Rights and/or the Shares issuable upon the exercise of Stock Acquisition Rights may have mandatory effect under Japanese law. Condition 15.2 for the relevant Series of Bonds provides for amendments to be made to the Conditions for the relevant Series of Bonds relating to the Stock Acquisition Rights where those amendments are required in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, but not limited to, giving notice to the Company pursuant to Condition 10 for the relevant Series of Bonds and taking enforcement steps as contemplated in Condition 16 for the relevant Series of Bonds), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Future sales of shares by our existing shareholders or issuances of additional shares by us, including as a result of the conversion of convertible securities or the exercise of stock acquisition rights, could adversely affect the market price of our common stock and result in substantial dilution.

Sales of a substantial number of shares of our common stock following the offering or the perception that such sales may occur could adversely affect the market price of our common stock. As described in this offering circular under "Subscription and Sale," we have agreed to restrictions on sales and other dispositions of our shares for the period beginning on the date of this offering circular and ending 180 days from and including the Closing Date. However, our board of directors will be able to determine to issue and sell additional shares, or securities convertible into shares of our common stock including stock acquisition rights, within the unissued portion of our authorized share capital or sell treasury shares, generally without any shareholder vote. Such issuance or sale of shares of our common stock or such securities or the perception that such issuance or sale may occur could have an adverse impact on the market price of our common stock. We may issue additional shares or sell treasury shares in the future at prices below the offer price of our shares in the offering and below prevailing market prices.

In addition, the conversion of securities convertible into shares of our common stock (including the Convertible Bonds) or the exercise of any stock acquisition rights we may grant in the future, to directors, corporate officers and employees of ours and certain our subsidiaries, could impact the market price of our common stock. See "Description of Common Stock—Stock Acquisition Rights."

If we were to issue additional shares in the future, including in connection with convertible securities or stock options, holders of shares of our common stock, including purchasers of our shares in the offering, may experience dilution.

Investors holding less than one "unit" of shares of our common stock will have limited rights as shareholders.

Our articles of incorporation provide that 100 shares of common stock constitute one "unit." The Companies Act of Japan (Act No. 86 of 2005, as amended), or the Companies Act, and our articles of incorporation impose significant restrictions and limitations on holders of shares which do not constitute a whole unit. In general, holders of shares constituting less than one unit do not have the right to vote with respect to those shares. In addition, shares constituting less than a full unit are generally not tradable on Japanese stock exchanges on which they are listed. For a more complete description of the unit share system and its effect on the rights of our shareholders, see "Description of Common Stock—Unit Share System."

Rights of shareholders under Japanese law may be different from rights of shareholders in other jurisdictions.

Our articles of incorporation and the Companies Act govern our corporate affairs. Legal principles relating to matters such as the validity of corporate procedures, directors' fiduciary duties and liabilities and shareholders' rights under Japanese law may be different from, or less clearly defined than, those that would apply to a company incorporated in any other jurisdiction. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the law of other countries. For example, under the Companies Act, only holders of 3% or more of our total voting rights or our total issued and outstanding shares are entitled to examine our accounting books and records. Furthermore, Japanese courts may not be willing to enforce, in original actions or in actions seeking enforcement of judgments of the courts of other jurisdictions, liabilities against us in actions brought in Japan, including those based on the securities laws of the U.S. or any U.S. state.

Our shareholders of record on a record date may not receive the dividend they anticipate.

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from that widely followed or otherwise deemed necessary or fair in markets outside Japan. In particular, consistent with market practice in Japan, we may regularly announce forecasts or payout ratio targets of year-end and interim dividends. However, any such forecasts will not be legally binding. The actual payment of dividends will require a resolution of the board of directors or the ordinary general meeting of shareholders. See "Description of Common Stock—Distribution of Surplus." These actual payments may differ from any previously announced forecasts or payout ratio targets, and since resolutions to pay dividends are usually not adopted until after the relevant record date, currently specified as March 31 and September 30 by our articles of incorporation, our shareholders of record on a record date may not receive the dividends they anticipate.

Because of daily price range limitations imposed by the Tokyo Stock Exchange and the Nagoya Stock Exchange, system malfunctions or other factors, you may not be able to sell your shares of our common stock at a particular price on any particular trading day, or at all.

Share prices on the Tokyo Stock Exchange and the Nagoya Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange and the Nagoya Stock Exchange are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, the exchanges set daily upward and downward price range limitations for each listed stock, based on the previous day's closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to effect a sale at such price on a particular trading day, or at all.

In addition, the Tokyo Stock Exchange has in the past experienced trading suspensions due to system malfunctions. On October 1, 2020, a system malfunction caused a full day shutdown of the Tokyo Stock Exchange's trading system. There can be no assurance that the Tokyo Stock Exchange will not experience trading suspensions in the future due to systems malfunctions or other reasons. If trading in our shares is halted because of any trading suspensions, you may be unable to trade our shares at the time or price you desire or at all, which could result in losses to you.

Prior notification under the Foreign Exchange and Foreign Trade Act of Japan may be required in the case of acquisition by foreign investors of a certain portion of the Shares.

Because we are engaged in certain businesses designated by the FEFTA and its related cabinet orders and ministerial ordinances (collectively, the "Foreign Exchange Regulations"), if a foreign investor intends to acquire the Shares in circumstances that constitute an "inward direct investment" (the "Inward Direct Investment") under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such Inward Direct

Investment with the Minister of Finance of Japan (the "Minister of Finance") and any other competent Ministers (the "Ministers"). The Inward Direct Investment includes an acquisition by a foreign investor of the Shares as a result of which such foreign investor, in combination with any existing holdings, directly or indirectly holds 1% or more of the total number of issued shares or the total number of voting rights. While certain exemptions from the prior notification requirements are provided for under the Foreign Exchange Regulations, certain foreign investors seeking to make such acquisition may not be eligible for such exemptions. If such prior notification is filed, the proposed acquisition may not be consummated until a prescribed screening period expires. In some cases, the Ministers may extend the screening period, and may recommend or order a modification or abandonment of such acquisition. In addition, if certain conditions, including those prescribed in light of Japan's national security under the Foreign Exchange Regulations are met, the Ministers may order the disposal of the shares acquired or take other measures. Consequently, any foreign investor seeking to acquire the Shares in a transaction that constitutes an Inward Direct Investment may not consummate such acquisition in an expected time frame, in accordance with an intended plan, or at all.

Additionally, if a foreign investor directly or indirectly holds 1% or more of the total voting rights and, at a general meeting of shareholders, consents to certain proposals having a material influence on our management such as the (i) election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as our directors or (ii) transfer or discontinuation of our business, such consent, subject to certain exemptions, also constitutes an Inward Direct Investment requiring prior notification. If such prior notification is filed, such consent cannot be given until the prescribed screening period expires. As a result, such foreign investors may have difficulties giving such consent in accordance with an intended plan, or at all.

The discussion above is not exhaustive of all possible foreign exchange control considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of the Shares or voting rights by consulting their own advisors. For a more detailed discussion on the requirements and procedures regarding the prior notifications under the Foreign Exchange Regulations, see "Japanese Foreign Exchange Regulations."

There are some risks relating to the issuance of the 2033 Bonds as transition bonds.

We set out below some risks relating to our issuance of the 2033 Bonds as transition bonds. If any of the risks outlined below were to materialise, this may have a material adverse effect on the value of the 2033 Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green or similar assets (which consequences may include the need to sell the 2033 Bonds as a result of their not falling within the investor's investment criteria or mandate).

While the 2033 Bonds are intended by us to be issued as transition bonds, they may not meet investor expectations or requirements regarding transition bonds.

We intend to use the net proceeds from the offering of the 2033 Bonds to fund commercial-scale demonstration projects for the establishment of a liquefied hydrogen supply chain, through investments and loans to our subsidiary, Japan Suiso Energy, Ltd., which we believe meet the criteria for qualifying as Eligible Transition Projects in accordance with our Sustainable Finance Master Framework. See "Use of Proceeds." A prospective investor should have regard to the information set out in "Use of Proceeds" and determine for itself the relevance of such information for the purpose of an investment in the 2033 Bonds together with any other investigation it deems necessary. We have significant flexibility in allocating the net proceeds from the 2033 Bonds. No assurance is given that such use of proceeds will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, ratings criteria, taxonomies or standards or other independent expectations, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, the subject of or related to, our Sustainable Finance Master Framework (including in relation to, but not limited to, the EU Taxonomy Regulation and any related technical screening criteria, the EU SFDR and any implementing guidelines, any similar legislation and guidelines in the United Kingdom or elsewhere, or any market standards or guidance, including the ICMA Transition Bond Guidelines, the ICMA CTFH, the Japan Transition Finance Guidelines, or any requirements of such labels or market standards as they may evolve from time to time). Nor can any assurance be given that Eligible Transition Projects will meet investor expectations or requirements regarding such "transition" labelling.

While it is our intention to allocate an amount equal to the net proceeds of the 2033 Bonds to Eligible Transition Projects and to report on the use of proceeds or Eligible Transition Projects as described in "Use of Proceeds," there is no contractual obligation to do so. There can be no assurance that any such Eligible Transition Projects will be available or capable of being implemented in, or substantially in, the manner and timeframe anticipated and, accordingly, that we will be able to use an amount equal to the net proceeds of the issue of the 2033 Bonds for such Eligible Transition Projects as intended. In addition, there can be no assurance that Eligible Transition Projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated.

We do not undertake to ensure that there are at any time sufficient Eligible Transition Projects to allow for allocation of an amount equal to the net proceeds of the issue of the 2033 Bonds in full.

An amount equal to the net proceeds of the issue of the 2033 Bonds which, from time to time, are not allocated as funding for Eligible Transition Projects is intended by us to be held pending allocation in cash or cash equivalents.

Our Sustainable Finance Master Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this offering circular. Our Sustainable Finance Master Framework does not form part of, nor is incorporated by reference, in this offering circular.

We cannot give any assurance of suitability or reliability of the Second Party Opinion, or any other opinion, review, certification or evaluation given in respect of our Sustainable Finance Master Framework or Eligible Transition Projects.

A framework overview and second-party opinion from JCR regarding our Sustainable Finance Master Framework has been made publicly available. The Second Party Opinion provides an opinion on certain environmental, transition and related considerations and is a statement of opinion, not a statement of fact. No representation or assurance is given as to the suitability or reliability of the Second Party Opinion or any opinion, review, certification or evaluation of any third party (including any post-issuance reports prepared by an external reviewer) made available in connection with our Sustainable Finance Master Framework or the issue of the 2033 Bonds. The Second Party Opinion and any other such opinion, review, certification, evaluation or post-issuance report is not intended to address any credit, market or other aspects of any investment in the 2033 Bonds, including without limitation market price, marketability, investor preference or suitability of any security or any other factors that may affect the value of the 2033 Bonds. The Second Party Opinion and any other opinion, review, certification, evaluation or post-issuance report is not a recommendation to buy, sell or hold any 2033 Bond, and is current only as of the date that opinion was issued. Prospective investors must determine for themselves the relevance of any such opinion, review, certification or evaluation and/or the information contained therein and/or the provider thereof for the purpose of any investment in the 2033 Bonds. For the avoidance of doubt, the information on our website is not incorporated by reference into this offering circular, and none of the Second Party Opinion, any other opinion, review, certification, evaluation or post-issuance report is, nor are they deemed to be, incorporated into this offering circular.

The criteria and/or considerations that form the basis of the Second Party Opinion and any other such opinion, review or certification or post-issuance report may change at any time and the Second Party Opinion and any other opinion, review, certification or post-issuance report may be amended, updated, supplemented, replaced and/or withdrawn at any time. Any withdrawal of the Second Party Opinion or any other opinion, review, certification, evaluation or post-issuance report may have a material adverse effect on the value of the 2033 Bonds in respect of or in relation to which such opinion, review, certification, evaluation or post-issuance report is given and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. As at the date of this offering circular, the providers of such opinions, reviews, certifications and post-issuance reports in relation to bonds such as transition bonds are not subject to any specific regulatory or other regime or oversight. The EU Green Bond Regulation has introduced a supervisory regime of external reviewers of European Green Bonds but this does not apply to external reviewers in respect of the 2033 Bonds. Prospective investors must determine for themselves the relevance of the Second Party Opinion and any other opinion, review, certification, evaluation, post-issuance report and/or the information contained therein.

Any failure by us to allocate the proceeds of the 2033 Bonds or to report on such use of proceeds or Eligible Transition Projects will not result in a breach of contract or event of default under the terms and conditions of the 2033 Bonds.

None of a failure by us to allocate the proceeds of the 2033 Bonds as intended or to report on the use of proceeds or Eligible Transition Projects as anticipated; or a failure of a third party to issue (or to withdraw) an opinion, review, certification, evaluation or post-issuance report in connection with our Sustainable Finance Master Framework or the issue of the 2033 Bonds, or the failure of the 2033 Bonds to meet investors' expectations or requirements regarding any "transition" or similar labels (including in relation to, but not limited to, the EU Taxonomy Regulation and any related technical screening criteria, or any similar legislation in the United Kingdom or any market standards or guidance, including the ICMA Transition Bond Guidelines), will constitute an event of default or breach of contract with respect to the 2033 Bonds.

The 2033 Bonds are not linked to the performance of the Eligible Transition Projects, and do not benefit from any arrangements to enhance the performance of the 2033 Bonds or any contractual rights derived solely from the intended use of proceeds of the 2033 Bonds.

The performance of the 2033 Bonds is not linked to the performance of the relevant Eligible Transition Projects or our performance in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the 2033 Bonds and the Eligible Transition Projects. Consequently, neither payments to be made on the 2033 Bonds nor any rights of holders of the 2033 Bonds shall depend on the performance of the relevant Eligible Transition Projects or our performance in respect of any such environmental or similar targets. Holders of the 2033 Bonds shall have no preferential rights or priority against the assets of any Eligible Transition Project nor benefit from any arrangements to enhance the performance of the 2033 Bonds.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥101.0 billion. We intend to apply such net proceeds by the end of March 2031, for the establishment of a liquefied hydrogen supply chain aimed at achieving energy security and carbon neutrality, as well as the implementation of physical AI, as follows:

(i) With respect to the net proceeds of the 2031 Bonds, we intend to apply:

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

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

(ii) With respect to the net proceeds of the 2033 Bonds, we intend to apply approximately ¥50.5 billion, to fund commercial-scale demonstration projects for the establishment of a liquefied hydrogen supply chain, through investments and loans to our subsidiary, Japan Suiso Energy, Ltd., which we believe meet the criteria for qualifying as Eligible Transition Projects in accordance with our Sustainable Finance Master Framework.

Sustainable Finance Master Framework

Our updated "Sustainable Finance Master Framework" was published in March 2026 (such March 2026 version being referred to herein as the "Sustainable Finance Master Framework"). We have obtained a second party opinion from JCR which evaluates the Sustainable Finance Master Framework's alignment with the ICMA Transition Bond Guidelines, the ICMA CTFH and the Japan Transition Finance Guidelines. We obtained a government subsidy from the Ministry of Economy, Trade and Industry of Japan with respect to the development of our Sustainable Finance Master Framework and for obtaining the Second Party Opinion.

Use of Proceeds of the 2033 Bonds

The proceeds of the 2033 Bonds will be allocated to finance new and existing expenditures for businesses and projects related to the following eligible criteria ("Eligible Transition Projects"); refinancing of existing expenditures is limited to expenditures made within two years prior to sustainable financing.

In the case of the 2033 Bonds, the application of the Sustainable Finance Master Framework shall, in principle, be limited to the period prior to conversion into equity. For the avoidance of doubt, the Sustainable Finance Master Framework will not apply to Shares issued upon exercise of the Stock Acquisition Rights.

The eligibility criteria for Eligible Transition Projects under the Sustainable Finance Master Framework include the following:

Eligibility Criteria	Eligible Category	Project Examples
Clean transport and storage of hydrogen	Environmentally adapted products; Environmentally conscious production technologies and processes	• Hydrogen liquefier[1] • Liquefied hydrogen shipping and receiving base[1] • Liquefied hydrogen storage tank[1] • Liquefied hydrogen carrier[1] • Hydrogen fuel vessel[1] • Tank system for liquefied hydrogen carrier[1] • Hydrogen compressor[1] (Research and development, demonstration and capital investment)
Clean energy use of hydrogen	Environmentally adapted products; Environmentally conscious production technologies and processes	• Hydrogen gas turbine for power generation (dedicated firing)[2] • Hydrogen gas engine for power generation (dedicated firing)[2] (Research and development, demonstration and capital investment)

Eligibility Criteria	Eligible Category	Project Examples
Clean energy use of hydrogen (co-firing)	Environmentally adapted products; Environmentally conscious production technologies and processes	• Hydrogen gas turbine for power generation (co-firing) • Hydrogen gas engine for power generation (co-firing) (Research and development, demonstration and capital investment)

Notes:

(1) As the project promotes the transition from natural gas to a hydrogen society from its early stages, the project is eligible as a transition project.

(2) Equipment that can switch between exclusive firing and co-firing is eligible as a transition project.

Process for Project Evaluation and Selection Process

Eligible Transition Projects will be selected by our finance and planning departments based on eligibility criteria established in accordance with our Group Vision 2030, our Carbon Neutral Strategy, and our Kawasaki Ecological Frontiers System. The selected projects will be finalized after approval by the Finance and Planning Officers.

Management of Proceeds

The proceeds raised through sustainable finance will be allocated within approximately two years. Notwithstanding the foregoing, the proceeds from the issuance of the 2033 Bonds will be allocated by the end of March 2031, in line with the anticipated timeline for the commercialization demonstration of the liquefied hydrogen supply chain.

Our Finance Division uses our internal management system to track and manage the connection between funding and eligible projects and the allocation of funding. The tracking results will be reviewed by our Finance Officer on a quarterly basis. The proceeds will be managed in cash or cash equivalents until the proceeds are allocated.

In addition to the internal tracking of allocated and unallocated funds described above, we will also confirm that balances are properly managed through semi-annual internal audits and quarterly accounting audits by external auditors.

If a project for which funds have been allocated is cancelled or postponed, the funds will be reallocated to other projects that meet the eligibility criteria in accordance with the Sustainable Finance Master Framework.

Reporting

Allocation Reporting

The allocation status is disclosed on the website once a year until the proceeds are fully allocated. In the case of the 2033 Bonds, this applies until the total issue amount is fully allocated, regardless of whether conversion takes place.

The disclosure will include:

- the amount of net proceeds allocated to each eligibility criteria;
- the balance of unallocated proceeds and investment method; and
- the amount (or proportion) of net proceeds allocated to refinancing.

Even after the completion of the allocation of proceeds, if an event different from the initial assumption occurs in the project subject to the use of proceeds, we will promptly disclose the event, the status of the occurrence of unallocated proceeds, and the status of reallocation, among other things.

In addition, if the entire amount of the 2033 Bonds is converted into equity, such fact will be disclosed.

Impact Reporting

Within the scope of confidentiality obligations, all or any of the following output and outcome measures will be disclosed once a year on our website as impact reporting, in the case of the 2033 Bonds, until the originally assumed maturity date regardless of whether conversion takes place.

Eligibility Criteria	An Example of Impact Reporting
Clean transport and storage of hydrogen	● Progress in R&D and demonstration ● Number of products developed or manufactured and installed ● Reduction of CO_2 emissions by using hydrogen (theoretical value)
Clean energy use of hydrogen	● Progress in R&D and demonstration ● Number of products developed or manufactured and installed ● Reduction of CO_2 emissions by using hydrogen (theoretical value)
Clean energy use of hydrogen (co-firing)	● Research and development, progress of demonstration, research and development papers ● Number of products developed or manufactured and installed ● Reduction of CO_2 emissions by using hydrogen (theoretical value)

INFORMATION CONCERNING OUR SHARES

Authorized and Issued Share Capital

As of April 1, 2026, we have an authorized share capital of 1,680,000,000 shares of common stock, of which 839,609,000 shares are issued.

The following table shows the recent change in our issued shares of common stock:

Date	Change in total number of issued shares of common stock	Total number of issued shares of common stock after transaction
	(in thousands)	
August 1, 2021[(1)]	841	167,921
April 1, 2026[(2)]	671,687	839,609

Notes:

(1) On August 1, 2021, we issued new shares in connection with a share exchange conducted to make Kawasaki Thermal Engineering Co., Ltd. our wholly-owned subsidiary.

(2) We implemented a 5-for-1 stock split effective April 1, 2026.

Dividend Policy and Shareholder Returns

Our fundamental management policy is to enhance our corporate value through the stable generation of profits exceeding the cost of capital over the long term. To achieve this, we execute strategic investment for future growth, and we regard the enhancement of long-term shareholder value and the return of profits to shareholders as one of our key management priorities. In addition, in order to achieve a well-balanced approach to enhancing shareholder value and paying stable dividends, starting from the fiscal year ended March 31, 2026, we implemented a policy to pay dividends to shareholders to achieve DOE of 4% as shareholder returns. For these purposes, we define DOE as total annual dividends divided by total equity attributable to owners of the parent after deducting other components of equity. Prior to the fiscal year ended March 31, 2026, our policy was to pay dividends based on a payout ratio of 30% of the consolidated profit attributable to owners of the parent and in light of both the outlook for future earnings and a comprehensive assessment of our financial condition, including free cash flow, net debt-to-equity ratio and other factors.

Our basic policy is to pay interim dividends and year-end dividends. The record dates for year-end dividends and interim dividends are March 31 and September 30, respectively. See "Description of Common Stock—Record Date." Dividends paid to shareholders, including those who are non-resident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan, will be subject to Japanese withholding taxes. See "Japanese Taxation."

The following table sets forth our cash dividends paid to holders of shares of our common stock with respect to the record dates shown below:

Record Date	Dividends per share[(1)]
September 30, 2021 (interim)	¥20
March 31, 2022	20
September 30, 2022 (interim)	30
March 31, 2023	60
September 30, 2023 (interim)	20
March 31, 2024	30
September 30, 2024 (interim)	70
March 31, 2025	80
September 30, 2025 (interim)	75
March 31, 2026	96

Note:

(1) Figures have not been retroactively adjusted to give effect to the 5-for-1 stock split effective April 1, 2026.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated capitalization and indebtedness as of March 31, 2026 on an actual basis and on an adjusted basis to give effect to (i) the offering and sale of the Shares in the Concurrent Share Offering and (ii) the offering and sale of the Bonds.

The information in the table below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements included elsewhere in this offering circular.

	As of March 31, 2026	
	Actual	As adjusted
	(in millions of yen)	
Short-term debt:		
Bonds, borrowings and other financial liabilities (current portion)	¥ 502,673	¥ 502,673
Long-term debt:		
Bonds, borrowings and other financial liabilities (non-current portion)	¥ 358,516	¥ 358,516
The Bonds being offered[1]	—	100,000
Equity:		
Share capital	104,484	151,197
Authorized—1,680,000,000 shares[2]		
Issued—839,609,000 shares[2][3] (876,959,000 shares as adjusted)		
Capital surplus	107,584	154,297
Retained earnings	580,816	580,816
Treasury shares	(3,912)	(3,912)
(3,760,940 shares[2][4])		
Other components of equity	89,111	89,111
Other comprehensive income associated with assets held for sale	37	37
Non controlling interests	70,372	70,372
Total equity	948,494	1,041,921
Total capitalization[5]	¥1,307,010	¥1,500,437

Notes:

(1) For illustrative purposes only, the aggregate principal amount of the Bonds has been presented as part of long-term debt in the above table.

(2) Adjusted to reflect the 5-for-1 stock split effective April 1, 2026.

(3) On July 2, 2026, we announced our decision to concurrently offer and sell 37,350,000 newly issued Shares in the Concurrent Share Offering. The Shares in the Concurrent Share Offering are expected to be issued on or about July 22, 2026.

(4) Treasury shares include shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of an incentive plan for management positions, of which beneficiaries are employees.

(5) Total capitalization consists of bonds, borrowings and other financial liabilities (non-current portion), the Bonds concurrently offered and total equity.

Other than as described above, and except for changes to retained earnings due to the results of our operations in the ordinary course of business, there has been no material change in our consolidated capitalization and indebtedness since March 31, 2026.

CONCURRENT SHARE OFFERING

Separately from the issue and offering of the Bonds, and concurrently, we are offering and intend to sell 37,350,000 newly issued Shares. The Concurrent Share Offering will be conducted outside Japan in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act and within the United States only to QIBs, in reliance on Rule 144A under the Securities Act. Subject to certain conditions, the joint lead managers for the Concurrent Share Offering will purchase the Shares at a purchase price of ¥2,501.40 per Share, and initially offer the Shares at the offer price of ¥2,609.0 per Share.

It is expected that payment for the Shares offered in the Concurrent Share Offering will be made in Japanese yen for value on or about July 22, 2026 (Tokyo time) and delivered through the facilities of JASDEC in Tokyo on or about July 23, 2026 (Tokyo time), or on such other date as we and the joint lead managers for the Concurrent Share Offering may agree.

No Offered Shares are being offered hereby. The closing of the offering of the Bonds is not conditional upon the closing of the Concurrent Share Offering and *vice versa*.

Use of Proceeds of the Concurrent Share Offering

We estimate that the net proceeds that we will receive from the sale of Offered Shares will be approximately ¥92,457 million, after deducting estimated underwriting discounts and estimated offering expenses payable by us.

We intend to apply such net proceeds by the end of March 2029, towards capital expenditures aimed at strengthening the production base supporting the growth of our respective businesses. Such capital expenditures are expected to include the introduction of advanced production technologies, such as robotics and physical AI at our manufacturing facilities, in line with our strategic priorities. These initiatives are intended not only to expand our production capacity and maximize production efficiency, but also to utilize the operational data and know-how obtained therefrom to optimize solutions for our customers and maximize added value through the application of physical AI, robotics, and mass production automation.

Specifically, we intend to apply such net proceeds of the Concurrent Share Offering to the following:

- capital expenditures aimed at increased production and improved production efficiency at our Gifu, Nagoya, Seishin and Akashi works, which serve as core sites for our commercial aircraft and commercial aircraft engine businesses;
- capital expenditures at our Akashi works aimed at expanding production capacity in our gas turbine business;
- capital expenditures at our Nishi-Kobe works in our robotics business, including measures to increase production of robots for semiconductor manufacturing equipment;
- capital expenditures at our Sakaide works, a core site for our shipbuilding business, to strengthen our production system for next-generation energy carriers, including liquefied hydrogen carriers and LPG and ammonia carriers; and
- any remaining amount will be applied towards working capital requirements.

SELECTED FINANCIAL DATA AND OTHER INFORMATION

The following tables set forth selected consolidated financial data and certain other information. The information below should be read together with, and is qualified in its entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements included elsewhere in this offering circular.

Selected Financial Data

Financial information as of and for the fiscal years ended March 31, 2026, 2025 and 2024 is derived from and should be read together with our audited consolidated financial statements as of and for the fiscal years ended March 31, 2026 and 2025, which are included elsewhere in this offering circular. Financial information as of and for the fiscal years ended March 31, 2023 and 2022 is derived from our audited consolidated financial statements that are not included in this offering circular.

The historical results presented below are not necessarily indicative of results that you can expect for any future period.

	As of and for the fiscal year ended March 31,				
	2022	**2023**	**2024**	**2025**	**2026**
	(in millions of yen, except for per share data and percentages)				
Selected statement of profit or loss data:					
Revenue	¥1,500,879	¥1,725,609	¥1,849,287	¥2,129,321	¥2,311,267
Cost of sales	1,247,615	1,391,787	1,537,050	1,697,784	1,856,349
Gross profit	253,263	333,822	312,237	431,537	454,917
Selling, general and administrative expenses	211,134	252,311	276,044	306,963	328,759
Share of profit (loss) of investments accounted for using the equity method	(14,410)	3,314	11,358	23,174	24,141
Other income	6,795	4,850	5,704	3,098	6,435
Other expenses	4,147	7,320	7,053	7,722	11,631
Business profit	30,366	82,355	46,201	143,123	145,103
Finance income	2,556	2,291	3,040	3,423	21,698
Finance costs	5,251	14,297	17,261	39,028	21,272
Profit before tax	27,670	70,349	31,980	107,518	145,530
Income tax expense	12,834	15,058	4,670	17,190	30,602
Profit	¥ 14,836	¥ 55,290	¥ 27,310	¥ 90,328	¥ 114,927
Profit attributable to owners of parent	12,638	53,029	25,377	88,001	108,157
Profit attributable to non-controlling interests	2,198	2,261	1,932	2,326	6,769
Selected statement of financial position data:					
Cash and cash equivalents	¥ 108,511	¥ 138,420	¥ 84,153	¥ 132,776	¥ 115,414
Trade and other receivables	409,246	470,398	681,030	764,383	880,387
Inventories	615,476	690,431	710,207	775,434	822,169
Total current assets	1,320,204	1,570,350	1,726,925	2,023,901	2,256,039
Property, plant and equipment	444,375	451,010	496,331	515,743	542,937
Intangible assets	61,940	66,248	69,617	75,760	82,519
Investments accounted for using the equity method	70,438	77,440	90,954	108,271	141,343
Deferred tax assets	102,209	110,264	117,452	128,796	119,475
Total non-current assets	854,425	887,374	953,250	993,050	1,068,584
Total assets	2,174,630	2,457,725	2,680,176	3,016,951	3,324,623
Trade and other payables	399,892	452,250	521,734	593,878	665,365
Bonds, borrowings and other financial liabilities (current portion)	208,773	340,176	453,694	527,197	502,673
Contract liabilities	256,189	256,247	265,468	363,534	386,895
Total current liabilities	1,059,723	1,308,661	1,541,489	1,847,303	1,954,064

	As of and for the fiscal year ended March 31,				
	2022	2023	2024	2025	2026
	(in millions of yen, except for per share data and percentages)				
Bonds, borrowings and other financial liabilities (non-current portion)	458,068	445,082	391,539	362,313	358,516
Total non-current liabilities	590,014	552,190	484,137	444,584	422,064
Total liabilities	1,649,738	1,860,852	2,025,626	2,291,887	2,376,129
Total equity	524,891	596,872	654,549	725,064	948,494
Total liabilities and equity	2,174,630	2,457,725	2,680,176	3,016,951	3,324,623
Selected statement of cash flow data:					
Net cash provided by operating activities	¥ 156,890	¥ 23,617	¥ 31,662	¥ 148,943	¥ 140,071
Net cash used in investing activities	(58,396)	(77,457)	(89,814)	(111,201)	(128,049)
Net cash provided by (used in) financing activities	(108,904)	85,305	12,911	9,605	(33,232)
Cash and cash equivalents at end of period	108,511	138,420	84,153	132,776	115,414
Selected operating segments data:					
Revenue from external customers by segment:					
Aerospace Systems	¥ 298,212	¥ 348,880	¥ 396,188	¥ 567,838	¥ 613,691
Rolling Stock	126,684	131,935	195,940	222,306	236,203
Energy Solution & Marine Engineering	297,306	314,552	353,248	398,138	433,574
Precision Machinery & Robot	252,678	252,697	227,935	241,503	259,146
Powersports & Engine	447,927	591,151	592,421	609,357	682,812
Other	78,070	86,392	83,552	90,177	85,839
Business profit (loss) by segment:					
Aerospace Systems	¥ (10,346)	¥ 14,877	¥ (15,004)	¥ 55,826	¥ 62,484
Rolling Stock	2,250	1,372	3,752	8,408	8,683
Energy Solution & Marine Engineering	(10,884)	3,905	31,911	44,285	55,016
Precision Machinery & Robot	13,928	8,766	(1,947)	7,045	14,391
Powersports & Engine	37,523	71,533	48,071	47,884	22,750
Other	3,151	(1,845)	1,140	5,283	7,084
Other data:					
Earnings per share[(1)]	¥ 15.10	¥ 63.32	¥ 30.30	¥ 105.08	¥ 129.41
Book value per share[(2)]	603.66	688.07	757.11	841.12	1,050.57
Dividend per share[(3)]	8.0	18.0	10.0	30.0	34.2
Return on equity[(4)]	2.6%	9.8%	4.2%	13.2%	13.7%

Notes:

(1) Calculated as profit attributable to owners of the parent for the relevant fiscal year divided by the average number of shares outstanding during the relevant fiscal year. These figures have been retroactively adjusted to give effect to the 5-for-1 stock split effective April 1, 2026.

(2) Calculated as total equity attributable to owners of the parent for the relevant fiscal year divided by the number of shares outstanding as of the end of the fiscal year. These figures have been retroactively adjusted to give effect to the 5-for-1 stock split effective April 1, 2026.

(3) Calculated as total annual dividends for the relevant fiscal year divided by the number of shares outstanding as of the end of the fiscal year. These figures have been retroactively adjusted to give effect to the 5-for-1 stock split effective April 1, 2026.

(4) Calculated as profit attributable to owners of the parent for the relevant fiscal year divided by total equity attributable to owners of the parent (average of the beginning and ending of the relevant fiscal year).

Selected Non-IFRS Measures

In addition to our reported financial results prepared under IFRS, we also use non-IFRS performance measures as supplementary information to evaluate our performance and financial condition. As described in more detail below, these non-IFRS measures reflect adjustments for a number of items that we believe are useful to separate so that key trends driving the performance of our business can be more clearly identified by investors. However, non-IFRS measures have a number of important limitations, including those described below, and should not be viewed as a substitute for financial information prepared in accordance with IFRS. It is important to note that these non-IFRS

measures have no standardized meanings prescribed by IFRS and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-IFRS measures, investors should not solely rely on non-IFRS measures in assessing our performance and financial condition.

After-tax Return on Invested Capital (ROIC)

We calculate after-tax return on invested capital ("After-tax ROIC") by multiplying the sum of (i) profit attributable to owners of the parent and (ii) after-tax interest expenses (calculated as interest expenses multiplied by the ratio calculated by subtracting the statutory effective tax rate from 1), and dividing such amount by average invested capital. Average invested capital is calculated as the sum of average net interest-bearing debt (calculated as interest-bearing debt less cash and cash equivalents) and the average shareholders' equity (with each average based on the amounts at the beginning and end of the fiscal year). After-tax ROIC is not a financial measure prescribed by IFRS but is a supplemental financial measure that we believe is useful for management and investors to assess the return we generate from invested capital in our businesses.

The following table shows the calculation of After-tax ROIC for the fiscal years indicated.

	For the fiscal year ended March 31,		
	2024	**2025**	**2026**
	(in millions of yen, except for percentages)		
After-tax Return on invested capital (ROIC):			
Profit attributable to owners of parent	¥ 25,377	¥ 88,001	¥ 108,157
After-tax interest expenses[(1)]	5,679	10,417	9,707
Total profit attributable to owners of parent and after-tax interest expenses (A)	31,056	98,418	117,864
Invested capital (average) (B)[(2)]	1,108,856	1,224,987	1,305,115
After-tax ROIC ((A) / (B))	2.8%	8.0%	9.0%

Notes:

(1) After-tax interest expenses is calculated as interest expenses multiplied by the ratio calculated by subtracting the statutory effective tax rate (30.5%) from 1.

(2) Invested capital (average) is calculated as the sum of average net interest-bearing debt (calculated as interest-bearing debt less cash and cash equivalents) and the average shareholders' equity (with each average based on the amounts at the beginning and end of the fiscal year).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements included elsewhere in this offering circular. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and are subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are a leading engineering manufacturer in Japan offering diverse products, including ships, rolling stocks, aircraft, motorcycles, gas turbines, gas engines, industrial plants, hydraulic systems and robots. Our technological capabilities, polished over a history that exceeds a century, send diverse products forth into wide-ranging fields that go beyond land, sea and air, extending from the ocean depths to outer space. For the fiscal year ended March 31, 2026, our revenue and profit were ¥2,311.2 billion and ¥114.9 billion, respectively. In terms of geographic region, for the fiscal year ended March 31, 2026, we generated revenue of ¥924.8 billion, or 40.0% of our total revenue, from Japan, ¥743.7 billion, or 32.2% of our total revenue, from the United States, ¥228.8 billion, or 9.9% of our total revenue, from Europe, ¥289.3 billion, or 12.5% of our total revenue, from Asia (excluding Japan), and ¥ 124.4 billion, or 5.4% of our total revenue, from others (after elimination of inter-segment transactions).

We operate our business in the following segments:

- *Aerospace Systems*. We provide a comprehensive array of both air and space platforms and technologies, including aircraft, helicopters and launch vehicles. We are a key supplier in this field to both commercial and defense customers, and collaborate on our products with other major global aerospace companies and government agencies. In the fiscal year ended March 31, 2026, this segment generated revenue from external customers of ¥613.6 billion, or 26.6% of our total revenue.

- *Rolling Stock*. We design, manufacture and maintain a fleet of products spanning the entire spectrum of railway systems—from Shinkansen (high speed trains in Japan) and freight trains to locomotives and subway cars. Our rolling stock is utilized widely in Japan and across the globe, including in major overseas transportation systems like Washington, D.C. and New York. In the fiscal year ended March 31, 2026, this segment generated revenue from external customers of ¥236.2 billion, or 10.2% of our total revenue.

- *Energy Solution & Marine Engineering*. We develop and supply energy systems such as turbines, compressors and boilers, as well as maritime vessels such as submarines, oil tankers and container ships. We also meet our customers' clean energy needs and our own sustainability goals by providing environmental technologies and infrastructure such as waste-to-energy plants, green gas engines and hybrid propulsion systems. In the fiscal year ended March 31, 2026, this segment generated revenue from external customers of ¥433.5 billion, or 18.8% of our total revenue.

- *Precision Machinery & Robot*. We are a leading provider of precision components and systems used in construction, agriculture, industrial and marine machinery. We also create industrial robots to complete all manner of work tasks in fields from manufacturing to healthcare, helping our customers satisfy their automation and labor-saving requirements. In the fiscal year ended March 31, 2026, this segment generated revenue from external customers of ¥259.1 billion, or 11.2% of our total revenue.

- *Powersports & Engine*. We manufacture and provide our powersports offerings directly to consumers, with a wide array of powersports products available including motorcycles, off-road four wheelers and our trademark watercraft JET SKI®. We also manufacture general-purpose gasoline engines and battery systems for diverse markets and customers across the globe. In the fiscal year ended March 31, 2026, this segment generated revenue from external customers of ¥682.8 billion, or 29.5% of our total revenue.

- *Other*. Operations that are not included in any of the foregoing segments, including intermediary and brokerage services for business, sales, and orders, as well as management of welfare facilities are included in Other. In the fiscal year ended March 31, 2026, this segment generated revenue from external customers of ¥85.8 billion, or 3.7% of our total revenue.

Factors Affecting Results of Operations

We have described below some of the key factors that we believe affect our results of operations. In order to monitor the performance of our segments, we monitor the following business metrics:

- *Orders received*. This metric represents the total value of orders received. For each of our segments, we track orders received by the applicable business category.
- *Segment revenue and segment business profit*. We track the revenue and business profit of our segments, which are important indicators of the profitability of these segments.
- *Backlog*. Backlog, which is equivalent to our remaining performance obligations, represents the total amount of net sales we expect to record in the future based on orders for which products have not been provided or services have not been performed. With respect to our Powersports & Engine segment, with limited exceptions, we do not present backlog because products are generally manufactured based on forecasted demand rather than specific orders. Although backlog reflects orders we consider to be firm, cancellations, deferrals or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, revisions to project scope and cost, foreign currency exchange fluctuations and project deferrals, as appropriate.

Key Performance Drivers of Aerospace Systems Segment

Our Aerospace Systems segment is broadly divided into our aerospace business and our aero engine business. In the aerospace business, we develop and manufacture a range of aircraft for the JMOD, such as the P-1 and C-2 aircraft. We also participate in international joint development and production programs for commercial aircraft, including the Boeing 787. We are also the leading Japanese manufacturer of helicopters, including the top selling BK117 twin-engine helicopter. In our aero engine business, we produce helicopter engines domestically and are actively involved in the international joint development of jet engines for commercial aircraft, including those used by Airbus.

Revenues in our Aerospace Systems segment are driven primarily on our ability to obtain orders for new projects to create future revenue streams. As described in more detail below, we rely on our relationship with the JMOD for defense-related products and our relationships with major manufacturers in the commercial aircraft industry to generate orders in this segment. The following table shows the orders received, revenue from external customers and business profit (loss) for each fiscal year and backlog as of the end of each fiscal year.

	As of and for the fiscal year ended March 31,		
	2024	2025	2026
	(in billions of yen)		
Aerospace Systems segment:			
Orders received	¥ 692.6	¥ 882.8	¥ 810.9
Aerospace	556.9	699.5	570.8
Aero Engine	135.6	183.3	240.1
Revenue from external customers	396.1	567.8	613.6
Aerospace	307.4	399.9	445.6
Aero Engine	88.7	167.8	168.0
Business profit (loss)	(15.0)	55.8	62.4
Backlog	1,024.9	1,301.9	1,536.1

In addition, we generate significant revenue from a few key customers, including:

- *JMOD*. The JMOD is the single largest customer for our products, including our aerospace offerings, accounting for 18.6% of total revenue in the fiscal year ended March 31, 2026. Accordingly, our product sales can fluctuate significantly depending on the Japanese government budget allocations, among other factors. See "Risk Factors—Risks Relating to Our Business and Industries—We generate a significant portion of our revenue from government contracts with the JMOD, which exposes us to unique risks" and "—Other Factors Affecting Our Results of Operations—Sales to JMOD."
- *Boeing, Rolls-Royce and Pratt & Whitney*. As major customers, fluctuations in the demand by Boeing for the aircraft component parts and by Rolls-Royce and Pratt & Whitney for the aircraft engine component parts we produce may directly impact our revenue performance. See "Risk Factors—Risks Relating to Our Business and Industries—A small number of aircraft and aircraft component manufacturers

contribute a significant portion of revenue in our Aerospace Systems business, and we are accordingly exposed to any factors affecting the business of those customers specifically as well as general demand fluctuations in the commercial air travel industry." The volume and timing of orders from these companies are themselves influenced by global air travel demand, macroeconomic conditions and the financial health of the airline industry. Additionally, changes in the production rates of key aircraft programs, shifts in procurement strategies and the introduction of new models by Boeing can affect the level of business awarded to us by them. Our revenue is also sensitive to competitive pressures, pricing negotiations and the ability to meet stringent quality and delivery requirements. Moreover, external factors such as regulatory changes, geopolitical developments, governmental approvals and certifications and supply chain disruptions may influence the purchasing patterns of these companies, thereby affecting the revenue we generate from our sales to them. The following table shows the number of aircraft component parts sold to Boeing and aircraft engine component parts sold by us by model for the fiscal years indicated:

	For the fiscal year ended March 31,		
	2024	**2025**	**2026**
Aircraft component parts sold to Boeing (by target aircraft model)			
Boeing 767	33	19	31
Boeing 777	32	19	21
Boeing 777X	6	5	7
Boeing 787	41	58	64
Aircraft engine component parts sold (by engine model)			
V2500	6	20	21
PW1100G	675	681	666

Our revenues may also be impacted by losses related to in-service issues with the PW1100G-JM engine. We are involved in the manufacture of the PW1100G-JM as part of a multinational collaborative effort, with responsibility for the development, production and maintenance of the fan, low-pressure compressor and other primary components. In September 2023, RTX—another partner in the collaboration—announced publicly that 600 to 700 engines would be removed between 2024 and 2026 for repairs due to an operational issue that had been discovered. As a member of the development team, we have entered into a RRSP arrangement that requires us to cover our portion of the losses associated with this issue, even if the issue is unrelated to our components or services. As a result of this arrangement, we recorded a reduction in revenue reflecting the estimated future loss of ¥60.0 billion in the fiscal year ended March 31, 2024 and ¥59.6 billion as "refund liabilities" in our consolidated statement of financial position as of March 31, 2024 as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections. While there is no change regarding this estimated amount as of March 31, 2026 other than the impact of valuation due to exchange rate fluctuations, actual losses stemming from PW1100G-JM in-service issues could end up differing. As of March 31, 2026, ¥26.0 billion was recorded as "refund liabilities" in our consolidated statement of financial position as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections.

Key Performance Drivers of Rolling Stock Segment

Our Rolling Stock segment provides a wide range of rolling stock, including Shinkansen, electric cars, passenger coaches, freight cars, locomotives, diesel locomotives, and new transit systems. With two full-scale factories in the U.S., we categorize the segment into our Domestic & Asia business and our North America business.

Revenues in our Rolling Stock segment are driven primarily by our ability to obtain orders for new projects to create future revenue streams but also from the sales of components and providing overhaul and after-sales service. Our ability to acquire new orders depends on a number of factors including our relationships with transit operations and other customers, the quality and specifications of the products we can offer and our ability to offer competitive pricing relative to competitors.

Segment profit is driven primarily by the profit margins of the projects we are able to secure. In order to monitor the performance of this business and our project pipeline, we monitor the amount of orders received for Kawasaki Railcar Manufacturing Co., Ltd., our key subsidiary operating in the segment, on a consolidated basis.

The following table shows the orders received, revenue from external customers and business profit for each fiscal year and backlog as of the end of each fiscal year.

	As of and for the fiscal year ended March 31,		
	2024	**2025**	**2026**
	(in billions of yen)		
Rolling Stock segment:			
Orders received	¥ 88.7	¥251.5	¥319.1
Domestic & Asia	87.3	52.3	91.3
North America	1.4	199.2	227.8
Revenue from external customers	195.9	222.3	236.2
Domestic & Asia	81.2	70.1	81.9
North America	114.6	152.1	154.2
Business profit	3.7	8.4	8.6
Backlog	¥490.0	¥519.7	¥613.5

The following table shows our revenue from components, overhaul, and after-sales service in the Rolling Stock segment for the periods indicated.

	For the fiscal year ended March 31,		
	2024	**2025**	**2026**
	(in billions of yen)		
Revenue from components, overhaul, and after-sales service	¥33.1	¥36.7	¥35.8

We also earn revenue from the sale of rail cars to New York City Transit, and have successfully delivered over 2,900 of these cars as of November 2025. Since 2018, we have received orders for our R211 model subway cars consisting of a base contract for 535 cars along with two options contracts which, if fully exercised, would entail a total production of 1,612 cars and a total order value of approximately $4.1 billion – our largest rail car project ever. As of March 31, 2026, we had delivered 535 out of 535 cars on the base contract and 320 out of 640 cars on the first option contract. Additionally, we received an order for 435 cars on the second option contract in January 2025. Separate from this, we also received an order for 378 of our new generation "B" Division subway cars, known as the R268 series, worth approximately $1.5 billion.

Key Performance Drivers of Energy Solution & Marine Engineering Segment

Our Energy Solution & Marine Engineering segment is broadly divided into our energy, plant & marine machinery business and our ship & offshore structure business. In the energy, plant & marine machinery business, we produce and supply a wide range of products and systems such as gas turbines, gas engines, boilers, environmental equipment, and various types of industrial plants, including those for power generation and waste treatment. In the ship & offshore structure business, we design, build, and deliver a variety of vessels and offshore structures, including LNG carriers, submarines, and other specialized ships, as well as providing engineering services related to marine transportation and offshore energy development. Our ability to acquire new orders in these areas depends on a number of factors including our relationships with major customers, the quality and specifications of the products we can offer and our ability to offer competitive pricing relative to competitors. Moreover, overall trends in the energy market, including the transition to carbon-light energy sources, impact the types of product orders we receive and our product mix.

The following table shows the orders received, revenue from external customers and business profit for each fiscal year and backlog as of the end of each fiscal year indicated below.

	As of and for the fiscal year ended March 31,		
	2024	2025	2026
	(in billions of yen)		
Energy Solution & Marine Engineering segment:			
Orders received	¥401.6	¥542.0	¥552.9
Energy, Plant & Marine Machinery	358.8	354.4	456.2
Ship & Offshore Structure	42.7	187.6	96.6
Revenue from external customers	353.2	398.1	433.5
Energy, Plant & Marine Machinery	260.6	306.8	323.9
Ship & Offshore Structure	92.5	91.2	109.6
Business profit	31.9	44.2	55.0
Backlog	¥685.4	¥825.3	¥943.5
Ship & Offshore Structure	136.4	228.9	213.8

The following table shows our revenue from components and after-sales service in the Energy Solution & Marine Engineering segment for the periods indicated:

	For the fiscal year ended March 31,		
	2024	2025	2026
	(in billions of yen)		
Revenue	¥84.3	¥92.1	¥86.5
Components	45.9	50.7	37.6
After-sales service	38.4	41.4	48.9

We also earn revenue through the sale of municipal waste incineration systems – such as waste-to-energy plants and refuse-derived fuel manufacturing plants – that integrate sophisticated technologies to efficiently utilize combustible wastes as fuel to meet our customers' power generation needs. The following table shows the net sales generated from our municipal waste incineration plants for the periods indicated:

	For the fiscal year ended March 31,		
	2024	2025	2026
	(in billions of yen)		
Net sales of municipal waste incineration plants	¥46.4	¥62.1	¥61.9

Key Performance Drivers of Precision Machinery & Robot Segment

Our Precision Machinery & Robot Division produces components and systems used in construction, industrial and marine machinery. We also create industrial robots to complete all manner of work tasks in fields from manufacturing to healthcare, helping our customers satisfy their automation and labor-saving requirements.

The revenue and profit generated by our Precision Machinery & Robot segment primarily depend on unit sales and prices of our products, which are driven by manufacturing and procurement costs for such machinery. We also generate revenue from providing after-sales service such as maintenance.

The following table shows the orders received, revenue from external customers and business profit (loss) for each fiscal year and backlog as of the end of each fiscal year.

	As of and for the fiscal year ended March 31,		
	2024	2025	2026
	(in billions of yen)		
Precision Machinery & Robot segment:			
Orders received	¥213.3	¥249.2	¥278.5
Hydraulic Components & Systems	136.1	147.5	173.1
Robotics	77.2	101.7	105.3
Revenue from external customers	227.9	241.5	259.1
Hydraulic Components & Systems	141.5	146.8	166.1
Robotics	86.3	94.6	92.9
Business profit (loss)	(1.9)	7.0	14.3
Backlog	¥ 83.6	¥ 91.4	¥110.8

The following table shows revenue from robotics by product type (including intercompany revenue) for the periods indicated:

	For the fiscal year ended March 31,		
	2024	2025	2026
	(in billions of yen)		
Revenue from robotics by product type (including intercompany revenue):			
Automobile assembly and painting	¥38.9	¥ 41.8	¥ 36.8
Semiconductor production	27.4	34.8	37.9
General robots for industrial and other use	28.6	27.4	27.8
Total	¥94.9	¥104.1	¥102.5

We generate revenue through the sale of hydraulic machinery for the construction machinery markets in multiple countries, with sales into China constituting an important source of such revenue. Demand for hydraulic components is thus directly connected to the volume of new construction projects, infrastructure development and equipment replacement cycles in these countries. As a result, fluctuations in construction activity—whether due to changes in government policy, economic conditions or shifts in real estate and infrastructure investment—particularly in China, can have a direct and significant impact on the total amount of revenue we generate from the sale of such components. The following table shows the revenue generated from hydraulic components sold into China for the periods indicated:

	For the fiscal year ended March 31,		
	2024	2025	2026
	(in billions of yen)		
Revenue from sales of hydraulic components into China	¥41.0	¥47.0	¥58.7

Key Performance Drivers of Powersports & Engine Segment

Our Powersports & Engine segment is broadly divided into our motorcycles for developed markets business, motorcycles for emerging markets business, four-wheeler & personal watercraft (PWC) business and general-purpose gasoline engines business. As a business that provides products directly to general consumers, our revenue and profit of this segment largely depend on macroeconomic market trends particularly in North America and Europe, because demand for our products, including four-wheelers, motorcycles and engines, can fluctuate based on consumer preferences as well as macroeconomic conditions. For example, demand for our general-purpose gasoline engines, which are mainly used in lawn mowers, may be influenced by the housing construction market. The segment is also particularly sensitive to external factors such as currency exchange rates, with yen appreciation negatively impacting

profits. Tariff policies, especially those imposed by the U.S., have increased costs and affected profitability. See "—Other Factors Affecting Our Results of Operations—Trade Restrictions and Tariffs." Promotional expenses and investments in production capacity and new model development also impact margins.

The following table shows the orders received, revenue from external customers and business profit for each fiscal year and backlog as of the end of each fiscal year.

	As of and for the fiscal year ended March 31,		
	2024	**2025**	**2026**
	(in billions of yen)		
Powersports & Engine segment:			
Orders received[(1)]	¥592.4	¥611.6	¥681.7
Revenue from external customers	592.4	609.3	682.8
Motorcycles for developed markets	217.9	245.3	261.9
Motorcycles for emerging markets	103.4	99.2	102.6
Utility Vehicles, ATVs & PWC	180.6	169.0	211.4
General-purpose gasoline engines	90.3	95.5	106.7
Business profit	48.0	47.8	22.7
Backlog[(1)]	—	¥ 2.2	¥ 1.2

Note:

(1) For the fiscal year ended March 31, 2024, orders received for our Powersports & Engine segment were equal to revenue, resulting in no backlog, because production was mainly based on anticipated demand. However, we had backlog in the fiscal years ended March 31, 2025 and 2026 as a result of individual orders that were received during those fiscal years.

The following table shows the wholesale volume of motorcycles four wheelers and PWC for each of the fiscal years indicated:

	For the fiscal year ended March 31,				
	2022	**2023**	**2024**	**2025**	**2026**
	(in thousand units)				
Wholesale volume of motorcycles and four wheelers, PWC	572	642	532	550	592

Other Factors Affecting Our Results of Operations

Economic and Market Conditions in Japan and the United States

Our results of operations are significantly influenced by economic and market conditions in Japan and the United States, which can impact government and municipal budget allocations available for infrastructure development as well as the level of private investment activity in the infrastructure development sector.

Sales to JMOD

For the fiscal year ended March 31, 2026, 18.6% of our revenue was derived from sales to the JMOD, which include the sale of aircraft, helicopters and missiles through our Aerospace Systems division and submarines through our Energy Solution & Marine Engineering division. Accordingly, our product sales can fluctuate significantly depending on the Japanese government budget allocations. In particular, our revenue from this relationship is largely dependent on the Japanese government's annual defense budget allocations and long-term procurement plans, as well as the timing of large orders, which can take multiple years to complete. For example, orders received in the fiscal year ended March 31, 2026 decreased significantly compared to the prior fiscal year due to large-scale orders received during that prior fiscal year. Changes in national defense policy, shifts in government priorities and fluctuations in defense spending can significantly impact the volume and timing of orders placed with us. Additionally, our ability to secure new contracts or maintain existing ones is affected by our performance in meeting technical specifications, delivery schedules and cost requirements set by the JMOD. Competitive bidding processes, evolving security needs and the introduction of new defense technologies may also influence the level of business awarded to us for our aerospace and marine platforms. In addition, external factors such as geopolitical developments, regulatory changes and broader economic conditions can affect government procurement decisions, thereby impacting our revenue from sales to the JMOD.

In connection with these fabricated testing results, we were suspended from bidding on projects for the JMOD from December 26, 2025 to March 11, 2026. We believe the impact of this suspension on our revenue was limited because the JMOD carried out a limited number of bidding processes during that period. For more information, see "Business—Legal Proceedings and Regulatory Matters."

The following table shows orders and revenue from the JMOD, which we also refer to as our defense-related business, for the fiscal years indicated:

	For the fiscal year ended March 31,		
	2024	**2025**	**2026**
	(in billions of yen)		
Defense-related business:			
Orders received	¥553.0	¥774.7	¥534.0
Aircrafts and others	396.6	584.7	383.2
Aero Engines	52.4	38.9	37.6
Submarine & Naval propulsion	104.0	151.1	113.2
Revenue	¥288.5	¥400.8	¥429.7
Aircrafts and others	192.3	280.6	301.2
Aero Engines	17.5	25.4	29.7
Submarine & Naval propulsion	78.7	94.8	98.8

Cyclicality

Our revenue generation exhibits a cyclical pattern, with revenue across all segments typically peaking in the fourth quarter of each fiscal year. This cyclicality is primarily attributable to customer production and orders being concentrated towards the end of our fiscal year. For example, delivery for JMOD projects tends to be scheduled in March to coincide with the end of the government fiscal year end. With respect to our Powersports & Engine segment, new models of our vehicles typically launch and reach stores in the second half of the fiscal year in major markets like the United States and Europe.

Currency Fluctuations

In the fiscal year ended March 31, 2026, 60.0% of our revenue was from outside of Japan, and we expect that a significant portion of our revenue will continue to be generated in foreign currencies from customers outside of Japan as we continue to expand our businesses globally. Because our consolidated financial statements are presented in yen, our recorded consolidated revenue, profit, assets and equity are affected by prevailing rates of exchange when the financial statements of our foreign subsidiaries presented in a reporting currency other than yen are translated into yen. Specifically, assets and liabilities of such foreign subsidiaries are translated at the prevailing exchange rate at the end of the reporting period and income and expenses of such foreign subsidiaries are generally translated at the average prevailing exchange rate during the fiscal period.

Our financial results may be negatively impacted when the yen appreciates against the U.S. dollar and the euro. For certain of our businesses such as overseas infrastructure projects, we conduct manufacturing locally in the markets where such products are sold, resulting in production costs largely denominated in the same currency as our sales, which helps alleviate foreign exchange risk. However, for many of our products that we sell outside Japan in other currencies, principally the U.S. dollar and euro, we source certain raw materials from outside Japan to manufacture products and complete projects at our facilities in Japan. Accordingly, the appreciation of the yen against currencies in markets from which we source raw materials tends to decrease our production costs, which offsets a portion of the negative impact of yen appreciation from translating results of our overseas subsidiaries into Japanese yen. In some cases, where raw materials purchased outside of Japan are denominated in yen, we set prices to account for exchange rate differences in order to mitigate the impact of foreign exchange rate fluctuations.

For a quantitative analysis of the effect of changes in foreign currency exchange rates, see Note 22 to our audited consolidated financial statements as of and for the year ended March 31, 2026 included elsewhere in this offering circular.

Material, Labor and Energy Costs

Our operations are sensitive to changes in the costs of construction materials, labor and energy. Rising prices for raw materials, including steel, aluminum and titanium, increased labor costs due to workforce

shortages, and volatility in energy prices can erode profit margins, especially for contracts where cost overruns generally cannot be passed on to customers. For mass-produced products, we attempt to pass on cost increases to customers to the extent possible. For custom orders, we aim to establish contingency reserves to cover increased costs or negotiate contractual provisions that allow us to pass on increased costs to customers. Our ability to manage procurement, implement productivity improvements and negotiate favorable terms is critical to maintain and improve our net sales as well as profits. In addition, supply chain disruptions or transportation delays can impact project schedules and costs, which can adversely affect our revenue. For example, recent disruptions in global supply chains for oil, gas and solvents, among other commodities and goods, related to the recent military conflict between Iran, the United States and Israel, have resulted in increased prices for inputs used in certain of our products.

Regulatory and Environmental Factors

We operate in a highly regulated environment, subject to Japanese and foreign laws and regulations regarding environmental protection, health and safety frameworks, in particular Japanese and foreign emissions regulations. Changes in regulatory requirements, delays in obtaining permits, or increased compliance costs can affect project timelines, increase expenses, or result in penalties. Environmental considerations, such as the need to reduce greenhouse gas emissions and comply with decarbonization targets, may require additional investment in technology and process changes, impacting operational costs and capital allocation.

In addition, as a significant portion of our business is related to public infrastructure, changes in government policy, budget allocations and priorities for infrastructure development, maintenance and decarbonization can directly affect our project pipeline and revenue visibility. Shifts in policy toward renewable energy may create new opportunities or reduce demand in certain segments.

Competition

Competition both in Japan and foreign markets can significantly impact the volume of projects we are awarded and can also exert significant price pressure on projects, as well as impact the volume of products we sell and prices we are able to charge, in our Powersports & Engine segment. Each of our five principal reporting segments, Aerospace Systems, Rolling Stock, Energy Solution & Marine Engineering, Precision Machinery & Robot and Powersports & Engine, is subject to increasing competition from other providers. See "Business—Competition."

Trade Restrictions and Tariffs

We are subject to tariffs, as well as foreign trade laws, taxes, levies, export, price and exchange controls and other trade barriers, including those imposed via executive action, which may require us to pay customs and other duties on materials and products that we export and import, or which may require our customers to pay customs and other duties on materials and products that we export, thereby adversely affecting our revenue. Most notably, since April 2025, the United States government has announced significant increases in tariffs and other trade restrictions on exports to the United States. These include a temporary 10% import duty on broad categories of imported goods, including those from Japan, announced in February 2026 and originally effective through July 24, 2026. While a legal ruling in May 2026 found these tariffs to be illegal, the United States government has since appealed this decision, and the application of the decision has been paused for several entities in the interim. Further, in March 2026, the United States also announced investigations targeting certain countries, including Japan, under Section 301 of the Trade Act of 1974, as a result of which Japan could face further tariffs and other trade restrictions. While the outcome of these investigations has yet to be announced, any unfavorable findings could result in additional punitive trade measures against Japan or other countries in which we do business. Due to the relatively high proportion of sales of our motorcycles, four-wheelers and other leisure mobility products into the United States compared to sales of our other products and sales into other markets, we expect these import duties and any further tariffs or trade measures to primarily affect our Powersports & Engine division. However, these trade measures have and may continue to impact other business segments as well, such as our Precision Machinery & Robot division. We estimate that tariff-related cost increases for the fiscal year ended March 31, 2026 were approximately ¥18.7 billion, with approximately ¥17.3 billion attributable to our Powersports & Engine division.

Components of Results of Operations

Revenue

Revenue Recognition for our Aerospace Systems, Rolling Stock, and Energy Solution & Marine Engineering Segments

In these segments, we are engaged in the sale of products such as components for commercial aircraft and commercial aircraft engines, as well as the execution of construction contracts for manufacturing railway vehicles and building various types of plants, and the provision of services such as maintenance contracts for these projects.

For product sales, since the performance obligations are generally satisfied at a point in time, we recognize revenue, in principle, on the date the goods are delivered or the date of acceptance inspection.

For the execution of construction contracts and the provision of services, since the performance obligations are satisfied over a certain period, we recognize revenue by reasonably measuring the progress toward completion. We mainly measure progress using the input method based on costs incurred. However, for the provision of services such as maintenance contracts and for certain construction contracts such as the manufacturing of railway vehicles, we use the output method.

In the Aerospace Systems segment, for a portion of the costs we bear in connection with our participation in commercial aircraft engine programs, we estimate the amount paid to customers and deduct it from revenue as consideration payable to customers. Additionally, for a type of discount we bear in proportion to our participation ratio in commercial aircraft engine programs, we estimate the amount of such discount as variable consideration and deduct it from revenue at the time of revenue recognition.

Revenue Recognition for our Precision Machinery & Robot, Powersports & Engine segment

For the sale of products such as hydraulic equipment for the construction machinery market, various types of robots, motorcycles, and four-wheeled vehicles in these segments, since the performance obligations are generally satisfied at a point in time, we recognize revenue, in principle, on the date the goods are delivered or the date of acceptance inspection.

Cost of Sales

Cost of sales consists primarily of the cost of producing inventory sold during a particular period. Such costs include primarily the purchase price of raw materials and goods and the portion of employee benefit expenses, depreciation and other expenses directly related to generating revenue.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily comprise the following:

- *Salaries and allowances*. Salaries and allowances consist primarily of employee compensation and benefits expenses that are not allocated to cost of sales or research and development projects, including those related to sales and marketing and general administrative personnel.
- *Research and development expenses*. Research and development expenses consist of expenditures we incur to develop our technology and services. Our research and development expenses to date have primarily consisted of expenses for employee compensation and benefits for personnel engaged in research and development.
- *Advertising expenses*. Advertising expenses consist mainly of advertising and promotional activities primarily in relation to our Powersports & Engine segment.
- *Other*. Other expenses consist primarily of depreciation and amortization, rent and utilities.

Significant Accounting Estimates

We prepare our consolidated financial statements in accordance with IFRS, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, on our own historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. A number of our accounting policies including those discussed below are critical to an understanding of our consolidated financial statements as their application places significant demands on our management's judgment. For more information regarding our significant accounting estimates and judgments, see also Notes 2 and 3 to our audited consolidated financial statements included elsewhere in this offering circular.

Results of Operations

The following table shows our consolidated financial data for the fiscal years ended March 31, 2024, 2025 and 2026:

	For the fiscal year ended March 31,		
	2024	2025	2026
	(in millions of yen)		
Revenue	¥1,849,287	¥2,129,321	¥2,311,267
Cost of sales	1,537,050	1,697,784	1,856,349
Gross profit	312,237	431,537	454,917
Selling, general and administrative expenses	276,044	306,963	328,759
Share of profit of investments accounted for using the equity method	11,358	23,174	24,141
Other income	5,704	3,098	6,435
Other expenses	7,053	7,722	11,631
Business profit	46,201	143,123	145,103
Finance income	3,040	3,423	21,698
Finance costs	17,261	39,028	21,272
Profit before tax	31,980	107,518	145,530
Income tax expense	4,670	17,190	30,602
Profit	¥ 27,310	¥ 90,328	¥ 114,927
Profit attributable to owners of parent	25,377	88,001	108,157
Profit attributable to non-controlling interests	1,932	2,326	6,769

Fiscal Year Ended March 31, 2026 Compared to Fiscal Year Ended March 31, 2025

Revenue

Revenue for the fiscal year ended March 31, 2026 was ¥2,311,267 million, an increase of ¥181,946 million, or 8.5%, compared to the prior year. This increase in revenue was due mainly to revenue growth in our Powersports & Engine, Aerospace Systems and Energy Solution & Marine Engineering segments, as described in more detail below.

The following table shows revenue from external customers for each segment for the fiscal years ended March 31, 2025 and 2026:

	For the fiscal year ended March 31,	
	2025	2026
	(in millions of yen)	
Aerospace Systems	¥ 567,838	¥ 613,691
Rolling Stock	222,306	236,203
Energy Solution & Marine Engineering	398,138	433,574
Precision Machinery & Robot	241,503	259,146
Powersports & Engine	609,357	682,812
Other	90,177	85,839
Consolidated revenue	¥2,129,321	¥2,311,267

Change in revenue by operating segment (excluding inter-segment transactions) was as follows:

- *Aerospace Systems*. Revenue from external customers for the Aerospace Systems segment was ¥613,691 million for the fiscal year ended March 31, 2026, an increase of ¥45,853 million, or 8.1%, compared to the prior year. This increase in revenue was due mainly to higher sales to the JMOD and increased production of commercial aircraft engine components.
- *Rolling Stock*. Revenue from external customers for the Rolling Stock segment was ¥236,203 million for the fiscal year ended March 31, 2026, an increase of ¥13,897 million, or 6.3%, compared to the prior year. This increase in revenue was due mainly to higher revenue from sales in Japan and the United States.

- *Energy Solution & Marine Engineering*. Revenue from external customers for the Energy Solution & Marine Engineering segment was ¥433,574 million for the fiscal year ended March 31, 2026, an increase of ¥35,436 million, or 8.9%, compared to the prior year. This increase in revenue was due mainly to higher revenue from our ship and offshore structure as well as our plant businesses.
- *Precision Machinery & Robot*. Revenue from external customers for the Precision Machinery & Robot segment was ¥259,146 million for the fiscal year ended March 31, 2026, an increase of ¥17,643 million, or 7.3%, compared to the prior year. This increase in revenue was due mainly to higher revenue for hydraulic components in the Chinese construction machinery market.
- *Powersports & Engine*. Revenue from external customers for the Powersports & Engine segment was ¥682,812 million for the fiscal year ended March 31, 2026, an increase of ¥73,455 million, or 12.1%, compared to the prior year. This increase in revenue was due mainly to higher revenue from four-wheeler sales in North America and from motorcycle sales in developed markets.

Cost of sales

Cost of sales for the fiscal year ended March 31, 2026 was ¥1,856,349 million, an increase of ¥158,565 million, or 9.3%, compared to the prior year. This increase in cost of sales was due mainly to the increase in revenue described above.

Gross Profit

As a result of the foregoing, gross profit for the fiscal year ended March 31, 2026 was ¥454,917 million, an increase of ¥23,380 million, or 5.4%, compared to the prior year.

Our gross profit margin for the fiscal year ended March 31, 2026 was 19.7% compared to 20.3% for the fiscal year ended March 31, 2025. This decrease in gross profit margin was mainly due to cost increases due to tariffs in the United States.

Selling, General and Administrative Expenses

The following table shows our selling, general and administrative expenses for the fiscal years ended March 31, 2025 and 2026:

	For the fiscal year ended March 31,	
	2025	**2026**
	(in millions of yen)	
Selling, general and administrative expenses:		
Salaries and allowances	¥ 81,407	¥ 89,648
Research and development expenses	48,976	56,849
Advertising expenses	23,206	20,678
Other	153,372	161,583
Total	¥306,963	¥328,759

Selling, general and administrative expenses for the fiscal year ended March 31, 2026 were ¥328,759 million, an increase of ¥21,796 million, or 7.1%, compared to the prior year. This increase was due mainly to higher expenses accompanying revenue growth, which were partially offset by management of our fixed costs.

Share of profit of investments accounted for using the equity method

Share of profit of investments accounted for using the equity method for the fiscal year ended March 31, 2026 was ¥24,141 million, an increase of ¥967 million, or 4.2%, compared to the prior year. This increase was due mainly to our ship and offshore structure business.

Other Income

Other income for the fiscal year ended March 31, 2026 was ¥6,435 million, an increase of ¥3,337 million compared to the prior year. This increase was due mainly to miscellaneous income including gains from the reversal of liabilities related to the sale of shares held by unidentified shareholders.

Other Expenses

Other expenses for the fiscal year ended March 31, 2026 were ¥11,631 million, an increase of ¥3,909 million compared to the prior year. This increase was due mainly to an increase in loss on sale and disposal of fixed assets due to the disposal of unnecessary assets and molds.

Business Profit

As a result of the foregoing, business profit for the fiscal year ended March 31, 2026 was ¥145,103 million, an increase of ¥1,980 million, or 1.4%, compared to the prior year. This increase was due mainly to strong performance in our Aerospace Systems and Energy Solution & Marine Engineering segments and a recovery in our Precision Machinery & Robot segment. These positive factors were partially offset by a decrease in business profit in our Powersports & Engine segment, which was significantly impacted by U.S. tariff policies.

Our business profit margin for the fiscal year ended March 31, 2026 was 6.3%, compared to 6.7% for the fiscal year ended March 31, 2025.

Change in segment business profit for each operating segment was as follows:

- *Aerospace Systems*. Segment business profit for the Aerospace Systems segment was ¥62,484 million for the fiscal year ended March 31, 2026, an increase of ¥6,658 million, or 11.9%, compared to the prior year. This increase in segment business profit was due mainly to revenue growth. Segment business profit margin for the fiscal year ended March 31, 2026 was 10.2%, compared to 9.8% for the fiscal year ended March 31, 2025.

- *Rolling Stock*. Segment business profit for the Rolling Stock segment was ¥8,683 million for the fiscal year ended March 31, 2026, an increase of ¥275 million, or 3.3%, compared to the prior year. Segment business profit remained relatively flat, despite revenue growth, due to a one-off loss associated with our 7000-series railcar contract. Segment business profit margin for the fiscal year ended March 31, 2026 was 3.7%, compared to 3.8% for the fiscal year ended March 31, 2025.

- *Energy Solution & Marine Engineering*. Segment business profit for the Energy Solution & Marine Engineering segment was ¥55,016 million for the fiscal year ended March 31, 2026, an increase of ¥10,731 million, or 24.2%, compared to the prior year. This increase in segment business profit was due mainly to revenue growth and improved profitability resulting from changes in product mix and other factors despite a one-off loss associated with recent compliance issues in our submarine repair business. Segment business profit margin for the fiscal year ended March 31, 2026 was 12.7%, compared to 11.1% for the fiscal year ended March 31, 2025.

- *Precision Machinery & Robot*. Segment business profit for the Precision Machinery & Robot segment was ¥14,391 million for the fiscal year ended March 31, 2026, an increase of ¥7,346 million, or 104.3%, compared to the prior year. This increase in segment business profit was due mainly to higher revenue and improved earnings of equity-method affiliates including Medicaroid Corporation. Segment business profit margin for the fiscal year ended March 31, 2026 was 5.6%, compared to 2.9% for the fiscal year ended March 31, 2025.

- *Powersports & Engine*. Segment business profit for the Powersports & Engine segment was ¥22,750 million for the fiscal year ended March 31, 2026, a decrease of ¥25,134 million, or 52.5%, compared to the prior year. This decrease in segment business profit was due mainly to higher tariff-related costs, weaker profitability amid intensified competitions in the U.S. powersports market, and higher fixed costs from production capacity expansion, which offset the positive impact from revenue growth. Segment business profit margin for the fiscal year ended March 31, 2026 was 3.3%, compared to 7.9% for the fiscal year ended March 31, 2025.

Finance Income

Finance income for the fiscal year ended March 31, 2026 was ¥21,698 million, an increase of ¥18,275 million, compared to the prior year. This increase was due mainly to foreign exchange gains recorded in the fiscal year ended March 31, 2026 while we recorded no such gains in the prior fiscal year.

Finance Costs

Finance costs for the fiscal year ended March 31, 2026 were ¥21,272 million, a decrease of ¥17,756 million compared to the prior year. This decrease was due mainly to foreign exchange losses recorded in the prior fiscal year while we recorded no such losses in the fiscal year ended March 31, 2026.

Profit Before Tax

As a result of the foregoing, profit before tax for the fiscal year ended March 31, 2026 was ¥145,530 million, an increase of ¥38,012 million, or 35.4%, compared to the prior year.

Income Tax Expense

Income tax expense for the fiscal year ended March 31, 2026 was ¥30,602 million, an increase of ¥13,412 million, or 78.0%, compared to the prior year. This increase was due mainly to an increase in profit before tax as described above.

Profit

As a result of the foregoing, we recorded profit for the fiscal year ended March 31, 2026 of ¥114,927 million, an increase of ¥24,599 million, or 27.2%, compared to the prior year.

Profit attributable to owners of parent

Profit attributable to owners of parent for the fiscal year ended March 31, 2026 was ¥108,157 million, compared to ¥88,001 million for the fiscal year ended March 31, 2025.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the fiscal year ended March 31, 2026 was ¥6,769 million, compared to ¥2,326 million for the fiscal year ended March 31, 2025.

Fiscal Year Ended March 31, 2025 Compared to Fiscal Year Ended March 31, 2024

Revenue

Revenue for the fiscal year ended March 31, 2025 was ¥2,129,321 million, an increase of ¥280,034 million, or 15.1%, compared to the prior year. This increase in revenue was due mainly to higher sales across various segments, particularly in the Aerospace Systems segment.

The following table shows revenue from external customers for each segment for the fiscal years ended March 31, 2024 and 2025:

	For the fiscal year ended March 31,	
	2024	**2025**
	(in millions of yen)	
Aerospace Systems	¥ 396,188	¥ 567,838
Rolling Stock	195,940	222,306
Energy Solution & Marine Engineering	353,248	398,138
Precision Machinery & Robot	227,935	241,503
Powersports & Engine	592,421	609,357
Other	83,552	90,177
Consolidated revenue	¥1,849,287	¥2,129,321

Change in revenue by operating segment (excluding inter-segment transactions) was as follows:

- *Aerospace Systems*. Revenue for the Aerospace Systems segment was ¥567,838 million for the fiscal year ended March 31, 2025, an increase of ¥171,650 million, or 43.3%, compared to the prior year. This increase in revenue was due mainly to higher sales to the JMOD and increased sales of commercial aircraft engine components as well as the ¥60.0 billion deduction of revenue related to the in-service issues of PW1100G-JM engines in the fiscal year ended March 31, 2024.

- *Rolling Stock*. Revenue for the Rolling Stock segment was ¥222,306 million for the fiscal year ended March 31, 2025, an increase of ¥26,366 million, or 13.5%, compared to the prior year. This increase in revenue was due mainly to higher sales in the United States, despite a decline in sales in Japan and other parts of Asia.

- *Energy Solution & Marine Engineering*. Revenue for the Energy Solution & Marine Engineering segment was ¥398,138 million for the fiscal year ended March 31, 2025, an increase of ¥44,890 million, or 12.7%, compared to prior year. This increase in revenue was due mainly to large-scale projects for domestic waste treatment facilities and increased sales of naval ship equipment for the JMOD.

- *Precision Machinery & Robot*. Revenue for the Precision Machinery & Robot segment was ¥241,503 million for the fiscal year ended March 31, 2025, an increase of ¥13,568 million, or 6.0%, compared to the prior year. This increase in revenue was due mainly to increased sales in the robotics and precision machinery fields.

- *Powersports & Engine*. Revenue for the Powersports & Engine segment was ¥609,357 million for the fiscal year ended March 31, 2025, an increase of ¥16,936 million, or 2.9%, compared to the prior year. This increase in revenue was due mainly to increased sales of motorcycles and the positive effect of the weaker yen, despite the temporary decline in the sales of four-wheeled vehicles in the North America due to the impact of recalls and production delays.

Cost of sales

Cost of sales for the fiscal year ended March 31, 2025 was ¥1,697,784 million, an increase of ¥160,734 million, or 10.5%, compared to the prior year. This increase in cost of sales was due mainly to an increase in sales.

Gross Profit

As a result of the foregoing, gross profit for the fiscal year ended March 31, 2025 was ¥431,537 million, an increase of ¥119,300 million, or 38.2%, compared to the prior year.

Our gross profit margin for the fiscal year ended March 31, 2025 was 20.3% compared to 16.9% for the fiscal year ended March 31, 2024. This increase in gross profit margin was mainly due to lower gross profit in the prior fiscal year due to the ¥60.0 billion deduction of revenue related to the in-service issues of PW1100G-JM engines.

Selling, General and Administrative Expenses

The following table shows our selling, general and administrative expenses for the fiscal years ended March 31, 2024 and 2025:

	For the fiscal year ended March 31,	
	2024	**2025**
	(in millions of yen)	
Selling, general and administrative expenses:		
Salaries and allowances	¥ 74,256	¥ 81,407
Research and development expenses	53,364	48,976
Advertising expenses	20,641	23,206
Other	127,782	153,372
Total	¥276,044	¥306,963

Selling, general and administrative expenses for the fiscal year ended March 31, 2025 were ¥306,963 million, an increase of ¥30,919 million, or 11.2%, compared to the prior year. This increase was due mainly to business expansion, inflation and an increase in the fixed costs of overseas subsidiaries due to the depreciation of the yen.

Share of profit of investments accounted for using the equity method

Share of profit of investments accounted for using the equity method for the fiscal year ended March 31, 2025 was ¥23,174 million, an increase of ¥11,816 million compared to the prior year. This increase was due mainly to strong performance at our joint shipbuilding venture in China.

Other Income

Other income for the fiscal year ended March 31, 2025 was ¥3,098 million, a decrease of ¥2,606 million, or 45.7%, compared to the prior year. This decrease was due mainly to the elimination of the effect of the reversal of the loss allowance recorded in the prior year.

Other Expenses

Other expenses for the fiscal year ended March 31, 2025 were ¥7,722 million, an increase of ¥669 million, or 9.5%, compared to the prior year. This increase was due to expenses related to the removal and relocation of facilities.

Business Profit

As a result of the foregoing, business profit for the fiscal year ended March 31, 2025 was ¥143,123 million, an increase of ¥96,922 million, or 209.8%, compared to the prior year. This increase was due mainly to improvements in the Aerospace Systems and Precision Machinery & Robot segments, as well as increased profitability in the Energy Solution and Marine Engineering segment.

Our business profit margin for the fiscal year ended March 31, 2025 was 6.7%, compared to 2.5% for the fiscal year ended March 31, 2024.

Change in segment business profit for each operating segment was as follows:

- *Aerospace Systems*. Segment business profit for the Aerospace Systems segment was ¥55,826 million for the fiscal year ended March 31, 2025, compared to segment business loss of ¥15,004 million for the prior year. This difference in segment business profit (loss) was due mainly to increased revenue and improved profitability. Segment business profit margin for the fiscal year ended March 31, 2025 was 9.8%, compared to segment business loss margin of 3.8% for the fiscal year ended March 31, 2024.

- *Rolling Stock*. Segment business profit for the Rolling Stock segment was ¥8,408 million for the fiscal year ended March 31, 2025, an increase of ¥4,656 million, or 124.1%, compared to the prior year. This increase in segment business profit was due mainly to an increase in revenue. Segment business profit margin for the fiscal year ended March 31, 2025 was 3.8%, compared to 1.9% for the fiscal year ended March 31, 2024.

- *Energy Solution & Marine Engineering*. Segment business profit for the Energy Solution & Marine Engineering segment was ¥44,285 million for the fiscal year ended March 31, 2025, an increase of ¥12,374 million, or 38.8%, compared to the prior year. This increase in segment business profit was due mainly to higher revenue and an increase in the share of profit of investments accounted for using the equity method. Segment business profit margin for the fiscal year ended March 31, 2025 was 11.1%, compared to 9.0% for the fiscal year ended March 31, 2024.

- *Precision Machinery & Robot*. Segment business profit for the Precision Machinery & Robot segment was ¥7,045 million for the fiscal year ended March 31, 2025, compared to segment business loss of ¥1,947 million for the prior year. This difference in segment business profit (loss) was due mainly to higher revenue and the effects of initiatives to improve profitability, such as price optimization. Segment business profit margin for the fiscal year ended March 31, 2025 was 2.9%, compared to segment business loss margin of 0.9% for the fiscal year ended March 31, 2024.

- *Powersports & Engine*. Segment business profit for the Powersports & Engine segment was ¥47,884 million for the fiscal year ended March 31, 2025, a decrease of ¥187 million, or 0.4%, compared to the prior year. This decrease in segment business profit was due mainly to the increase in revenue which was offset by higher fixed costs associated with production capacity expansion. Segment business profit margin for the fiscal year ended March 31, 2025 was 7.9%, compared to 8.1% for the fiscal year ended March 31, 2024.

Finance Income

Finance income for the fiscal year ended March 31, 2025 was ¥3,423 million, an increase of ¥383 million, or 12.6%, compared to the prior year. This increase was due mainly to an increase in interest income.

Finance Costs

Finance costs for the fiscal year ended March 31, 2025 were ¥39,028 million, an increase of ¥21,767 million, or 126.1%, compared to the prior year. This increase was due mainly to an increase in interest expenses due to an increase in market interest rates, as well as an increase in foreign exchange losses.

Profit Before Tax

As a result of the foregoing, profit before tax for the fiscal year ended March 31, 2025 was ¥107,518 million, an increase of ¥75,538 million, or 236.2%, compared to the prior year.

Income Tax Expense

Income tax expense for the fiscal year ended March 31, 2025 was ¥17,190 million, an increase of ¥12,520 million, or 268.1%, compared to the prior year. This increase was due mainly to an increase in profit before tax as described above.

Profit

As a result of the foregoing, we recorded profit for the fiscal year ended March 31, 2025 of ¥90,328 million, an increase of ¥63,018 million, or 230.8%, compared to the prior year.

Profit attributable to owners of parent

Profit attributable to owners of parent for the fiscal year ended March 31, 2025 was ¥88,001 million, compared to ¥25,377 million for the fiscal year ended March 31, 2024.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the fiscal year ended March 31, 2025 was ¥2,326 million, compared to ¥1,932 million for the fiscal year ended March 31, 2024.

Liquidity and Capital Resources

Capital Requirements

The main uses of funds within our group for operating activities include working capital required for production activities (such as material costs, outsourcing expenses, and personnel expenses), selling expenses for order acquisition or sales promotion, and research and development expenses for launching new businesses or enhancing product competitiveness. With respect to investment activities, funds are used for investments in equipment and facilities necessary for business execution, new business launches, and productivity improvements.

Our principal capital and liquidity needs have been for working capital, expenditures relating to the operation and expansion of our business and acquisitions. Our capital needs have been increasing as we expand both our existing businesses and new businesses. Our principal capital requirements are for production activities, which include procurement costs for raw materials and components, outsourcing expenses and personnel expenses, as well as expenses incurred in connection with obtaining orders or sales and marketing expenses, and research and development expenses for launching new businesses or enhancing product competitiveness.

Our capital investment consists mainly of investments to enhance our production facilities. Capital investment in the year ended March 31, 2026 were ¥143.3 billion, which were funded through cash on hand and proceeds from borrowings and issuances of corporate bonds.

For the year ended March 31, 2026, our capital investment by operating segment were as follows:

	Capital investment for the year ended March 31, 2026
	(in billions of yen)
Aerospace Systems	¥ 33.1
Rolling Stock	5.8
Energy Solution & Marine Engineering	16.1
Precision Machinery & Robot	10.8
Powersports & Engine	42.3
Other	19.7
Eliminations and corporate	15.2
Total	¥143.3

For the year ending March 31, 2027, we currently expect our total capital investment to amount to approximately ¥170.0 billion. Details of our plan for capital investment by operating segment for the year ending March 31, 2027 are as follows:

	Expected capital investment for the year ending March 31, 2027
	(in billions of yen)
Aerospace Systems	¥ 50.0
Rolling Stock	6.5
Energy Solution & Marine Engineering	17.5
Precision Machinery & Robot	15.0
Powersports & Engine	34.5
Other / Eliminations and corporate	46.5
Total	¥170.0

Capital Resources

In principle, cash flow generated by our operating activities is used as working capital, including capital investments. The following table shows the breakdown of financial liabilities by maturity date as of March 31, 2026:

	As of March 31, 2026			
	Due in one year or less	**Due after one year through five years**	**Due after five years**	**Total**
	(in millions of yen)			
Bonds and borrowings	¥209,811	¥233,537	¥104,056	¥547,405
Payables under securitization of lease receivables	220,760	11,239	—	231,999
Trade and other payables	657,897	7,467	—	665,365
Lease liabilities	20,717	40,083	19,347	80,148
Other financial liabilities	8,532	1,491	637	10,661
Derivative financial liabilities	13,804	2,552	—	16,357

In order to raise working capital efficiently, we utilize short-term and long-term borrowings as well as issuances of corporate bonds. We also engage in securitization of receivables as part of our financing and cash management operations. In doing so, we comprehensively consider financial market trends, the balance with fixed assets, and the timing of repayment for existing loans and outstanding bonds.

The following table summarizes our liabilities relating to financing activities as of March 31, 2026:

	As of March 31, 2026
	(in millions of yen)
Bonds	¥ 89,000
Short-term borrowings[(1)]	195,436
Long-term borrowings[(1)(2)]	242,090
Payables associated with receivables securitization	231,999
Lease liabilities	75,643
Other	2,787
Total	¥836,958

Notes:

(1) The average interest rates for short-term borrowings and long-term borrowings as of March 31, 2026 were 2.88% and 1.21%, respectively.

(2) The repayment period for long-term borrowings is from 2026 to 2036.

In addition to these diverse funding sources, our group has entered into commitment line agreements with multiple financial institutions to ensure liquidity for the funds required in our business activities. Furthermore, we utilize a cash management system for fund transfers between the company and its domestic subsidiaries, as well as among certain overseas subsidiaries, striving to improve the efficiency of funds within the group. As part of our cash management activities, we employ a global notional pooling system to monitor our cash resources on a group basis across various currencies.

Off-balance Sheet Arrangements

As of the date of this offering circular, we had no material off-balance sheet arrangements.

Cash Flows

The following table sets forth our consolidated cash flow data for the fiscal years ended March 31, 2024, 2025 and 2026:

	For the fiscal year ended March 31,		
	2024	2025	2026
	(in millions of yen)		
Net cash provided by operating activities	¥ 31,662	¥ 148,943	¥ 140,071
Net cash used in investing activities	(89,814)	(111,201)	(128,049)
Net cash provided by (used in) financing activities	12,911	9,605	(33,232)
Effect of exchange rate changes on cash and cash equivalents	(9,027)	1,275	3,918
Net increase (decrease) in cash and cash equivalents	(54,267)	48,623	(17,290)
Cash and cash equivalents at the beginning of the year/period	138,420	84,153	132,776
Cash and cash equivalents included in assets held for sale	—	—	(71)
Cash and cash equivalents at the end of the year/period	¥ 84,153	¥ 132,776	¥ 115,414

Cash Flows for the Fiscal Year Ended March 31, 2026 Compared to the Fiscal Year Ended March 31, 2025

Our net cash provided by operating activities during the fiscal year ended March 31, 2026 was ¥140,071 million, a decrease of ¥8,872 million, compared with ¥148,943 million in the prior fiscal year. This decrease was primarily due to increases in receivables and inventories in our Powersports & Engine and Aerospace Systems segments and fluctuation of contract liabilities.

Our net cash used in investing activities during the fiscal year ended March 31, 2026 was ¥128,049 million, an increase of ¥16,848 million, compared with ¥111,201 million in the prior fiscal year. This increase was primarily due to an increase in purchases of tangible assets and other factors.

Our net cash used in financing activities during the fiscal year ended March 31, 2026 was ¥33,232 million, compared with our net cash provided by financing activities of ¥9,605 million in the prior fiscal year. This difference was primarily due to net decrease in interest-bearing debt, which was partially offset by proceeds from the sale of a 20% stake in Kawasaki Motors, Ltd.

Cash Flows for the Fiscal Year Ended March 31, 2025 Compared to the Fiscal Year Ended March 31, 2024

Our net cash provided by operating activities during the fiscal year ended March 31, 2025 was ¥148,943 million, an increase of ¥117,281 million, compared with ¥31,662 million in the prior fiscal year. This increase was primarily due to an increase in net income, contract liabilities and operating liabilities.

Our net cash used in investing activities during the fiscal year ended March 31, 2025 was ¥111,201 million, an increase of ¥21,387 million, compared with ¥89,814 million in the prior fiscal year. This increase was primarily due to the purchase of property, plant and equipment.

Our net cash provided by financing activities during the fiscal year ended March 31, 2025 was ¥9,605 million, a decrease of ¥3,306 million, compared with ¥12,911 million in the prior fiscal year. This decrease was primarily due to a decrease in short-term borrowings (net).

Quantitative and Qualitative Disclosure About Market Risk

Exchange Rate Risk

We operate our businesses in several countries and face translation and transaction risks related to the fluctuation of foreign currency exchange rates in the markets where we are active. Our consolidated financial statements are presented in Japanese yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our revenue, operating profit, profit attributable to owners of the parent, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange, particularly for the U.S. dollar and the euro.

We mainly use foreign currency forward contracts to hedge the currency risks arising from forecast transactions such as future sales, financial assets and financial liabilities denominated in foreign currencies. In addition, to hedge future cash flows arising from the borrowings denominated in foreign currencies, we use cross-currency interest rate swap contracts with the same maturity as the redemption date of the underlying transactions. We also transfer production to overseas factories and import raw materials to hedge against exchange rate volatility for trade receivables. However, there can be no assurance that such arrangements will be sufficient to protect us against adverse movements in foreign exchange rates for these and other currencies.

For more information, see "—Factors Affecting Results of Operations—Other Factors Affecting Our Results of Operations—Currency Fluctuations" and "Risk Factors—Risks Relating to Our Business and Industries—Our results of operations and financial condition may be adversely affected by foreign currency exchange rate fluctuations."

Interest Rate Risk

A portion of our outstanding borrowings are subject to floating interest rates. If market interest rates increase, the applicable interest rate on our floating interest rate debt will increase, resulting in an increase in our interest expenses. In addition, with respect to our debt that is subject to fixed interest rates, increases in market interest rates could increase our interest expenses when we refinance such debt.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in a loss to us. Receivables deemed either uncollectable or exceedingly difficult to collect are considered defaulted. Our primary counterparties who owe us receivables are our customers. To minimize the potential impact of credit risk, we assess default risk levels of each counterparty to establish a maximum allowable credit and allocate credit loss reserves accordingly. Furthermore, we ensure that credit risks are not concentrated disproportionately on any one counterparty.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty settling our financial obligations, with cash or another financial asset, for reasons which may include financial market crisis or due to a credit rating agency downgrading our credit ratings. To minimize liquidity risks and ensure a stable supply of funds, we maintain what we believe is a sufficient level of cash and cash equivalents at hand, maintain a commitment facility with major financial institutions and continuously monitor cash flows.

BUSINESS

Overview

We are a leading Japanese engineering manufacturer with nearly 130 years of experience in developing advanced industrial solutions and the innovations that power them. As a global technology leader with diverse integrated strengths, we have manufacturing operations in 11 countries and serve customers in the government, military and commercial sectors in various markets.

Our group mission is "Kawasaki, working as one for the good of the planet." We are committed to global business expansion, legal compliance, and social responsibility, aiming to build greater trust worldwide.

With this as our guiding motivation, we operate the following five main business segments, also referred to as "divisions":

- *Aerospace Systems*. We provide a comprehensive array of both air and space platforms and technologies, including aircraft, helicopters and launch vehicles. We are a key supplier in this field to both commercial and defense customers, and collaborate on our products with other major global aerospace companies and government agencies.

- *Rolling Stock*. We design, manufacture and maintain a fleet of products spanning the entire spectrum of railway systems—from Shinkansen and freight trains to locomotives and subway cars. Our rolling stock is utilized widely in Japan and across the globe, including in major overseas transportation centers like Washington, D.C. and New York.

- *Energy Solution & Marine Engineering*. We develop and supply energy systems such as turbines, compressors and boilers, as well as maritime vessels as complex and diverse as submarines, oil tankers and container ships. We also meet our customers' clean energy needs and our own sustainability goals by providing environmental technologies and infrastructure such as waste-to-energy plants, green gas engines and hybrid propulsion systems.

- *Precision Machinery & Robot*. We are a leading provider of precision components and systems used in construction, agriculture, industrial and marine machinery. We also create industrial robots to complete all manner of work tasks in fields from manufacturing to healthcare, helping our customers satisfy their automation and labor-saving requirements.

- *Powersports & Engine*. We manufacture and provide our powersports offerings directly to consumers, with a wide array of products available including motorcycles, off-road four wheelers and our trademark watercraft JET SKI®. We also create general-purpose gasoline engines and battery systems for diverse markets and customers across the globe.

As of March 31, 2026, we had 167 subsidiaries and affiliates.

We have achieved substantial business growth over the past several fiscal years. Our revenue grew at a CAGR of 11.4% between the fiscal years ended March 31, 2022 and March 31, 2026, and we achieved a historical high of ¥145.1 billion in business profit for the fiscal year ended March 31, 2026. This growth has been driven primarily by the combination of our Aerospace Systems and Energy Solution & Marine Engineering segments.

History

Our company traces its origins to April 1878, when our founder, Shozo Kawasaki, established the Kawasaki Tsukiji Shipyard in Tokyo. Shipbuilding operations were expanded in the following years with the establishment of the Kawasaki Hyogo Shipyard in Hyogo Prefecture in 1881 and the subsequent consolidation of our shipbuilding operations.

After reorganizing as a joint-stock corporation in 1896, we broadened our business scope, commencing railway car manufacturing while maintaining a strong focus on shipbuilding operations. Notably, we believe that we were the first company to deliver domestically-produced submarines in 1906, the first private shipyard operator to deliver a large warship in 1908 and the first company to domestically manufacture a steam locomotive in 1911.

Our growth continued in the years that followed, as we ventured into new fields, such as aircraft production. Over the years, we spun off and later reabsorbed various business units, including our railway equipment and aircraft divisions. After World War II, we launched the Kawasaki-Go scooter and also expanded internationally with the establishment of American Kawasaki Motorcycle Corp. (currently Kawasaki Motors Corp., U.S.A.) in 1966.

After these several decades of growth—and in line with the trend of corporate restructurings across Japan to deal with rapid economic growth and increasing competition—in 1969, Kawasaki Heavy Industries, Kawasaki Rolling Stock Manufacturing and Kawasaki Aircraft agreed to consolidate, with Kawasaki Heavy Industries absorbing the other two companies. In 1971, we established our Harima Works factory to specialize in large industrial machinery and steel structure manufacturing. In 1972, we merged with Kisha Seizo Co., Ltd., another railway rolling stock production company, and became Japan's largest railcar manufacturer. In 1975, we began local production of motorcycles in North America with the establishment of our own factory in the United States. In 1981, we established Kawasaki Motors Manufacturing Corp., U.S.A., and in 1983, we completed construction of what we believe was Japan's first domestically manufactured LNG carrier.

In the past two decades, we have focused on improving efficiency and adapting to societal changes by spinning off and merging business operations, such as shipbuilding, precision machinery, plant systems and environmental engineering. Our "Group Vision 2030: Trustworthy Solutions for the Future" guides us in providing solutions for social issues and transforming our business structure for faster growth. Most recently, we spun off our rolling stock and powersports businesses to establish Kawasaki Railcar Manufacturing Co., Ltd. and Kawasaki Motors, Ltd., further specializing our operations to meet evolving market demands.

Our Strengths

Distinctive Business Portfolio Backed by Core Technologies

As a leading engineering manufacturer, we maintain a distinctive and diversified business portfolio that leverages core technologies, in conjunction with our advanced engineering capabilities, to address social challenges as well as generate profit from our businesses. With operations centered around five primary business segments (Aerospace Systems, Rolling Stock, Energy Solution & Marine Engineering, Precision Machinery & Robot and Powersports & Engine) covering a broad spectrum of industrial and commercial domains, we are able to provide products to customers across a wide range of fields, accumulating diverse, cross-segment feedback and expertise in the process. We channel this feedback and expertise back into a deep portfolio of core technologies underpinning our operations, helping to drive our further innovation. This allows us to continue expanding our broad product offerings, which span cutting-edge defense and disaster prevention equipment, future-facing energy infrastructure, semiconductor robots, healthcare industry robots, commercial aerospace equipment, railcars and globally-recognized consumer powersports vehicles, among others. As a result, we are well positioned to address urgent societal needs through developing solutions in industrial automation and connectivity. We also pursue an open approach and seek to collaborate with various partners to develop and provide compelling solutions for our customers and society as a whole. In this way, we seek to capture demand in areas that have substantial long-term growth potential such as hydrogen energy solutions, physical AI, robotics and automation. At the same time, the diversity of our business segments has been a core contributor to our strong track record of revenue and profit growth over the past several years.

Our distinctive business portfolio also enables us to address key growth areas in Japan as we operate in business domains that directly address many of the strategic sectors identified as priorities by the Japanese government. These sectors include AI, to which we contribute through our physical AI solutions; shipbuilding, to which we contribute through naval vessel and marine propulsion system construction; aviation and space, covered by our Aerospace Systems segment; and energy, for which we provide hydrogen solutions and other products. Other strategic sectors in which we maintain a direct business presence include advanced medicine, particularly through our hinotori™ surgical assistance robot and other medical solutions; and the defense industry, via our various military platforms and technologies. We also contribute to national resilience and foodtech through various products and initiatives. As our business portfolio aligns closely with these government-designated strategic priorities, we believe we are positioned to benefit from continued investment and growth in these areas.

Broad Provider of Energy Infrastructure Well Positioned for the Ongoing Energy Transition

Our broad portfolio of energy infrastructure solutions covering both traditional energy areas as well as carbon-light and carbon-neutral energy areas positions us to enjoy sustainable profits during the ongoing energy transition. We maintain a robust product lineup to meet our customers' varied and evolving needs throughout this era of energy transition, with offerings including hydrogen co-firing gas turbines and engines, co-generation infrastructure, green gas engines, LPG fuel systems, LPG/ammonia and LNG carriers and our proprietary Kawasaki CO_2 Capture system. These products are expected to continue to generate solid results, with orders for our hydrogen co-firing generators expected to grow significantly in the future based on our internal projections. In addition, the order backlog for our LPG carriers has remained relatively steady from 9 to 12 vessels as of the end of each of the past five fiscal years. While we are actively preparing to contribute to a carbon-neutral future, we also have the ability to generate strong results in the meantime even if the transition takes longer than anticipated due to our strength in both carbon-based and carbon-light energy offerings.

Leading Supplier for the Japanese Defense Industry

We are a leading supplier in the Japanese defense industry, providing critical platforms such as patrol aircraft, submarines and aero-engines to advance the reinforcement of Japan's defense capabilities. Backed by our advanced technological capabilities and deep expertise across business fields, we have built a strong competitive position in the defense business, which has significant barriers to entry for new entrants. For example, in the fiscal year ended March 31, 2025, we ranked second in terms of order amount for defense equipment contracts awarded by the JMOD, according to information published by JMOD. Our defense-related sales, which we define as sales to the JMOD, amounted to ¥429.7 billion, or 18.6% of our total sales, in the fiscal year ended March 31, 2026, and has been growing at a CAGR of 22.0% from the fiscal year ended March 31, 2024 to the fiscal year ended March 31, 2026. We believe that these strong results have been driven by expanding demand as defense budgets increase.

We are leading multiple initiatives across the JMOD's seven focal areas for national defense capabilities and functions, making us a key player in the Japanese defense sector. Such initiatives include anti-air missile systems in response to the government's call to bolster integrated air and missile defense capabilities; new surface-to-surface and surface-to-ship missiles to strengthen stand-off defense capabilities; new class submarines and naval electric propulsion systems to enhance cross-domain operation capabilities; and P-1 and C-2 derivative-type aircraft to advance command and control and intelligence-related functions. Further, we have initiatives related to our CH-47 helicopters and C-2 transport aircraft to further strengthen mobile deployment capabilities; missiles and high-energy lasers and maintenance, repair and overhaul to improve sustainability and resiliency; and unmanned aircraft to enhance Japan's unmanned defense capabilities. With a product portfolio aligned with the government's defense priorities, we believe we are well positioned to benefit from the structural tailwinds propelling the Japanese defense sector.

Our Strategies

We aim to pursue the next stage of growth in our business by contributing to manufacturing innovation through automation and robotics and physical AI. Our overall strategy is to leverage our existing portfolio of technologies and solutions to propel the development of products and solutions supporting the transformation of manufacturing.

The proceeds from the offering of the Bonds and the Concurrent Share Offering will enable us to execute capital expenditures aimed at strengthening the production base supporting the growth of our respective businesses. Such capital expenditures are expected to include the introduction of advanced production technologies, such as robotics and physical AI at our manufacturing facilities, in line with our strategic priorities. These initiatives are intended not only to expand our production capacity and maximize production efficiency, but also to utilize the operational data and know-how obtained therefrom to optimize solutions for our customers and maximize added value through the application of physical AI, robotics and mass production automation, as described in more detail in the strategies below. See "Use of Proceeds."

Pursue Growth in the Near to Medium Term Focusing on High Profitability Businesses

We aim to pursue growth in the near to medium term by focusing on the following growth drivers that we believe have strong potential to generate high profitability while contributing to manufacturing innovation in the long term:

Civil Aircraft Business

Our civil aircraft business has demonstrated consistent growth over the past several years, with revenue increasing from ¥182 billion in the fiscal year ended March 31, 2023 to ¥282 billion in the fiscal year ended March 31, 2026, and orders more than doubling from ¥179 billion to ¥390 billion across the same period (such revenue and orders calculated by subtracting defense-related business sales and orders from total Aerospace Systems revenue and orders). Building on this foundation, we expect this business to continue experiencing solid growth throughout the near to medium term in part in line with projected overall market expansion. For example, according to air passenger market analysis published by the International Air Transport Association, revenue passenger-kilometers—a key indicator of demand in the airline industry—is anticipated to double from approximately 9.0 trillion passenger-kilometers in 2024 to approximately 18.1 trillion passenger-kilometers in 2044 based on a mid scenario (or 17.3 trillion passenger-kilometers in a low scenario and 18.8 trillion passenger-kilometers in a high scenario) and 20.8 trillion passenger-kilometers in 2050 based on a mid scenario (or 19.5 trillion passenger-kilometers in a low scenario and 21.9 trillion passenger-kilometers in a high scenario). At the same time, we also aim to proactively expand revenue opportunities by entering new business sectors—particularly the high-margin aftermarket service segment through offering MRO services. We specifically intend to launch MRO services for the PW1100G-JM engine platform at our Seishin and Akashi plants beginning in the second half of the fiscal year ending March 31, 2027. To this end, we aim to invest ¥7 billion in this initiative by 2026, and are targeting production of more than 50 units annually by the fiscal year ending March 31, 2032.

Gas Turbines

We expect demand for gas turbines to grow driven by a combination of the expansion of adjacent product markets and our own differentiated growth strategy. In particular, our gas turbines are important components in power generation equipment used to power data centers, which are expected to continue to expand at a rapid pace. According to the "2026 Global Data Center Market Outlook" report published by Jones Lang LaSalle Incorporated, nearly 100 gigawatts of new data centers are expected to be added between 2025 and 2030, effectively doubling global capacity. Notably, the Americas and Asia Pacific regions, which include the primary markets in which we operate, are projected to grow at a CAGR of 17% and 12%, respectively, across the same period. Complementing this, we believe that our focus on small scale turbines with shorter production lead times provides us with an advantage over competitors that focus on large-scale turbines with long lead times. Leveraging this competitive advantage, we aim to expand the production capacity for our gas turbine business through increased investment for emergency and regular production. We also aim to expand sales into the overseas DC power generation equipment market, capturing demand through short-lead-time products. Our revenue from major products in the energy business (including gas turbines and gas engines) has grown from ¥68 billion in the fiscal year ended March 31, 2022 to ¥86 billion in the fiscal year ended March 31, 2026, and we are aiming for further growth over the near to medium term.

Semiconductor Robots

We aim to achieve growth in our semiconductor robot business by leveraging both overall market growth and our unique strategy and competitive advantages. According to a report published by the World Semiconductor Trade Statistics, the overall market for semiconductor production equipment has been expanding in recent years, growing from $440.4 billion in 2020 to $795.6 billion in 2025, and is expected to grow to $1,913.7 billion in 2027. In order to capture this growth, we will implement a multifaceted growth strategy to broaden our products into areas including system products, vacuum processes, back-end processes and the maintenance and automation market.

Ship and Offshore Structure

We expect near- to medium-term growth in our ship and offshore structure business to be buoyed in part by an expanding market for shipbuilding. For example, the Japanese government has set a target to nearly double shipbuilding output from a construction volume of 907 million gross tons in 2024 to 1,800 million gross tons by 2035. At the same time, the industry is facing a labor shortage, which is becoming a bottleneck with the potential to constrain further growth. Against this backdrop, we seek to provide solutions that address labor shortages and improve our efficiency through the use of in-house robotics solutions, which we also aim to provide to the industry as a whole. Further, we are focusing on the construction of both LPG carriers in Japan to provide high value-added products to our customers, along with the construction of cargo and bulk carriers through joint ventures in China by taking advantage of our in-house designs. Revenue from our ship and offshore structure business has demonstrated an overall trend of growth across the past five fiscal years, expanding from ¥64 billion in the fiscal year ended March 31, 2022 to ¥109 billion in the fiscal year ended March 31, 2026.

Build Innovative Physical AI Solutions Centered to Pursue Expansion

We aim to leverage our diverse, cross-segment engineering expertise and business insights to deliver high-precision, physical AI solutions across various domains. We believe that utilizing existing physical AI capabilities to further develop more effective solutions for a broad range of applications will be a key factor in fostering manufacturing innovation, and that our focus on physical AI will be supported by market trends that will drive demand for physical AI. For example, the Japanese government has identified physical AI as priority area. According to the Japanese Ministry of Economy, Trade and Industry's "AI Robotics Strategy: Accelerating Social Implementation and Opening Up Massive Markets" report, the Japanese government currently aims to secure 30% of the global share of the AI robotics market by 2040, a share estimated by such report to be worth approximately ¥20 trillion. At the same time, Japan faces an aging society where AI robotic solutions are expected to be increasingly in demand. The market for general purpose robots as a whole is also expected to expand in the coming years. According to a report published in 2026 by McKinsey & Company, the global market for such robots is projected to expand from less than $1 billion in 2024 to approximately $370 billion in 2040.

We also have a distinctive perspective on physical AI which informs our strategy. Whereas the public typically views physical AI as technology in which robots understand the physical world and act autonomously, with attention heavily focused on humanoid forms and demonstration use cases, we believe physical AI should safely and efficiently support human judgment and actions rather than replacing people, with applications rooted in real-world situations and actual demand. To this end, we seek to further the development of physical AI in two different domains—"body" and "place"—through customer touchpoints with various robots in diverse field environments and technologies cultivated through humanoid development. "Place" entails the practical application of physical AI, with a focus on field deployment from the outset and robot refinement based on analysis of actual work processes. Complementing this, "body" involves the technological implementation of physical AI, through which we seek to accumulate know-how for humanoid applications in pursuit of robots that replicate human movement and motion performance.

Within this context, we seek to expand our business and generate sustained profits through the integration of AI into platforms produced through our Precision Machinery & Robot segment. Specifically, we are targeting growth in the following three fields:

- *Semiconductor Robots*. As described above, we believe that semiconductor robots will be an important growth driver in the near to medium term, and we aim to continue to expand in this business area into new semiconductor areas to achieve further growth over the long term.
- *Medical Robots*. We aim for global expansion in the field of medical robots towards our long-term goal of creating a one-stop solution for hospitals. In February 2026, we launched our first overseas development base in France, through which we seek to capture the needs of stakeholders such as medical and nursing care professionals, connect with individuals and companies possessing cutting-edge technology and knowledge, and actively promote co-creation and collaboration to drive business development in the healthcare field. We also conduct related research and development at sites within Japan and the United States.
- *Social Robots*. We aim to accelerate the deployment of AI-powered social robots in labor-constrained service fields, such as nursing, care and logistics. To this end, we have developed our Kaleido, FORRO and Nyokkey platforms, and seek to promote the development of new markets by leveraging open innovation. Our experience developing robotics solutions in these fields also serves as a source of insight to power our physical AI initiatives more broadly. The humanoid robot market is anticipated to show particularly high growth in the coming years, with an estimated CAGR of approximately 54% between 2025 and 2035 and approximately 23% between 2035 and 2050, according to Morgan Stanley's "Humanoids: A $5 Trillion Global Market" report published in May 2025.

In the physical AI sector, we are also advancing our SAFE ADVENTURE concept, which aims to eliminate mountain accidents and make mountainous regions safe and enjoyable for everyone. To this end, we are developing a mountain integrated navigation system, which detects weather, temperature, road surface conditions and wildlife appearances, guiding users to safe routes via devices such as smartphones. We are further augmenting this with our adaptive mobility solutions, such as our K-RACER as well as CORLEO, a four-legged off-road personal mobility vehicle.

Expand Diverse Energy Product Offerings to Achieve Growth in the Transition to a Carbon-Neutral Future

While we already occupy a leading market position as a multi-faceted manufacturer in the ongoing energy transition, we are also actively preparing ourselves for the carbon-neutral future in which hydrogen-based energy solutions are expected to play an important role. According to the International Energy Agency's "Net-Zero Roadmap" report published in September 2023, global hydrogen demand is projected to grow by approximately five times between 2022 and 2050 in line with the increased use of hydrogen energy for steel and chemical production, heat generation, mobility technologies and large-scale power generation. Through our ability to leverage the infrastructure and technologies already developed in the LNG field and elsewhere across our distinctive business segments, we are uniquely positioned to overcome the technological challenges associated with hydrogen energy and pursue sustained growth in our energy business.

For example, leveraging our cross-sector manufacturing expertise, we are developing product lines to cover the entire hydrogen supply chain—from production and transport to storage and use. Such products include hydrogen liquefiers, liquefied hydrogen carriers and tanks, hydrogen gas engines and fuel cell vehicles. In addition, applying our strengths honed from operating across business fields, we are also employing an open/closed strategy, whereby we seek market capture by differentiating between open (e.g., freely accessible technology and subscription licenses) versus closed (e.g., exclusive technologies and the sale of key parts) domains. We are also advancing discussions and partnerships with companies such as Kansai Electric Power Company, Incorporated, Toyota Motor Corporation and Daimler Truck Holding AG for the deployment of commercial hydrogen chains in countries around the world. In this way, we believe we possess and are further developing a unique competitive position that allows us to expand the overall market while preserving our unique status within it.

Harness Manufacturing Capabilities and Strong Position in Japanese Defense Ecosystem to Achieve Further Growth

We aim to leverage our manufacturing capabilities and strong position in the domestic defense ecosystem to capture the expected future expansion of the Japanese defense industry. This industry is currently benefiting from strong tailwinds as a result of the increased defense expenditures and contract system reforms being carried out by the Japanese government, which are expected to drive growth in both market scale and profitability. Government defense expenditures have already nearly doubled between the government fiscal year ended March 31, 2021 and the government fiscal year ended March 31, 2026, rising from ¥5.3 trillion to ¥8.7 trillion, due in part to the policy of the

"Fundamental Strengthening of Defense Capabilities" announced in 2022, and are estimated to increase further to ¥9.0 trillion in the government fiscal year ending March 31, 2027. During this period, the Japanese government also introduced defense contracting system reforms aimed at increasing the assumed contract profit margin used to determine contract pricing for defense equipment contracts from about 8% to as high as 15% (5% to 10% for the base contract profit margin and 1% to 5% for an inflation adjustment) from the fiscal year ended March 31, 2024. The assumed contract profit margin for defense contract is calculated on a cost-plus basis as a percentage of the estimated project costs (including production costs, direct selling expenses and allowable general and administrative costs), and thus impacts the profitability of our defense equipment contracts with the Japanese government. The assumed contract profit margin is determined by the JMOD based on factors including the quality, cost and delivery timeline of the project. This assumed contract profit margin differs from business profit reported in our financial statements or business profit on a management accounting basis described below. In April 2026, the Japanese government also announced it was relaxing its long-standing restrictions on the export of lethal weapons, including categories of products we produce, to certain countries. Further increases in defense expenditures and expansion of defense initiatives are expected through and beyond 2030.

To capture the ongoing and future growth expected to be generated through these actions, we first aim to invest in key business areas such as aircraft and aircraft engines, while aligning our development and production priorities with those of the Japanese government and JMOD. See "—Our Strengths—Leading Supplier for the Japanese Defense Industry."

Through these strategies, we aim to increase revenue from sales to the JMOD, which we also refer to as our defense-related business, to around ¥700 billion over the medium term. We are also targeting a business profit margin (on a management accounting basis) in our defense-related business of above 10% over the medium term. For internal management purposes, we calculate and monitor our defense-related business profit as defense-related revenue after deducting direct cost of sales, directly related fixed costs and selling, general and administrative and other costs based on estimated internal allocations. Accordingly, while we view such business profit as an important management indicator for this business area, this metric differs from business profit as reported in our financial statements or the assumed contract profit margin used by the Japanese government to determine contract pricing for defense equipment contracts.

Boost Profitability through Implementing Automation and Robotics and Physical AI

As we pursue growth, we also aim to boost our profitability by focusing on business areas with attractive profit margins and pursuing cost efficiencies across our operations. Specifically, we aim to improve our profitability through the following initiatives:

Aerospace Systems

Business profit margin for our Aerospace Systems segment was 10.2% in the fiscal year ended March 31, 2026. We aim to build on this strong existing profitability and aim for profitability improvements. In our defense-related business, we aim to capture profitability improvements as Japan increases its defense budget and carries out revisions to contract structures. We possess technological capabilities that can address all seven priority areas identified by the JMOD. In the commercial aircraft area, following a challenging period of declining demand during the COVID-19 pandemic and persistent supply chain disruptions, we expect that the market will continue to recover and that growth in aircraft production volumes will support higher profit margins. In our commercial engine business, as unit sales of engines such as the PW1100G increase, we expect the higher-margin aftermarket services business to contribute to improved profitability over the medium to long term with our entry into the MRO business for the PW1100G-JM engine.

Rolling Stock

Business profit margin for our Rolling Stock segment was 3.7% in the fiscal year ended March 31, 2026. We aim to improve profitability in this segment by leveraging our strong market share in North America. In the United States, we have secured orders for New York subway cars, which provide high visibility for our revenue pipeline over the medium term. We are also working to improve productivity and aim to maintain profitability in this business. We also intend to expand our aftermarket services by leveraging the technology and customer relationships developed through this project, which offers opportunities to improve profitability. In Japan, we aim to capture orders for future projects, including next-generation bullet train projects, which are expected to commence in the medium term, and also aim to target projects in Asia financed by Japanese development loans which are expected to begin in the medium term.

Energy Solution & Marine Engineering

Business profit margin for our Energy Solution & Marine Engineering segment was 12.7% in the fiscal year ended March 31, 2026, demonstrating strong profitability across businesses in this segment. We have significant backlog that will allow us to continue to generate revenue and profit in this segment. At the same time, contract prices for ordered ships have improved, and we aim to achieve further increases in profitability. As described above, we are also targeting demand for certain products benefiting from positive market momentum such as gas turbines. In our hydrogen-related businesses, we expect deliveries of large liquefied hydrogen carriers and other products to begin in the medium to long term.

Precision Machinery & Robot

Business profit margin for our Precision Machinery & Robot segment was 5.6% in the fiscal year ended March 31, 2026, and we are aiming for profitability improvements in this segment. We are currently implementing structural reforms in our general-purpose robot business, including focusing on higher-margin product areas, which we expect to be completed by the fiscal year ending March 31, 2028. In China, we are pursuing cost reductions by using locally sourced components. As described in more detail above, we intend to pursue profitable growth in our semiconductor robots business while expanding into new and attractive areas that we believe will contribute to profitability. With respect to hydraulic machinery, while we are currently focused on construction machinery and hydraulic equipment for the China market, we aim to expand our business to new customers in North America and other regions. We believe that there is potential to increase profit by expanding into broader hydraulic applications.

Powersports & Engine

Business profit margin for our Powersports & Engine segment was 3.3% in the fiscal year ended March 31, 2026. Profitability in this segment has been negatively impacted by the trade environment including U.S. tariffs, and we are aiming for profitability improvements in this segment. In order to boost profitability, we are working to reduce fixed costs and optimize scale to reduce manufacturing costs. In addition, we plan to bring our Mexico plant, which initially had low utilization, into full operation. With respect to sales models, particularly four-wheel vehicles, we aim to improve efficiency by narrowing the number of models offered. In addition, we believe that the motorcycle and four-wheel vehicle markets will continue to grow steadily, and we intend to efficiently capture revenue and profit by introducing products that respond to market preferences.

Through these initiatives, we are aiming to boost our business profit margin from 6.3% in the fiscal year ended March 31, 2026 to 10% or more in the medium term. Our ability to achieve this objective is based on a number of assumptions including but not limited to the successful execution of the strategies described above and actual market conditions being consistent with the market trends described above. In addition, we have assumed that macroeconomic factors (including but not limited to global economic conditions, the inflationary environment and foreign currency exchange rates) as well as geopolitical conditions would not have a significant negative impact on our ability to achieve this objective.

The discussion above includes forward-looking statements based on various assumptions and beliefs, including but not limited to the assumptions set forth above. Many of these assumptions and beliefs relate to matters that are outside of our control, including factors affecting the business and economic environment. These and other unanticipated events and circumstances could affect our ability to meet the financial goals set forth above. In addition, there can be no assurance as to our ability to implement our various strategic initiatives. As a result, we cannot and do not make any representation or assurance as to the achievability of our strategic objectives and goals or whether our underlying assumptions are appropriate. You should be aware that actual results may vary, potentially materially, from the above forward-looking statements. See "Risk Factors—Risks Relating to Our Business and Industries—We may be unable to successfully execute our growth strategies or achieve our strategic and medium-term profitability objectives" and "Forward-Looking Statements."

Our Products, Equipment and Services

We offer a variety of key products, equipment and services across our five divisions: Aerospace Systems, Rolling Stock, Energy Solution & Marine Engineering, Precision Machinery & Robot and Powersports & Engine. We describe each of these divisions in more detail below.

Aerospace Systems

Our Aerospace Systems division is centered around the application of our cutting-edge technologies to facilitate comfortable air transportation and reliable space exploitation for our clients. To this end, we manufacture a diverse array of airplanes, helicopters and space-related equipment – such as engines, launch vehicles and recovery systems – for both commercial and governmental end-users. In addition, we both produce and service aircraft specifically for use by the JMOD and Japan Air Self-Defense Force ("JASDF"). We also engage in significant international cooperation with other major international aerospace entities, including the joint manufacture of air defense platforms, development of commercial airliners, and production of experiment modules for the International Space Station.

Our key products include the following:

- *Aircraft for the JMOD.* We are a major supplier of aircraft for the JMOD, and manufacture platforms used by multiple branches of the JASDF. For example, we have developed and produce the C-2, our latest generation of transport aircraft which benefits from various new systems and advanced technologies to provide enhanced speed and range compared to previous models and other JASDF transport planes. Combined with its larger cargo hold and ability to accommodate heavier loads, it is also able to support a wide range of missions, including international cooperative operations. The C-2 is also

available in the RC-2 variant, which features a radio information collector to support electronic intelligence gathering. Apart from these platforms, we also produce other airframes for the JASDF such as the P-1 Maritime Patrol Aircraft, the P-3C Anti-Submarine Warfare Patrol Aircraft and the MCH-101 Airborne Mine Countermeasures and Transport Helicopter.

- *Components for Commercial Aircraft*. We create and supply components used by major global aerospace manufacturers in their commercial airliners through joint international initiatives. Since 2005, for example, we have been a member of the development and production team for the Boeing 787 Dreamliner. The Dreamliner is a passenger aircraft that is one of the best-selling platforms in Boeing's history, with more than 1,000 produced to date. We have responsibility for the forward section of the fuselage, main landing gear well and fixed section of the wing trailing edges. We have introduced many innovative practices and technologies into the manufacture of these sections, including our Kawasaki Production System to standardize work processes and quality, along with the world's first one-piece fuselage barrel made entirely from composite materials.

- *Aero Engines*. In addition to producing aircraft for a vast array of customers and applications, we also help create the engines that power them. For example, since 2011 we have been involved in the international production and development of the PW1100G-JM, with responsibility for the development, manufacture and maintenance of the fan, low-pressure compressor and other primary components. The PW1100G-JM is a turbofan engine used in some models of the Airbus A320neo airliner, and is equipped with an advanced gear system that enables the engine's fan to operate at a lower speed than the low-pressure compressor and low-pressure turbines used elsewhere in the engine's body. The combination of this gear system, state-of-the-art composite materials technology and an advanced core are designed to deliver improved fuel efficiency as well as major reductions in exhaust emissions and engine noise. Beyond the PW1100G-JM, we also manufacture the V2500 turbofan engine used in the Airbus A320 family of airliners, and the Trent series turbofan engines used in multiple Boeing and Airbus aircraft. In addition, we produce both the RTM322 and T55 turboshaft engines used in various models of our helicopters. In 2025, we entered into the MRO business for commercial aircraft engines starting with the maintenance and overhaul of PW1100G JM engines. We plan to further expand this business, which we believe will enable us to expand our after-sales revenue base going forward.

- *Commercial Helicopters*. Apart from our military helicopters, we also produce multiple models for commercial use, including our BK117 series helicopter. Developed jointly with Airbus, this medium-size, twin-engine helicopter is employed in a diverse array of air operations, including emergency medical services, firefighting and disaster relief, police work, news reporting and personnel and cargo transport. In addition to providing strong after-sale services, we have engaged in periodic updates of the BK117, with the latest model (H145/BK117 D-3) incorporating a new main rotor system for shortened maintenance periods, increased effective loading weight, flexible cabin arrangements for multi-role capability, smooth-access dual cargo doors, high-performance avionics and a Fenestron tail rotor for enhanced noise reduction. While our company conducts its sales of BK117 models within Japan, the BK117 has also enjoyed strong sales internationally.

- *Missiles/Space Equipment*. Our company produces equipment used to support a variety of space-related operations. These include the payload fairings for the H3 Launch Vehicle – Japan's new mainstay launch vehicle—along with the airlock, Exposed Facility Berthing Mechanism and air conditioning system for the Japanese Experiment Module "Kibo" on the International Space Station. We also produced the docking mechanism, proximity sensor and task board for the Engineering Test Satellite VII, which made the first remotely-controlled unmanned rendezvous docking between two spacecraft in history. Furthermore, we have been engaged in various space-related experimental and technological development programs, including those involving space debris removal satellites, reusable launch vehicles and stratosphere-based airships. Separate from our space offerings, we are also involved in various missile production initiatives. These include the development of surface-to-surface and surface-to-ship missiles to improve stand-off capabilities in response to the JMOD's policy of fundamentally strengthening Japan's defense posture.

Rolling Stock

Through our Rolling Stock division, operated through our wholly-owned subsidiary, Kawasaki Railcar Manufacturing Co., Ltd., we develop a variety of rolling stock platforms with the goal of contributing to the advancement of society at large. With more than a century of accumulated technological expertise, we provide our customers with a diverse fleet of railway vehicles and equipment, including:

- *Electric train cars*. We manufacture electric train cars for use on a variety of rail systems, from Shinkansen high-speed rail to conventional train lines.

- *Gasoline- and diesel-powered trains*. We offer trains in both gasoline- and diesel-powered configurations to accommodate our customers' fuel preferences.

- *Locomotives*. We produce advanced locomotives to power trains across any terrain, such as our EF210 model, which serves as the main freighter for the Japan Freight Railway Company.

- *New transportation systems*. As part of our efforts to be at the forefront of railway and mobility innovation, we design groundbreaking technologies like the Kobe Port Liner, Japan's first new transportation system relying on automated computer-controlled operation to meet medium-capacity urban transportation requirements.

- *Freight cars*. We produce freight cars that can accommodate both compressed air and electric braking systems and can handle the transport of goods across a range of shapes, volume and weight, facilitating our customers' logistics needs.

- *Bogies*. In addition to rail cars, we also supply the undercarriage assemblies that permit the safe operation of rail cars.

Our rolling stock products are used by multiple Japan Railway companies, along with both private and municipal railway companies across the globe. This includes customers in the United Kingdom, China, Southeast Asia, Africa, Central and South America and major urban transportation networks in the United States such as those in New York and Washington, D. C.

Energy Solution & Marine Engineering

As part of our Energy Solution & Marine Engineering division, we aim to provide technologically advanced products that help our customers produce and transport natural resources and efficiently generate energy using a variety of methods, including electricity, steam and heat. To this end, we maintain a broad lineup of energy generation equipment, such as gas and steam turbines, green gas engines and boilers, and also help clients establish oil and gas facilities and supply systems. In addition, we develop and deploy environmentally-focused energy solutions, such as renewable energy technologies and various waste recycling and treatment facilities. Certain of our projects relating to hydrogen energy are supported by the Japanese government funding including subsidies from the Green Innovation Fund managed by NEDO.

Our Energy Solution & Marine Engineering division is broadly divided into our energy solution, plant engineering, marine machinery and ship & offshore structure businesses, with the following key products and solutions offered:

- *Energy Solution*. Our company delivers multiple types of power plants—from combined cycle power plants to traditional fossil fuel-fired ones—along with the peripheral equipment like air coolers and flue gas desulfurization systems needed to support diverse energy generation requirements. For example, we supply boiler plants, such as our trademarked Kawasaki Advanced Clean Combustion boiler, which utilizes a bifurcated combustion chamber to drastically reduce NO_x and dust emissions. We also offer power plants and gas turbines used for cogeneration, whereby generators are installed directly in areas where the heat and power used in energy generation are consumed. We have also developed a lineup of "green" gas engines that simultaneously offer high efficiency and low NO_x combustion to realize both lower operating costs as well as reduced emissions. Our other products in this business include steam turbines and aerodynamic machinery.

- *Plant Engineering*. Apart from our energy plants, we manufacture a vast array of other plant models and supporting equipment that meet the diverse needs of our customers. These include municipal waste treatment and incineration systems, such as waste-to-energy plants and refuse-derived fuel manufacturing plants, that integrate a series of technologies to efficiently utilize combustible wastes as fuel for electric power generation. For example, our Conch Kawasaki Kiln System combines cement manufacturing with waste processing by integrating a waste incinerator into existing cement plants, effectively utilizing the

heat energy and ashes resulting from the burning of waste as fuel and raw materials for cement-making operations. We also supply wide-ranging industrial infrastructure solutions that include industrial plants (cement plants, fertilizer plants, non-ferrous metals processing plants and gas-to-gasoline plants), factories (steel processing facilities, vibrating machines and water jet washers) and materials handling systems (stackers, reclaimers, container cranes, ship loaders and ship unloaders, bucket wheel excavators, flow dynamics conveyors and vertical conveyors). Our other offerings through this business segment include tunnel boring machines and crushing machines.

- *Marine Machinery*. We supply marine steam and gas turbines, reduction gear, reciprocating engines and other products used for maritime operations and mobility. In particular, we develop and manufacture electric and hybrid propulsion systems that harness sophisticated energy management technologies to switch between multiple energy sources depending on a vessel's operating condition and environment. For example, when traveling within ports or other areas where the required propulsive force is small, our hybrid propulsion systems can draw power from batteries alone. In this way, these systems are designed to maximize the efficiency of energy usage within the vessel, and also to reduce exhaust gas emissions. We have also created the Kawasaki Integrated Control System, a line of state-of-the-art equipment applied to ferries, working ships, fishing boats and more that integrates the control of multiple vessel devices – such as pitch propellers, azimuth thrusters and rudders – via the operation of a joystick and heading control dial. In addition to these products, we also manufacture controllable pitch propellers and side and azimuth thrusters.

- *Ship and Offshore Structure*. We have developed large families of LPG, LNG and other liquefied resource carriers, significantly contributing to the safe and economical transportation of clean energy. In particular, we made history by constructing the *Suiso Frontier*—the world's first liquefied hydrogen carrier—and have entered into an agreement with Japan Suiso Energy, Ltd. to build the world's largest liquefied hydrogen carrier as part of our commitment to creating an international hydrogen supply chain towards the realization of a carbon-free society. Building upon the latest technologies and our long experience in the industry, we also manufacture oil tankers with double hull structures for safety and performance, while seeking to maximize cargo loads and propulsive performance. Additionally, as with our Aerospace Systems divisions, we create ship and offshore structures offerings for government and defense-sector clients—most notably, the more than 30 submarines we have delivered to the JMSDF. Apart from these products, we also manufacture jetfoils, as well as container ships that take advantage of our advanced hull designs to operate efficiently and safely in regular liner service around the world.

- *Other*. Separate from the above main businesses in our Energy Solution & Marine Engineering division, we offer further products and services based on our customers' and our own hydrogen and carbon-neutral initiatives and needs. These include onshore liquefied hydrogen storage tanks and loading arms in connection with projects supported by NEDO, as well as shipping and receiving terminals, liquefied hydrogen tanks, onshore LNG tanks and carbon dioxide capture, utilization and storage systems.

Precision Machinery & Robot

Through our Precision Machinery & Robot division, we manufacture hydraulic components and hydraulic systems used in construction, agriculture, industrial and marine machinery. Our products in this respect include:

- *Hydraulic Pumps*. Our hydraulic pumps have been continuously refined to meet the demand for high-efficiency, low-noise and compact products. Such pumps are available in axial piston (open and closed loop), screw and precision gear models, among others.

- *Valves*. We design and sell hydraulic valves with superior performance and control for a wide variety of agriculture and construction machinery, industrial equipment and shipbuilding. In addition, we manufacture electric remote control units which provide many of the same benefits as our hydraulic valve offerings.

- *Other*. We produce hydraulic motors and the Kawasaki ECO SERVO electro-hydraulic hybrid system.

Apart from the above, we also provide our customers with high-quality industrial robots to assist with a wide array of work functions, such as:

- *Automotive applications*. We manufacture robots able to handle a variety of tasks in support of our automotive industry customers, such as vehicle painting and assembly.

- *Semiconductor applications*. We supply robotic systems designed to meet the unique demands of the semiconductor industry, including robots for the transportation of wafers.

- *General industrial applications*. Our robots play a key role in diverse fields ranging from food to pharmaceuticals. We are currently developing surgical assistance robots, such as our hinotori™ system, along with social robots that work alongside people to support the activities of daily life.

Powersports & Engine

Our Powersports & Engine division, operated via Kawasaki Motors, Ltd., provides a broad range of leisure and utility products directly to general consumers. Such offerings include:

- *Motorcycles*. We apply the advanced manufacturing knowhow gained from our technology used to produce aircraft engines to supply a variety of iconic and high-performance motorcycles, such as the H1 (500SS Mach-III), Z1 (900 Super Four), Ninja (GPz900R) and Ninja H2.

- *Side-by-sides*. Our side-by-side platforms, such as the MULE, TERYX and RIDGE, combine premium and advanced features to offer a high level of versatility, able to tackle both day-to-day tasks and off-road activities.

- *All-terrain vehicles*. We manufacture all-terrain vehicles for both adults and kids, with offerings equipped to accommodate all manner of roads and landscapes.

- *Personal watercraft*. Since pioneering the field of personal watercraft through the creation of our trademark JET SKI®, we have continued to produce a diverse lineup of platforms, such as our flagship ULTRA 310 series, to nimbly maneuver in diverse bodies of water.

We also manufacture general-purpose gasoline engines utilized by equipment manufacturers in a variety of their own products, including lawn mowers and brush cutters. Additionally, we sell battery energy storage systems which contain next-generation high-capacity nickel-metal hydride to deliver instantaneous power and rapid charging and discharging.

In November 2024, Kawasaki Motors, Ltd., our core subsidiary in the Powersports & Engine segment, announced a capital and business alliance with ITOCHU Corporation. As part of this alliance, ITOCHU Corporation acquired 20% of Kawasaki Motors, Ltd in April 2025. This alliance aims to leverage our respective resources and expertise to pursue mutual growth strategies, including via personnel exchanges and joint initiatives. A key component of this alliance is the establishment of a joint venture to provide sales finance services aimed at the U.S. market, enabling us to offer competitive financing options. Additionally, this partnership will facilitate global sales expansion and improved logistics efficiency by utilizing ITOCHU Corporation's extensive international network and experience in automotive and downstream businesses. Through this alliance, we seek to enhance our capital efficiency and support further investment in strategic growth areas, including the hydrogen business, thereby contributing to our sustainable growth and financial strength.

Manufacturing

As of March 31, 2026, we possessed more than 40 manufacturing facilities throughout Japan, other Asian countries, the United Kingdom and the Americas. Major manufacturing facilities include: our Kobe Works, which produce submarines, merchant ships, gas engines and marine propulsion systems; our Akashi Works, which produce motorcycles, robots, gas turbines and various types of engines; our Gifu Works and Nagoya Works 1, which produce aircraft, including main aircraft components and parts; Kawasaki Motors Manufacturing Corp., U.S.A., which produces off-road four-wheelers; and Kawasaki Motors Enterprise (Thailand) Co., Ltd., which produces motorcycles. For a list of our key manufacturing facilities, see "—Properties and Facilities."

Our Manufacturing strategy is encompassed by our slogan "Process Innovation Throughout the Value Chain to Achieve High-Quality and Efficient Manufacturing." Through initiatives such as the Kawasaki Design Process Transformation, which standardizes and enhances development and design operations, and the adoption of digital engineering tools, we systematically leverage our accumulated expertise to minimize design errors and improve efficiency. We are also developing a data integration platform to enable "comprehensive and concurrent development," ensuring products and services are closely aligned with societal and customer needs from the outset. Complemented by our Kawasaki Production System, which focuses on eliminating waste, these measures collectively prevent the need for reworking during design and manufacturing processes, while also enhancing product quality, operational efficiency, and organizational resilience against changes in the management environment, positioning us to respond flexibly to changing market and societal demands and deliver sustained value.

We manufacture our products through both our main divisions as well as our global network of subsidiaries.

Sales and Marketing

Sales of our products are principally conducted globally through our local subsidiaries and sales offices. In addition to selling products directly to customers, we also sell our products through third-party distributors, particularly in our Energy Solution & Marine Engineering, Precision Machinery & Robot and Powersports & Engine segments.

Our sales and marketing activities are divided by division, with our headquarters for sales and marketing mainly in Japan. Distribution facilities and warehouses are shared regionally.

Competition

Our key competitors consist primarily of other major all-around engineering manufacturers in Japan – particularly, Mitsubishi Heavy Industries, Ltd. and IHI Corporation. However, given the scope of the products and services we offer, we also compete with a wide variety of other global manufacturers as well as smaller, regional or specialized companies within each of the markets (which may include varying geographic, product or service sectors) our divisions operate. Our main competitors in each business segment are as follows:

- in our Aerospace Systems segment, other major prime contractors for defense-related projects include Mitsubishi Heavy Industries, Ltd. and Subaru Corporation, although it is common for us and other companies active in this segment to act as suppliers for each other in connection with such projects. For private sector projects, we compete with Spirit AeroSystems Holdings, Inc. in the production of aircraft, as well as IHI Corporation and MTU Aero Engines AG in the production of aircraft engines. However, it is common for major private sector aircraft manufacturing to be shared among multiple suppliers for different phases of the manufacturing process. For example, for Boeing 787 manufacturing, we, Mitsubishi Heavy Industries, Ltd. and Subaru Corporation participate in different phases of production and assembly;
- in our Rolling Stock segment, we compete with Japanese railway suppliers such as Hitachi, Ltd. and Nippon Sharyo, Ltd. along with global rolling stock companies such as CRRC Corporation Limited and Siemens AG;
- in our Energy Solution & Marine Engineering segment, for private sector projects, we compete with Japanese and global companies such as Mitsubishi Heavy Industries, Ltd., IHI Corporation and Wartsila Corporation in the energy solutions market; JFE Engineering Corporation and JGC Holdings Corporation in the plant manufacturing market; and Imabari Shipbuilding Co., Ltd., Japan Marine United Corporation and HD Hyundai Heavy Industries Co., Ltd. in the shipbuilding market. For defense-related projects, we compete primarily with Mitsubishi Heavy Industries, Ltd.;
- in our Precision Machinery & Robot segment, we compete with global corporations such as Robert Bosch GmbH, Danfoss A/S and the Hengli Group in the precision machinery market, and Japanese industrial robotics companies such as FANUC Corporation and Yaskawa Electric Corporation and global equivalents such as ABB Group and KUKA AG in the robot market; and
- in our Powersports & Engine segment, we compete with other Japanese and global motorsports brands such as Honda Motor Co., Ltd., Yamaha Motor Co., Ltd., Polaris Inc. and BRP Inc.

Our competitors in these markets may have advantages over us such as greater financial resources, technical knowhow, a broader or more competitive product lineup, stronger marketing and research and development resources, or a more diversified business model. In addition, such competitors may benefit from established supply or business relationships with particular customers, including national and sub-national governments and ministries.

Our products generally compete based on factors such as product features, quality, brand strength and familiarity to target customers, pricing, level of support services, regulatory compliance and the ability to provide tailored solutions that meet customer specifications. The impact of these factors on our competitive position varies among our various product and service offerings. In order to remain competitive in the industries in which we operate, we continue to make investments in research and development, quality management, quality improvement, product innovation and productivity improvement in support of our core strategies. See "—Research and Development." Additionally, just as we engage in collaboration with other companies (including potential competitors) on a variety of our products, collaborations by and among companies seeking a competitive advantage over us or in general may also affect the competitive environment.

Research and Development

Guided by our "Group Vision 2030," our research and development strategy is centered around three key areas: "A Safe and Secure Remotely-Connected Society," "Near-Future Mobility" and "Energy and Environmental Solutions." Our approach is designed to accurately assess and design products that address social challenges – such as labor shortages and increased demand for advanced transportation, logistics and infrastructure solutions – while strengthening competitiveness across each of our segments. We are also dedicated to supporting our sustainability goals, with a particular focus on carbon neutrality and the realization of a hydrogen-based society. Further, by integrating the technical expertise and insights we have cultivated through our multifaceted manufacturing operations, we aim to enter new fields like Physical AI. In the fiscal year ended March 31, 2026, we recorded ¥56.8 billion in research and development expenses.

Major research and development initiatives and achievements related to our main divisions in the year ended March 31, 2026 included the following:

- *Aerospace Systems*. Our research and development initiatives are spread across various defense and commercial aviation and space-related applications. In defense aviation, we are focusing on modernization and derivative projects for fixed-wing and rotary-wing aircraft, next-generation trainer aircraft development and improved stand-off capabilities in response to the JMOD's policy of fundamentally strengthening Japan's defense posture. We are also advancing our development of unmanned and autonomous systems using advanced AI technology and digital training systems incorporating virtual reality. In commercial aviation, we are seeking to advance our production technologies utilizing robots. Furthermore, we are working to enhance aircraft design and manufacturing processes using digital technology, such as model-based systems engineering. In our aircraft engine business, we are engaged in the practical application of small, lightweight and high-power engines. We are also pursuing innovations in compressor, combustor and gear system technologies; innovative production technologies that contribute to improving the efficiency and environmental performance of our aircraft engines; and various other initiatives for our commercial aircraft engine maintenance business. In addition, we are conducting research on hydrogen-powered aircraft engines, including operational tests of engines fueled by 100% hydrogen, supported by the Green Innovation Fund. Separately, we are carrying out space-related research and development centered around manned and exploration missions and the development of small satellites. In the fiscal year ended March 31, 2026, total research and development expenses in this division were ¥7.3 billion.

- *Rolling Stock*. As part of our focus on the expansion of our railway maintenance-related offerings, we are conducting research and development into advanced maintenance systems that utilize sensing and digital technologies for condition monitoring and diagnostics of rolling stock and tracks. We are also working on automation and robotization to improve maintainability and production efficiency, addressing the evolving needs of railway operators. In pursuit of carbon neutrality, we are further developing systems centered around future hydrogen power applications, such as our "GreenDEC®" diesel-electric railcar, as well as liquefied hydrogen tanks able to be transported over rail. In the fiscal year ended March 31, 2026, total research and development expenses in this division were ¥1.4 billion.

- *Energy Solution & Marine Engineering*. In our Energy Solution business, we are conducting research and development into hydrogen co-firing and dedicated combustion technologies for gas turbines and engines, and are working on the demonstration of the world's first centrifugal hydrogen compressor for hydrogen liquefaction plants as part of our efforts to support the global energy transition. We are also advancing CO_2 separation and capture systems technologies to promote the realization of carbon neutrality. For example, we have established a commercial-scale demonstration facility utilizing our proprietary Kawasaki CO_2 Capture technology, and are proceeding with technical demonstrations aimed at advancing this technology and scaling up its deployment. In our Plant Engineering business, we are focused on developing equipment for liquefied hydrogen shipping and receiving, including large-scale ground-based liquefied hydrogen tanks, and are also promoting the introduction of carbon capture, utilization and storage in waste treatment facilities. Additional efforts include AI-driven resource sorting systems and automated waste treatment facility operations. In our Marine Machinery and Ship and Offshore Structure businesses, we are developing new ship designs, tank types and fuel supply systems to improve the transport efficiency of liquefied hydrogen carriers, along with safety management platforms for large vessels such as safe berthing and unberthing systems. We are also conducting research aimed at addressing labor supply and skill gaps to address labor shortages. In the fiscal year ended March 31, 2026, total research and development expenses in this division were ¥6.7 billion.

- *Precision Machinery & Robot*. Our research and development initiatives include the development of high-speed electric hydraulic pumps, as well as the expansion of hydraulic equipment offerings for agricultural, industrial and additional construction applications. We are also engaged in various hydrogen-related projects, including those for high-pressure hydrogen gas valves for fuel cell vehicles, fuel cell systems for mobility applications and hydraulic booster-type hydrogen compressors. Our robotics research is currently centered on developing solutions for semiconductor manufacturing in the industrial sector, as well as for logistics. Additional areas of focus include robots with medical and social applications, such as our "hinotori™" surgical robot system and our Nyokkey autonomous mobile-type service robot. Furthermore, we are collaborating with other companies to build the ROBO CROSS digital platform, which aims to streamline the integration and accelerate the social implementation of robots. Most recently, we opened our first overseas research and development innovation center in France for this segment, and established the Kawasaki Physical AI Center San Jose in May 2026 in conjunction

with NVIDIA Corporation, Analog Devices, Inc., Microsoft Corporation and Fujitsu Limited to accelerate Japan-U.S. collaboration in the AI and semiconductor fields. In the fiscal year ended March 31, 2026, total research and development expenses in this division were ¥6.4 billion.

- *Powersports & Engine*. Our research and development activities are focused on the strengthening of our brand and the expansion of our product offerings. To this end, our recent initiatives include the development of the KLE®500 adventure motorcycle for off-road and city riding, as well as the Z1100 and Z1100 SE lineup, which boasts the largest displacement of our supernaked motorcycles and features electronic throttle valves. In our four-wheeler business, we launched the TERYX4 H2, TERYX4 H2 DELUXE and TERYX5 H2 DELUXE, our first off-road four-wheel vehicles equipped with supercharged engines. Further, in our PWC business, we introduced new models such as the JET SKI ULTRA 160LX-S ANGLER. We are also leveraging digital technologies to streamline our development processes. In addition, we are exploring diverse pathways to carbon neutrality, including through electric vehicles, hybrid electric vehicles and hydrogen-powered internal combustion engines. In the fiscal year ended March 31, 2026, total research and development expenses in this division were ¥19.2 billion.

- *Other*. Apart from the research and development conducted in our main divisions, we also engage in additional projects within other departments of our company. For example, our Presidential Project Management Division is engaged in the development of unmanned helicopters like the K-RACER, delivery robots and other robots to address pressing societal issues such as labor shortages in the healthcare, logistics and manufacturing sectors. As part of our efforts to contribute to food security, we developed a safe and reliable aquaculture system utilizing our proprietary technologies in water treatment and fluid control, and successfully conducted trial rearing of trout salmon in the waters off Kobe Port. Furthermore, to ensure sustainable growth, the Technology Development Division, Hydrogen Strategy Division and DX Strategy Division are strengthening their collaboration and promoting research and development aimed at the steady implementation of hydrogen energy in society, including the groundbreaking of the world's first commercial-scale liquefied hydrogen terminal. We are also engaged in research and development aimed at realizing Physical AI, which integrates our established core technologies with cutting-edge technologies such as AI to create a highly interconnected physical and virtual world. To support these research activities, we are also promoting the development and strengthening of technical talent across the entire company. In the fiscal year ended March 31, 2026, total research and development expenses in this division were ¥15.6 billion.

Technology Partnership Agreements

We have entered into technology partnership agreements with certain key partners as part of the international collaborative efforts we engage in to develop and manufacture certain of our products and solutions, particularly for defense-related projects in our Aerospace Systems and Energy Solution & Marine Engineering segments. The agreements currently in effect that we consider the most significant to our business are:

- *Lockheed Martin Corporation (United States)*. We maintain a contract with Lockheed Martin for the license to manufacture and sell the P-3C Anti-Submarine Warfare Patrol Aircraft. This contract began on June 30, 1978 and is currently in effect until August 31, 2028.

- *The Boeing Company (United States)*. Under a contract with Boeing, we hold a license to manufacture and sell the CH-47 helicopter, which we produce as our CH-47J and improved CH-47JA models. This contract began on January 14, 1985 and is currently in effect until April 16, 2030.

- *Leonardo UK Ltd. (United Kingdom)*. We have contracted with Leonardo for the license to manufacture and sell the EH-101 helicopter, which we produce in the MCH-101 minesweeping and CH-101 transport helicopter variants. This contract began on September 12, 2004 and is currently in effect until August 1, 2043.

- *Honeywell International Inc. (United States)*. We hold a contract with Honeywell for technical support regarding the T55-L-712 and T55-L-712A turboshaft engines, including engine assembly, repair and overhaul. This contract began on December 12, 1984 and is currently in effect until August 31, 2027.

- *Everllence SE (Germany).* Under a contract with Everllence, we maintain a license to manufacture and sell two-stroke diesel engines for use in land- and sea-based platforms. This contract began on May 18, 1981 and is currently in effect until December 31, 2031.

- *Safran Helicopter Engines (France).* We maintain a contract with Safran for technical support regarding the RTM322 turboshaft engines used in our MCH-101 and CH-101 helicopters, including engine repair and overhaul. This contract began on December 26, 2003 and is currently in effect until November 30, 2027.

- *Rolls-Royce Power Engineering Ltd. (United Kingdom)*. We have entered into a contract with Rolls-Royce for the license to manufacture and sell marine gas turbine modules. This contract began on August 28, 1991 and is currently in effect until April 30, 2030.

Intellectual Property

We strive to create intellectual property that will help strengthen our competitiveness. In doing so, we establish priorities for resource allocation based on R&D and business strategies. Development directions are considered and intellectual property portfolios are built from a structure under which the Intellectual Property Department in the Corporate Technology Division drafts and implements corporate measures and works with the intellectual property supervisor and intellectual property management departments of each business segment to carry out intellectual property activities in line with each segment's business. For example, we aim to acquire and utilize intellectual property rights aligned with our Group Vision 2030, such as those which contribute to solving global environmental and social issues.

As of March 31, 2025, we held 3,188 patents issued in Japan (representing about 40.7% of our patent portfolio) and 4,637 patents issued abroad (representing about 59.3% of our patent portfolio).

Properties and Facilities

The following table shows our major facilities and their book values and areas as of March 31, 2026.

				Book Value (in millions of yen)					
Facility Name	**Location**	**Segment**	**Type of Facility**	**Buildings and Structures**	**Machinery, Equipment and Vehicles**	**Land[1]**	**Leased Assets**	**Tools, Furniture and Fixtures**	**Total**
Kawasaki Heavy Industries, Ltd.:									
Akashi Works	Akashi-shi, Hyogo Prefecture	Aerospace Systems, Energy Solution & Marine Engineering, and Precision Machinery & Robot	Manufacturing facility for jet engines and industrial robots	¥ 18,786	¥12,480	¥ 905 (538)	—	¥ 3,460	¥35,632
			Other facilities	10,189	1,212	22 (169)	—	1,523	12,946
Gifu Works	Kakamigahara-shi, Gifu Prefecture	Aerospace Systems	Manufacturing facility for airplanes	33,245	25,629	2,697 (726)	—	10,067	71,640
			Other facilities	86	14	125 (16)	¥ 856	40	1,123
Nagoya Works 1	Yatomi-shi, Aichi Prefecture	Aerospace Systems	Manufacturing facility for airplanes	14,125	8,280	3,565 (71)	—	4,572	30,544
Nagoya Works 2	Tobishima-mura, Ama-gun, Aichi Prefecture	Aerospace Systems	Manufacturing facility for airplanes	41	259	— (—)	—	756	1,057
Seishin Works	Nishi-ku, Kobe-shi, Hyogo Prefecture	Aerospace Systems	Manufacturing facility for jet engines	3,243	8,732	4,419 (100)	—	2,445	18,840
Kobe Works	Chuo-ku, Kobe-shi, Hyogo Prefecture	Energy Solution & Marine Engineering	Construction facility for ships and marine vessels, etc.	22,376	10,935	899 (339)	—	2,140	36,352
			Other facilities	49	1	80 (1)	—	45	177
Harima Works	Harima-cho, Kako-gun, Hyogo Prefecture	Energy Solution & Marine Engineering	Manufacturing facility for steel structures, etc.	4,871	6,129	3,144 (459)	5	882	15,031

Facility Name	Location	Segment	Type of Facility	Book Value (in millions of yen)					
				Buildings and Structures	Machinery, Equipment and Vehicles	Land[1]	Leased Assets	Tools, Furniture and Fixtures	Total
Sakaide Works	Sakaide-shi, Kagawa Prefecture	Energy Solution & Marine Engineering	Construction facility for ships and marine vessels, etc.	965	1,272	0 (915)	—	590	2,829
Nishi-Kobe Works	Nishi-ku, Kobe-shi, Hyogo Prefecture	Precision Machinery & Robot	Manufacturing facility for hydraulic components and systems, etc.	13,933	7,947	2,910 (330)	—	3,720	28,512
Kobe Head Office	Chuo-ku, Kobe-shi, Hyogo Prefecture	Company-wide	Other facilities	1,182	196	1,259 (181)	4,661	820	8,121
Tokyo Head Office	Minato-ku, Tokyo	Company-wide	Other facilities	2,240	126	959 (164)	—	832	4,159
Domestic subsidiaries:									
NIPPI Corporation									
Yokohama Plant	Kanazawa-ku, Yokohama-shi, Kanagawa Prefecture	Aerospace Systems	Manufacturing facility for airplanes	2,218	4,487	649 (161)	—	876	8,231
Atsugi Plant	Yamato-shi, Kanagawa Prefecture	Aerospace Systems	Repairing facility for airplanes	4,393	821	341 (73)	—	529	6,086
Kawasaki Railcar Manufacturing Co., Ltd.									
Hyogo Works	Hyogo-ku, Kobe-shi, Hyogo Prefecture	Rolling Stock	Manufacturing facility for rolling stock	1,551	1,787	8,542 (219)	2	536	12,420
Harima Works	Harima-cho, Kako-gun, Hyogo Prefecture	Rolling Stock	Manufacturing facility for rolling stock	144	360	— (—)	—	75	581
Kawasaki Motors, Ltd.									
Akashi Works[2]	Akashi-shi, Hyogo Prefecture	Powersports & Engine	Manufacturing facility for two wheeled vehicles, etc.	1,752	11,412	1,616 (2,503)	344	4,673	19,800
Kakogawa Works	Kakogawa-shi, Hyogo Prefecture	Powersports & Engine	Manufacturing facility for two wheeled vehicles, etc.	536	58	79 (48)	—	365	1,039
Overseas subsidiaries:									
Kawasaki Motors Manufacturing Corp., U.S.A.									
Lincoln Plant[3]	Nebraska, U.S.A.	Powersports & Engine	Manufacturing facility for all-terrain vehicles, etc.	5,220	18,473	226 (1,343)	847	746	25,514
Maryville Plant	Missouri, U.S.A.	Powersports & Engine	Manufacturing facility for engines	4,220	8,541	15 (472)	1,122	101	14,001
Boonville Plant	Missouri, U.S.A.	Powersports & Engine	Manufacturing facility for engines	583	1,169	— (—)	1,103	50	2,906

Facility Name	Location	Segment	Type of Facility	Book Value (in millions of yen) Buildings and Structures	Machinery, Equipment and Vehicles	Land[1]	Leased Assets	Tools, Furniture and Fixtures	Total
Kawasaki Motors Enterprise (Thailand) Co., Ltd.									
Rayong Robot Center	Rayong Province, Thailand	Powersports & Engine, and Precision Machinery & Robot	Manufacturing facility for two wheeled vehicles, etc.	3,683	15,824	1,786 (279)	36	175	21,506
Bangkok Office	Bangkok, Thailand	Powersports & Engine, and Precision Machinery & Robot	Other facilities	61	26	— (—)	25	5	118
Kawasaki Motores de Mexico S.A. de C.V.									
Nuevo León Plant	Nuevo León, Mexico	Powersports & Engine	Manufacturing facility for all-terrain vehicles, etc.	—	29,181	— (—)	2,135	3,725	35,042

Note:

(1) Figures in parentheses show the area of land in thousand square meters.

Employees

The following table shows a breakdown of our employees by operating segment as of March 31, 2026.

	Full-time employees
Aerospace Systems	9,106
Rolling Stock	3,661
Energy Solution & Marine Engineering	9,231
Precision Machinery & Robot	4,149
Powersports & Engine	11,327
Other	2,401
Group-wide	1,777
Total	41,652

Note:

(1) Temporary employees are not included as they constitute less than 10% of the total workforce.

Our labor union is called the Kawasaki Heavy Industries WORKERS UNION and its parent organization is the Japan Federation of Basic Industry Workers' Unions. We believe the labor relations between our consolidated group companies and labor unions are stable.

Insurance

We maintain a range of insurance policies that we believe is comparable to those of other companies with similar operations. We have entered into general insurance contracts that cover our properties, our inventory and our other potential liabilities to the extent possible. We also maintain liability insurance for our directors and officers.

Regulation

Our business activities are subject to various laws and regulations in countries in which we operate. In Japan, these include (i) the Construction Business Act of Japan (Act No. 100 of 1949, as amended), which governs

construction business operators and their licensing requirements, (ii) the Shipbuilding Act of Japan (Act No. 129 of 1950, as amended), which governs the shipbuilders and their licensing requirements, (iii) the Aircraft Manufacturing Industry Act of Japan (Act No. 237 of 1952, as amended), which governs the aircraft manufacturers and their licensing requirements, (iv) the Road Transport Vehicle Act of Japan (Act No. 185 of 1951, as amended), which prescribes the technical standards applicable to motor vehicles, (v) the Act for Promoting Proper Tendering and Contracting for Public Works of Japan (Act No. 127 of 2000, as amended), which aims to promote fair and proper tendering and contracting for public works, and (vi) the Act on Preventing Delay in Payment to Small and Medium-Sized Entrusted Business Operators in Relation to Manufacturing Consignment of Japan (Act No. 120 of 1956, as amended), which aims to ensure fairness of subcontracting arrangements and protect subcontractors. We are also subject to laws and regulations relating to licenses for business operations and investments, consumer protections including product liabilities and safety measures, tariffs and export controls, national security, antitrust, intellectual property, taxation, foreign exchange, and environmental and recycling requirements.

Compliance Framework

In response to recent compliance issues discussed further below, we established two separate special investigative committees to review and report on the causes of these instances of misconduct, among other matters. See "—Legal Proceedings and Regulatory Matters." Based on these committees' findings, we have implemented measures to prevent the recurrence of these and similar compliance issues, including those described as follows.

As the core of these measures, we are seeking to create systems that preclude compliance issues from arising within our operations in the first place. To this end, in April 2024, we established a Special Compliance Promotion Committee, comprised of senior corporate executive officers and business division heads, to proactively address issues in our corporate culture, formulate measures to prevent recurrence of the previously identified compliance issues, and prioritize the immediate implementation of corrective measures. In addition, we are promoting the automation and systematization of processes in which there is an increased risk of misconduct. For example, in response to the fabrication of emissions test results in our marine and submarine engine businesses, we are adopting programs that make it impossible to rewrite data during inspections. Furthermore, in response to the falsification of transactions involving our shipbuilding and ship repair businesses, we are implementing stricter physical verification rules, enforcing internal checks and adding approval processes across our procurement operations.

In addition to these actions to prevent misconduct, we are creating systems to detect such issues should they still occur. This includes the establishment in November 2024 of the Corporate Defense Business Management Division within our Head Office to centralize the oversight, management and external communications of our defense-related business operations across all segments. In April 2025, we also embarked upon a review of our audit and compliance systems with the aim of enhancing and consolidating such functions. In addition, we are promoting internal checks across our departments, and are further augmenting our whistle-blowing systems, to include increasing the number of lawyers available at service desks and raising company-wide awareness of such systems.

More fundamentally, we are complementing these prevention and detection initiatives through reforms to our organizational culture. In January 2025, we set forth our Basic Legal and Compliance Policy to overhaul such functions across our company and establish corresponding mechanisms and systems. Furthermore, we are undertaking initiatives to reinforce compliance education at every level, as well as regularly disseminating relevant messages from our management. Overall, through these and future measures, we seek to foster a more open and transparent workplace where all employees feel comfortable voicing any concerns, thus helping us achieve more effective internal oversight.

Legal Proceedings and Regulatory Matters

We have in the past been, and may from time to time be, involved in legal proceedings, claims or investigations by regulatory authorities in various jurisdictions in the ordinary course of our business.

Compliance Issues Relating to Submarine Repair and Marine Diesel Engine Businesses

We recently implemented investigations related to two compliance issues. The first involved the existence of a slush fund stemming from our submarine repair business. This issue came to light in February 2024, when a tax audit by the Osaka Regional Taxation Bureau discovered fictitious transactions between the ship repair department of our Kobe Shipyard and its business partners. In response, we established a special compliance promotion committee in April of the same year, followed by a special investigation committee composed of external legal experts two months later in June to investigate the circumstances behind the incident.

The interim report from the investigation, published in December 2024, confirmed the existence of a slush fund generated from the proceeds of the previously discovered fictitious transactions. Further, the report noted that while a portion of the fund had been used to purchase items needed for vessel repair work by employees, other portions were applied toward food and drink purchases at social gatherings, cash vouchers and, in some cases, personal items for

members of both the submarine crews and our ship repair department. Additionally, the investigation found that some instances of such misconduct had been occurring for at least 40 years. As a result of these false transactions, we filed an amended tax return in February 2025 and paid approximately ¥600 million in additional taxes. Separately, a special defense audit stemming from this incident concluded in July 2025 and resulted in us receiving a warning from the JMOD.

The special investigation committee completed its investigation into this issue and published its final report in December 2025. In this report, the committee confirmed that widespread recording of false transactions involving shipbuilding and ship repair at our Kobe Shipyard had been carried out since potentially around 1985. The committee attributed these practices to various factors including a deeply entrenched organizational culture characterized by precedent-following, compliance neglect and conflict avoidance. This was compounded by a desire among employees to sustain the profitability and operations of the departments involved in the face of business difficulties, as well as an ineffective internal reporting system.

The second compliance issue involved misconduct regarding emissions tests conducted on certain models of our marine diesel engines. This incident was first revealed in July 2024 when, while carrying out an investigation requested by the Ministry of Land, Infrastructure, Transport and Tourism ("MLIT"), we discovered that fraudulent inspections had been performed during shop trials for some engines. The next month, we submitted a report concerning such misconduct to MLIT, which subsequently conducted its own on-site inspection. Also in August 2024, we established a special investigation committee consisting of neutral third-party legal experts which commenced its own investigation into the details of the fraud.

The reports from our own internal investigation, submitted to MLIT in September and December 2024, and the interim report from the special investigation committee, published in January 2025, provided further details of the fraudulent inspections. Specifically, it was revealed that, during shop trials for some models of our marine diesel engines, values for some emissions performance measures, such as fuel consumption, were altered by members of the marine diesel engine production team to make such values meet customer specifications or emissions regulatory requirements. These falsified results were then reported to customers and also included in the technical files submitted to verify compliance with such regulations. In addition, the investigation committee noted that such misconduct had been occurring since the 1980s at the latest. It was also noted that, out of 673 engines with altered data, 665 did not or were unlikely to exceed emissions regulatory requirements. However, in August 2025, the special investigation committee informed us that there was a strong likelihood that similar misconduct had occurred in relation to the testing of some of our submarine engine models.

The special investigation committee completed its investigation into this second compliance issue and also published its final report in December 2025. This report confirmed that similar misconduct had indeed been carried out in relation to one of our submarine engine models, the 25/25-Type, delivered to the JMOD over a period of more than 30 years. Specifically, as with our marine diesel engines, various performance measures, such as the fuel consumption rate, were found to have been falsified from the delivery of the first unit in 1988 until production of the model ceased in May 2021 in order to meet the contractual standards set by the JMOD. The report identified numerous factors that allowed the misconduct to persist during this period, including dysfunction in the compliance department, insufficient safeguards against tampering in performance measurement systems and pressure to conform among the small community of involved personnel.

Based on the results of their investigations, the special investigation committees proposed various remedial measures, which we have worked to implement to prevent the recurrence of similar compliance issues in the future. See "—Compliance Framework." Separately, as a result of its own investigations into the emissions testing misconduct described above, the JMOD issued a notice of suspension preventing us from bidding on government contracts for a period of two and a half months ended in March 2026. In addition, although we have recorded a provision for our estimated costs relating to these compliance issues in our submarine repair business and marine and submarine engine businesses, we may be required to record additional provisions based on changes to our estimated costs in relation to these issues. See also "Risk Factors—Risks Relating to Our Business and Industries—We generate a significant portion of our revenue from government contracts with the JMOD, which exposes us to unique risks."

Dispute Relating to LNG Tank Construction Project

In connection with a certain LNG tank construction project carried out by us outside of Japan, we have filed a petition for arbitration with the International Chamber of Commerce concerning losses sustained by us of approximately ¥51 billion due to a breach of contract by a foreign construction subcontractor. During the arbitration proceedings, the counterparty claimed damages from us, but we believe that these claims lack legitimate grounds and are thus unjustified. We will continue to assert the legitimacy of our claims through the arbitration process.

Derailment Incident Involving 7000-series Railcar

In October 2021, a derailment incident occurred on a 7000-series railcar supplied by our consolidated subsidiary Kawasaki Rail Car, Inc. and maintained and operated by the Washington Metropolitan Area Transit Authority ("WMATA"). A final investigation report issued by the National Transportation Safety Board in January 2024 concluded that wheel migration in the 7000-series railcars contributed to the derailment. The report did not assign responsibility for the cause of the wheel migration, and noted that Kawasaki Rail Car, Inc. had met the design and mounting specifications established by WMATA for the 7000-series wheelsets. After the publication of this report, WMATA suggested rework be carried out to increase the wheel-mounting force of the wheelsets, and negotiations between us and WMATA were conducted regarding this and certain other contractual matters concerning the 7000-series railcars. In February 2026, we and WMATA announced we had reached an agreement in which WMATA will reduce the amount of the performance bond and also make a portion of the contractual payments associated with achievement of certain reliability and maintainability benchmarks, while Kawasaki Rail Car, Inc. will reduce the total amounts payable by WMATA under the 7000-series related contracts while maintaining a strong and successful partnership for the 7000-series program. We recorded a loss relating to this agreement in the fiscal year ended March 31, 2026.

MANAGEMENT

Under the Companies Act, joint stock corporations in Japan may adopt a corporate governance structure comprised of a board of directors and an audit and supervisory committee, commonly referred to as the audit and supervisory committee system, in lieu of the traditional structure comprised of a board of directors and a board of corporate auditors or the alternative structure comprised of a board of directors and three statutory committees. The members of the audit and supervisory committee consist of three or more directors. We adopted the audit and supervisory committee system in June 2020, in order to improve our corporate governance.

Pursuant to the audit and supervisory committee system, our board of directors is comprised of directors who are audit and supervisory committee members and directors who are not. Our articles of incorporation provide for a board of directors consisting of (i) no more than twelve directors who are not audit and supervisory committee members and (ii) no more than five directors who are audit and supervisory committee members. All directors are elected by our shareholders at a general meeting of shareholders, with directors who are audit and supervisory committee members elected separately from other directors. The term of office of directors who are not audit and supervisory committee members expires at the close of the ordinary general meeting of shareholders held for the first time after their appointment, and the term of office of directors who are audit and supervisory committee members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after their appointment, but all directors may serve any number of consecutive terms.

Our board of directors has the ultimate responsibility for the administration of our affairs. Our board of directors elects one or more representative directors from among its members who are not audit and supervisory committee members. The representative director has the authority to represent us in the conduct of our affairs. Our board of directors may also elect by its resolution a chairman of the board and managing directors. Our board of directors, by its resolution, may delegate to individual directors its authority to make a decision on important business and affairs except for certain matters prescribed in the Companies Act.

Our directors who are audit and supervisory committee members are not required to be certified public accountants. They may not serve concurrently as executive directors, managers or any other type of employee for us or for any of our subsidiaries, or as accounting advisors or corporate executive officers for any of our subsidiaries. In addition, the majority of our directors who are audit and supervisory committee members at any one time must be outside directors as defined under the Companies Act, who have not served as executive directors, corporate executive officers, managers or any other type of employee of us or any of our subsidiaries for the last ten years prior to their appointment as an audit and supervisory committee member and fulfill certain other requirements specified in the Companies Act.

The audit and supervisory committee has a statutory duty (i) to audit the administration of our affairs by our directors, to examine the financial statements and business reports to be submitted to the shareholders by a representative director and to prepare its audit report thereon each year, (ii) to determine details of proposals concerning the appointment and dismissal of independent auditors and the refusal to reappoint independent auditors for submission to general meetings of shareholders, and (iii) to decide opinions on appointment or dismissal or resignation of directors who are not audit and supervisory committee members, in which case the audit and supervisory committee may express its opinion at the general meeting of shareholders, and to decide opinions on compensation of directors who are not audit and supervisory committee members, in which case the audit and supervisory committee may express its opinion at the general meeting of shareholders. An audit and supervisory committee member may note his or her opinion in the audit report issued by the audit and supervisory committee if such an opinion differs from that expressed in the audit report.

We have also established a non-statutory nomination and compensation committee as an advisory committee of the board of directors. The committee is mainly responsible for providing the board of directors with suggestions on the nomination of candidates for directors and the determination of compensation of directors. As of the date of this offering circular, the nomination and compensation committee consists of two representative directors and three outside directors.

We are required to appoint and have appointed an independent auditor, who has the statutory duties of examining the financial statements to be submitted to the shareholders by a representative director and preparing its audit report thereon. KPMG AZSA LLC currently acts as our independent auditor.

Directors

The names and titles of our directors as of the date of this offering circular are as follows:

Name	Title	Director since
Yoshinori Kanehana	Director and Chairman of the Board	June 2012
Yasuhiko Hashimoto	Representative Director, President and Chief Executive Officer	June 2018
Katsuya Yamamoto	Representative Director, Senior Corporate Executive Officer	June 2017
Hiroshi Nakatani	Representative Director, Senior Corporate Executive Officer	June 2020
Hideo Tsujimura	Outside Director	June 2020
Katsuhiko Yoshida	Outside Director	June 2022
Melanie Brock	Outside Director	June 2023
Setsuko Ino	Outside Director	June 2026
Atsuko Kakihara	Director (Full-Time Audit & Supervisory Committee Member)	June 2024
Ichiro Imai	Director (Audit & Supervisory Committee Member)	June 2026
Susumu Tsukui	Outside Director (Audit & Supervisory Committee Member)	June 2022
Tomoko Amaya	Outside Director (Audit & Supervisory Committee Member)	June 2024
Toshiaki Itagaki	Outside Director (Audit & Supervisory Committee Member)	June 2025

Note:

(1) Hideo Tsujimura, Katsuhiko Yoshida, Melanie Brock, Setsuko Ino, Susumu Tsukui, Tomoko Amaya and Toshiaki Itagaki satisfy the requirements for outside director under the Companies Act.

Yoshinori Kanehana has served as Director and Chairman of the Board of Kawasaki Heavy Industries, Ltd. since June 2021. Mr. Kanehana joined Kawasaki Heavy Industries, Ltd. in April 1976, where he held a number of key positions such as Senior Vice President and General Manager of Marketing Division; Senior Vice President (Representative Director) and President of Rolling Stock Company; Senior Executive Vice President (Representative Director) and Assistant to the President; President (Representative Director); Representative Director, President and Chief Executive Officer; Representative Director and Chairman of the Board. Mr. Kanehana currently also serves as Outside Director of NTT EAST, Inc.

Yasuhiko Hashimoto has served as Representative Director, President and Chief Executive Officer of Kawasaki Heavy Industries, Ltd. since June 2020. Mr. Hashimoto joined Kawasaki Heavy Industries, Ltd. in April 1981, where he held a number of key positions such as Director, Managing Executive Officer and President of Precision Machinery & Robot Company, in charge of promoting automation; and Representative Director, Senior Corporate Executive Officer and Assistant to the President.

Katsuya Yamamoto has served as Representative Director, Senior Corporate Executive Officer of Kawasaki Heavy Industries, Ltd. since April 2020, Assistant to the President of Kawasaki Heavy Industries, Ltd. since April 2020 and Chief Financial Officer of Kawasaki Heavy Industries, Ltd. since April 2024. Mr. Yamamoto joined Kawasaki Heavy Industries, Ltd. in April 1981, where he held a number of key positions such as Senior Vice President and General Manager of Corporate Planning Division; Director, Managing Executive Officer and General Manager of Corporate Planning Division, in charge of Risk Management; Director, Managing Executive Officer in charge of Corporate Planning, Investor Relations, Corporate Communication and Ship & Offshore Structure Company, and General Manager of Corporate Planning Division; Representative Director, Senior Corporate Executive Officer and Assistant to the President with overall responsibility for finance and accounting and human resources, and in charge of Sustainable Development, Investor Relations and Corporate Communication; Representative Director, Senior Corporate Executive Officer, Assistant to the President with overall responsibility for finance and accounting and human resources and in charge of Sustainable Development, Investor Relations and Corporate Communication, and General Manager of Human Resources Division; and Representative Director, Senior Corporate Executive Officer, Assistant to the President in charge of Finance & Accounting, Human Resources, Legal Affairs, Compliance and Corporate Communication, and General Manager of Human Resources Division.

Hiroshi Nakatani has served as Representative Director, Senior Corporate Executive Officer and Assistant to the President of Kawasaki Heavy Industries, Ltd. since April 2022. Mr. Nakatani joined Kawasaki Heavy Industries, Ltd. in April 1984, where he held a number of key positions such as Managing Executive Officer, General Manager of Corporate Technology Division, General Manager of Technical Institute, and Group Manager of Manufacturing Improvement Center in charge of IT Strategy; Director, Managing Executive Officer in charge of Corporate Planning, Digital Transformation and Ship & Offshore Structure Company, and General Manager of Corporate Technology Division; Director, Managing Executive Officer in charge of Corporate Planning, Digital Transformation and Cyber Security, General Manager of Corporate Technology Division; and Representative Director, Senior Corporate Executive Officer, Assistant to the President in charge of Technology, Production, Procurement, TQM, General Administration, Digital Transformation (DX) Strategy and the North America Project Management Task Force, and General Manager of Corporate Technology Division; and Assistant to the President, in charge of Technology, Production, Quality Assurance, Procurement, and Digital Transformation (DX) Strategy.

Hideo Tsujimura has served as Outside Director of Kawasaki Heavy Industries, Ltd. since June 2020. Mr. Tsujimura began his career at Suntory Limited, where he served as Director, and held a number of key positions at Suntory Holdings Limited, such as Managing Executive Officer, General Manager of R&D Planning Division in charge of Intellectual Property Department; Senior Managing Director; Senior Managing Director in charge of Intellectual Property Department and R&D Division; and Full-time Advisor. He has also served as Representative Director, President & Chief Executive Officer of Suntory Business Expert Limited; Director, Executive Vice President, Chief Operating Officer of MONOZUKURI Division and Senior General Manager of Research & Development Department of Suntory Beverage & Food Limited; and Chairman of Suntory Foundation for Life Sciences.

Katsuhiko Yoshida has served as Outside Director of Kawasaki Heavy Industries, Ltd. since June 2022. Mr. Yoshida began his career at Kao Soap Co., Ltd. (currently Kao Corporation), where he held a number of key positions such as Representative Director, Managing Executive Officer with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd.; Representative Director, Senior Managing Executive Officer, with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd.; and Representative Director, Senior Managing Executive Officer, with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd., with overall responsibility for Marketing Development Department. Mr. Yoshida currently also serves as Chairman of Japan Childcare Support Association, Outside Director of Citizen Watch Co., Ltd. and Outside Director of Livedo Corporation.

Melanie Brock has served as Outside Director of Kawasaki Heavy Industries, Ltd. since June 2023. Ms. Brock has held a number of key positions such as Board Member of Australia-Japan Foundation; Chair of Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ); Regional Manager, Japan of Meat & Livestock Australia (MLA), and Chair of Australian Business Asia (ABA). Ms. Brock currently also serves as CEO of AGENDA Ltd. (currently Melanie Brock Advisory Ltd.); Board Member of Australia-Japan Business Cooperation Committee; Chair Emeritus, Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ); Outside Director of SEGA SAMMY HOLDINGS INC.; Board Member of Australia-Japan Research Centre (AJRC); Outside Director of Mitsubishi Estate Co., Ltd.; and Outside Director of Asahi Group Holdings, Ltd.

Setsuko Ino has served as Outside Director of Kawasaki Heavy Industries, Ltd. since June 2026. Ms. Ino started her career at Suntory Limited (currently Suntory Holdings Limited) and later joined PepsiCo, Inc. in the U.S. Ms. Ino has held a number of key positions such as Director & General Manager, Accounting & Finance Division of Sun Microsystems Japan; Representative Director & CFO of SAP Japan; CFO, Retail Division of Amazon Japan G.K.; and CFO of Asurion Japan K.K. Ms. Ino currently also serves as Venture Partner of Eight Roads Ventures Japan; Outside Audit & Supervisory Board Member of Yamato Holdings Co., Ltd.; and Outside Audit & Supervisory Board Member of Kubota Corporation.

Atsuko Kakihara has served as Director (Full-Time Audit & Supervisory Committee Member) of Kawasaki Heavy Industries, Ltd. since June 2024. Ms. Kakihara joined Kawasaki Heavy Industries, Ltd. in April 1985 and, after completing the Master's Program at the Graduate School of Business Administration, Keio University in 2009, she held a number of key positions at Kawasaki Heavy Industries, Ltd. such as CSR Senior Manager of CSR Promotion Division; CSR Senior Manager of Planning Division; Senior Manager of CSR Division; Executive & General Manager of CSR Division; Senior Manager of Market Research Department, Marketing Division; Senior Manager of Market Research Department and International Strategic Department I, Marketing Division; Executive Officer and General Manager of Sustainable Development Division; Executive Officer and General Manager of Marketing Division; Executive Officer & General Manager of Marketing & External Affairs Divisions; and Executive Officer in charge of special mission assigned by the President.

Ichiro Imai has served as Director (Audit & Supervisory Committee Member) of Kawasaki Heavy Industries, Ltd. since June 2026. Mr. Imai joined Kawasaki Heavy Industries, Ltd. in April 1987, where he held a number of key

positions such as Senior Manager of Corporate Planning Department, Corporate Planning Division; Executive, Senior Manager of Corporate Planning Department, Corporate Planning Division; Executive, Deputy General Manager, Finance & Control Division; and Executive Officer, General Manager, Finance & Control Division; and Executive Officer, in charge of President's Special Assignments.

Susumu Tsukui has served as Outside Director (Audit & Supervisory Committee Member) of Kawasaki Heavy Industries, Ltd. since June 2022. Mr. Tsukui was admitted in the bar in Japan and joined Kobe-Kaito Law Office in 1995 and also has experience working for Law Office ASHIYA. Mr. Tsukui established Ashiya Nishinomiya Citizen Law Office, and has served as Vice President and President of Hyogo-ken Bar Association. Mr. Tsukui currently also serves as Managing Partner of Ashiya Nishinomiya Citizen Law Office and President of Child Foundation.

Tomoko Amaya has served as Outside Director (Audit & Supervisory Committee Member) of Kawasaki Heavy Industries, Ltd. since June 2024. Ms. Amaya began her career at the former Ministry of Finance, and has held a number of key positions at National Tax Agency, such as Director, Onomichi Tax Office, Hiroshima Regional Taxation Bureau; Chief of the Investigation Division, General Affairs Section, Inspection Bureau; Director, Penalty and Disclosure Inspection Division, Secretariat, Securities and Exchange Surveillance Commission. Ms. Amaya has served as Visiting Professor, Graduate School of Public Policy, The University of Tokyo and Head of the Office for Preparations for the Enforcement of Revised Deposit Insurance Act, Deposit Insurance Corporation of Japan, and has held a number of key positions at Financial Services Agency, such as Deputy Director-General, Planning and Coordination Bureau (in charge of Inspection Bureau) and Secretary-General, Executive Bureau, Certified Public Accountants and Auditing Oversight Board; Deputy Secretary-General, Executive Bureau, Securities and Exchange Surveillance Commission; Deputy Commissioner, Strategy Development and Management Bureau (in charge of International Affairs and Supervision Bureau), Vice Commissioner for International Affairs, Strategy Development and Management Bureau, and Vice Minister for International Affairs. Ms. Amaya currently also serves as Director, Audit and Supervisory Committee Member of East Japan Railway Company.

Toshiaki Itagaki has served as Outside Director (Audit & Supervisory Committee Member) of Kawasaki Heavy Industries, Ltd. since June 2025. Mr. Itagaki began his career at CHUGAI PHARMACEUTICAL CO., LTD., where he held a number of key positions such as Head of Marketing Planning Department; Executive Officer and Head of Finance & Accounting Department; Executive Vice President, Chief Financial Officer, Head of Finance Supervisory Division and Head of IT Supervisory Division; and Director, Executive Vice President, Chief Financial Officer. Mr. Itagaki currently also serves as Advisor of CHUGAI PHARMACEUTICAL CO., LTD., and Outside Director of Bridgestone Corporation.

Agreements with Our Directors

We have entered into liability limitation agreements with nine directors, Hideo Tsujimura, Katsuhiko Yoshida, Melanie Brock, Setsuko Ino, Atsuko Kakihara, Ichiro Imai, Susumu Tsukui, Tomoko Amaya and Toshiaki Itagaki, which limit the maximum amount of their liability to us arising in connection with a failure to execute their duties in good faith and without knowledge and gross negligence to the higher of ¥10 million and the minimum amount stipulated by applicable laws and regulations.

We also have entered into directors and officers liability insurance agreements with insurance companies under which certain directors, executive officers and employees, as the case may be, of us and our subsidiaries are insured, which cover their compensation for damages and lawsuit costs suffered by a claim for damages arising from execution of their duties. Such insurance premiums are entirely borne by us.

Executive Compensation

The aggregate compensation we paid to our directors (excluding audit and supervisory committee members and outside directors), audit and supervisory committee members (excluding outside directors), and outside directors during the fiscal year ended March 31, 2026 was ¥548 million, ¥68 million and ¥130 million, respectively.

Related Party Transactions

Except for the transactions described in the notes to our consolidated financial statements contained elsewhere in this offering circular, there have been no material transactions between us and any of our directors or executive officers or any companies over which any of them have any significant influence.

Stock Acquisition Rights

We have not granted any acquisition rights to purchase shares of our common stock.

Performance-Based Share Compensation Plan and Restricted Share Compensation Plan

Since 2021, we have had in place a performance-based share compensation plan for directors (excluding directors who are audit and supervisory committee members and outside directors) in order to enhance directors'

awareness of sharing with shareholders and other stakeholders the profits and risks associated with stock price fluctuations and contributing to the improvement of medium- to long-term performance and corporate value by clearly linking their compensation to the Company's performance and shareholder value. The trust established pursuant to this plan is scheduled to terminate at the end of August 2027.

Pursuant to a resolution passed by our board of directors on February 7, 2025, we have also implemented a restricted share compensation plan for certain managerial-level employees. Specifically, this plan is available to those employees who, among managerial-level employees at designated companies, assume roles significantly impacting the business management at those companies. Eligible employees receive an amount of these shares allocated in accordance with a point system, with points awarded based on both job grade and tenure (fixed points) and the achievement of performance targets, including those involving ESG-related efforts (performance-based points), during an evaluation period. Shares granted under the plan are restricted until the employee either resigns or retires. The trust established pursuant to this plan is scheduled to terminate at the end of August 2027.

As of March 31, 2026, the number of shares held by trusts of the performance-linked share compensation plan for directors and trusts of the restricted share compensation plan for managerial-level employees was 703,413 shares (not retroactively adjusted to give effect to the 5-for-1 stock split effective April 1, 2026).

SUBSIDIARIES AND AFFILIATES

As of March 31, 2026, we had 136 consolidated subsidiaries and 31 equity method affiliates. The following table presents information on our principal consolidated subsidiaries and equity-method affiliates:

Name	Location	Main business	Issued capital (in millions)		Percentage of voting rights directly or indirectly held by us[1]
Consolidated subsidiaries:					
NIPPI Corporation	Kanagawa, Japan	Aerospace Systems	¥	6,048	100%
Kawasaki Railcar Manufacturing Co., Ltd.	Hyogo, Japan	Rolling Stock	¥	9,685	100%
Kawasaki Rail Car Lincoln, Inc.	Delaware, U.S.A.	Rolling Stock and Aerospace Systems	US$	0	100% (100%)
Kawasaki Rail Car, Inc.	New York U.S.A.	Rolling Stock	US$	60	100% (100%)
Kawasaki Thermal Engineering Co., Ltd.	Shiga, Japan	Energy Solution & Marine Engineering	¥	1,460	100%
Kawasaki Machine Systems, Ltd.	Osaka, Japan	Energy Solution & Marine Engineering	¥	350	100%
EarthTechnica Co., Ltd.[2]	Tokyo, Japan	Energy Solution & Marine Engineering	¥	1,200	100%
Wuhan Kawasaki Marine Machinery Co., Ltd.	Hubei, China	Energy Solution & Marine Engineering	¥	1,100	55%
Kawasaki Precision Machinery (Suzhou) Ltd.	Jiangsu, China	Precision Machinery & Robot	¥	3,000	100%
Kawasaki Precision Machinery (U.S.A.) Inc.	Michigan, U.S.A.	Precision Machinery & Robot	US$	5	100%
Kawasaki Precision Machinery Trading (Shanghai) Co. Ltd.	Shanghai, China	Precision Machinery & Robot	¥	400	100%
Kawasaki Precision Machinery (UK) Ltd.	Plymouth, U.K.	Precision Machinery & Robot	£	10	100%
Wipro Kawasaki Precision Machinery Private Limited	Bangalore, India	Precision Machinery & Robot	₹	725	51%
Flutek, Ltd.	Kyungnam, South Korea	Precision Machinery & Robot	₩	1,310	50.38%
Kawasaki Robotics (Tianjin) Co., Ltd.	TEDA, China	Precision Machinery & Robot	¥	200	100%
Kawasaki Robotics (Kunshan) Co., Ltd.	Jiangsu, China	Precision Machinery & Robot	¥	1,680	100%
Kawasaki Robotics (USA), Inc.	Delaware, U.S.A.	Precision Machinery & Robot	US$	1	100%
Kawasaki Robotics (Thailand) Co., Ltd.	Rayong, Thailand	Precision Machinery & Robot	THB	103	100%
Kawasaki Motors, Ltd.	Hyogo, Japan	Powersports & Engine	¥	1,000	80%
Kawasaki Motors Corporation Japan	Hyogo, Japan	Powersports & Engine	¥	100	100% (100%)
India Kawasaki Motors Pvt. Ltd.	Maharashtra, India	Powersports & Engine	₹	813	100% (100%)
Kawasaki Motors Corp., U.S.A.	Delaware, U.S.A.	Powersports & Engine	US$	165	100% (100%)
PT. Kawasaki Motor Indonesia	Bekasi, Indonesia	Powersports & Engine	IDR	837,054	90% (90%)

Name	Location	Main business	Issued capital (in millions)		Percentage of voting rights directly or indirectly held by us[1]
Kawasaki Motores do Brasil Ltda.	Sao Paulo, Brazil	Powersports & Engine	R$	16	100% (100%)
Kawasaki Motors Europe N.V.	Hoofddorp, The Netherlands	Powersports & Engine	€	64	100% (100%)
Kawasaki Motors (Phils.) Corporation	Metro Manila, Philippines	Powersports & Engine	₱	101	50% (50%)
Kawasaki Motors Manufacturing Corp., U.S.A.	Nebraska, U.S.A.	Powersports & Engine	US$	170	100% (100%)
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Rayong, Thailand	Powersports & Engine and Precision Machinery & Robot	THB	1,900	100% (100%)
Kawasaki Motores de Mexico S.A. de C.V.	Nuevo Leon, Mexico	Powersports & Engine	MXN	3,439	100% (100%)
Japan Suiso Energy, Ltd.	Tokyo, Japan	Other business	¥	6,575	64.05%
Kawasaki Trading Co., Ltd.	Hyogo, Japan	Other business	¥	600	77.78%
Kawasaki Life Corporation	Hyogo, Japan	Other business	¥	400	100%
Equity-method affiliates:					
JP Steel Plantech Co.	Kanagawa, Japan	Energy Solution & Marine Engineering	¥	1,995	33%
Anhui Conch Kawasaki Engineering Co., Ltd.	Anhui, China	Energy Solution & Marine Engineering	CNY	100	49%
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.	Anhui, China	Energy Solution & Marine Engineering	CNY	100	49%
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.	Anhui, China	Energy Solution & Marine Engineering	CNY	348	50%
Shanghai Conch Kawasaki Engineering Co., Ltd.	Shanghai, China	Energy Solution & Marine Engineering	CNY	100	49% (49%)
Nantong COSCO KHI Ship Engineering Co., Ltd.	Jiangsu, China	Energy Solution & Marine Engineering	CNY	1,462	50%
Dalian COSCO KHI Ship Engineering Co., Ltd.	Liaoning, China	Energy Solution & Marine Engineering	CNY	2,620	49% (15%)
Medicaroid Corporation	Hyogo, Japan	Precision Machinery & Robot	¥	100	50%
Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd.	Zhejiang, China	Precision Machinery & Robot	¥	1,102	49%
Eddie KPM Precision Machinery (Suzhou) Ltd.	Jiangsu, China	Precision Machinery & Robot	CNY	300	49%
Motosikal Dan Enjin Nasional Sdn. Bhd.	Selangor, Malaysia	Powersports & Engine	MYR	130	30% (30%)
Kawasaki Motors Retail Finance, LLC	California, USA	Powersports & Engine	US$	140	50% (50%)

Notes:

(1) Percentage in parentheses indicates the proportion of indirect ownership.

(2) On April 1, 2026, we completed the transfer of 60% of the outstanding shares of EarthTechnica Co., Ltd. to Furukawa Co., Ltd. As a result of this transfer, EarthTechnica Co., Ltd. ceased to be our subsidiary. Furukawa Co., Ltd. is expected to acquire the remaining 40% of the shares of EarthTechnica Co., Ltd. on April 1, 2027.

PRINCIPAL SHAREHOLDERS

The below table sets forth the number and percentage of shares held of record by our principal shareholders as of March 31, 2026.

Shareholder[1]	Number of shares held (in thousands)[2]	Percentage of total issued and outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,794	13.57%
Custody Bank of Japan, Ltd. (Trust Account)	13,430	8.00%
Nippon Life Insurance Company	5,751	3.42%
Kawasaki Heavy Industries Employee Stock Ownership Association	4,488	2.67%
Kawasaki Heavy Industries, Ltd. Kyoueikai	3,569	2.12%
STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	3,507	2.08%
JP MORGAN CHASE BANK 385781 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	2,255	1.34%
Mizuho Bank, Ltd.	2,239	1.33%
HSBC HONG KONG – TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	2,096	1.24%
Northern Trust Co. (AVFC) Re Fidelity Funds (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	2,026	1.20%
Total	62,160	37.02%

Notes:

(1) The above information is based on our shareholders' register as of March 31, 2026 and does not necessarily fully show our beneficial shareholders. In addition to the above information, we are aware of the following as of the date of this offering circular:

- On September 3, 2025, BlackRock Japan Co., Ltd. and four other affiliates filed a substantial shareholding report stating that their ownership of our common stock is 8,882,604 shares, or 5.29% of the number of shares in issue, as of August 29, 2025. On September 19, 2025, Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other affiliate filed a change report to a substantial shareholding report stating that they had increased their ownership of our common stock to 10,435,500 shares, or 6.21% of the number of shares in issue, as of September 15, 2025. On October 6, 2025, Nomura Securities Co., Ltd. and two other affiliates filed a substantial shareholding report stating that their ownership of our common stock is 8,867,908 shares, or 5.28% of the number of shares in issue, as of September 30, 2025. As we were unable to confirm beneficial ownership of such holdings as of March 31, 2026, the information in such reports is not reflected in the above table (which is based on registered share ownership).

- On June 5, 2026, Fidelity Management & Research Company LLC and five other affiliates filed a change report to a substantial shareholding report stating that their ownership of our common stock is 67,075,827 shares, or 7.99% of the number of shares in issue, as of May 29, 2026.

(2) These figures have not been retroactively adjusted to give effect to the 5-for-1 stock split effective April 1, 2026.

TERMS AND CONDITIONS OF THE 2031 BONDS

The following terms and conditions (the "Conditions") of the 2031 Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein) evidencing the Bonds:

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2031 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by Kawasaki Heavy Industries, Ltd. (the "Company") are constituted by a trust deed (the "Trust Deed") dated July 31, 2026 made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include all persons for the time being trustee or trustees appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right"), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the "Shares") as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the "Agency Agreement") dated July 31, 2026 relating to the Bonds among, *inter alios*, the Company, the Trustee, State Street Bank International GmbH, Luxembourg Branch as principal agent (the "Principal Agent") and as registrar (the "Registrar"), and the other agents referred to therein, are available for inspection by Bondholders by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom, or electronically upon request to and subject to providing satisfactory proof of holding to the Trustee, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include any Agent appointed by the Company in the Agency Agreement (including, where the context permits, the Principal Agent) at their respective specified offices named as paying, transfer and conversion agents in connection with the Bonds for the purposes of, *inter alia*, making payments and transfers, the acceptance of Conversion Notices and the Certificates for the purposes of the exercise of the Stock Acquisition Rights, and the acceptance of Tax Redemption Election Notices (as defined in the Agency Agreement), or such other or further agents for the Bonds as may from time to time be appointed, or at such other or further specified offices as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 (but excluding the Registrar and Custodian).

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of and are bound by all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1. Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 101.0% of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a "Certificate") will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds and any exercise of the Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and executed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are

open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); and (ii) the Company and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered:

(i) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 7.1, 7.5, 7.6 or 7.7;

(ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn); or

(iii) after a notice of redemption has been given pursuant to Condition 7.2, 7.3 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4).

1.5 ***Relationship between Bonds and Stock Acquisition Rights***

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt, or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time or prior thereto, according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50% of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. Definitions and Construction of References

3.1 *Definitions*

In these Conditions (unless the context otherwise requires):

"3-Month Deposit Rate" means, as of any specified time on any date, the rate per annum as of such specified time on such date as shown on Bloomberg page JYDRC Curncy (setting "Bid", and using the pricing source "CMPL") (or any successor page, setting or pricing source), or, if no such rate is available as of the specified time on such day (for the purposes of this definition, the "Original Date"), the 3-Month Deposit Rate on the Original Date shall be the 3-Month Deposit Rate, determined as aforesaid, as of the specified time on the immediately preceding day on which the same can be so determined, provided however that if such immediately preceding day falls prior to the fifth day before the Original Date, or if the 3-Month Deposit Rate cannot be determined as aforesaid (including without limitation because such Bloomberg page (or any successor) has ceased to exist), the 3-Month Deposit Rate as of the specified time on the Original Date shall be determined in such other manner as determined in good faith to be appropriate by an Independent Financial Adviser. If the 3-Month Deposit Rate determined as aforesaid shall be less than zero, then the 3-Month Deposit Rate shall be deemed to be zero;

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

"Annual Fiscal Period" means a period commencing on April 1 and ending on March 31 of the immediately succeeding year; provided that, if the Company shall change its financial year so as to end on a date other than March 31, "Annual Fiscal Period" shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Articles of Incorporation" means the articles of incorporation of the Company from time to time in effect;

"Asset Transfer Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the "Asset Transferee"), pursuant to the terms of which the Company's obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

"Asset Transferee" has the meaning provided in the definition of Asset Transfer Event;

"Auditor" means the independent auditor for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested of them under these Conditions or the Trust Deed, such other auditor or firm of auditors as may be appointed by the Company to act as such and promptly notified in writing to the Trustee by the Company;

"Authorised Officer" means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have notified to the Trustee in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Base Dividend" has the meaning provided in Condition 5.2.4;

"Board of Directors", in respect of any company, means the board of directors of that company within the meaning of the Companies Act; provided that, if any individual director is authorised by such board of directors to make the relevant decision in accordance with the Companies Act and such company's articles of incorporation and other internal regulations, any reference to the Board of

Directors of such company shall be deemed to mean such director, and any reference to the relevant resolution or approval at a meeting of such Board of Directors shall be deemed to mean the relevant decision of such director;

"Bondholder" and "holder" have the meaning provided in Condition 1.2;

"Book-Entry Act" means the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

"Business Day" in respect of any place means a day, other than a Saturday or Sunday, on which banks are open for business in such place;

"Certificate" has the meaning provided in Condition 1.1;

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Clean-up Redemption Notice" has the meaning provided in Condition 7.3;

"Closed Period" has the meaning provided in Condition 7.11;

"Closing Date" means July 31, 2026;

"Closing Price" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Company's Territory" has the meaning provided in Condition 12.2.3;

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Controlling Shareholder" means a shareholder holding, directly or indirectly, 90% (or such other percentage above 90% as provided in the Articles of Incorporation) or more of the Company's voting rights as calculated in accordance with the Companies Act;

"Conversion Notice" means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the relevant schedule to the Agency Agreement;

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Corporate Event" has the meaning provided in Condition 6.1;

"Corporate Event Effective Date" has the meaning provided in Condition 6.3;

"Corporate Event Redemption Date" has the meaning provided in Condition 7.5;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Corporate Split Counterparty" has the meaning provided in the definition of Corporate Split Event;

"Corporate Split Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company's obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the "Corporate Split Counterparty");

"Current Market Price per Share" has the meaning provided in Condition 5.2.9;

"Custodian" means The Law Debenture Trust Corporation p.l.c. at its specified office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

"Custodian's Agent" means Mizuho Bank, Ltd. at its specified office at 15-1, Konan 2-chome, Minato-ku, Tokyo 108-6009, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

"Delisting Event" has the meaning provided in Condition 7.6.1;

"Delisting Redemption Date" has the meaning provided in Condition 7.6.1;

"Deposit Date" has the meaning provided in Condition 5.9.4;

"Deposit Time" has the meaning provided in Condition 5.9.4;

"Due Date" has the meaning provided in Condition 9;

"Event of Default" means any of the events listed in Condition 10, which, if so required by that Condition, has been certified in writing by the Trustee to the Company in accordance with that Condition that, in the opinion of the Trustee, it is materially prejudicial to the interests of the Bondholders, upon the occurrence of which the Bonds may become due and repayable;

"Exercise Period" has the meaning provided in Condition 5.1.4;

"Exercise Period End Date" has the meaning provided in Condition 5.1.4;

"Extraordinary Dividend" has the meaning provided in Condition 5.2.4;

"Extraordinary Resolution" means a resolution passed (i) at a meeting of the Bondholders duly convened (including the satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

"FATCA withholding" has the meaning provided in Condition 9;

"Financial Instruments and Exchange Act" or "FIEA" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"Fiscal Period" means, as the context may require, (i) a period commencing on April 1 and ending on March 31 of the immediately succeeding year; or (ii) three month periods each commencing on April 1, July 1, October 1 and January 1; provided that, if the Company shall change its financial year so as to end on a date other than March 31, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Holding Company" has the meaning provided in the definition of Holding Company Event;

"Holding Company Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a

meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the "Holding Company") by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

"Independent Financial Adviser" means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified in writing to the Trustee or, if the Company fails to make such appointment when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, as may be appointed by the Trustee in its absolute discretion (without liability for so doing or not doing) following notification to the Company, which appointment shall be deemed to be an appointment of the Company;

"Listing" has the meaning provided in Condition 6.4.2;

"Maturity Date" has the meaning provided in Condition 7.1;

"Merged Company" means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

"Merger Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

"New Obligor" has the meaning provided in Condition 6.1;

"New Obligor Current Market Price per Share" has the meaning provided in Condition 6.5.3;

"New Stock Acquisition Rights" has the meaning provided in Condition 12.2;

"New Territory" has the meaning provided in Condition 12.2;

"Non-unit Shares" has the meaning provided in Condition 5.1.2;

"Number of Deliverable Shares" has the meaning provided in Condition 6.5.3;

"Number of Held Shares" has the meaning provided in Condition 6.5.3;

"Offeror" has the meaning provided in Condition 7.6.1;

"Optional Redemption Notice" has the meaning provided in Condition 7.2;

"Payment Business Day" has the meaning provided in Condition 8.3;

"Potential Event of Default" means any condition, omission, act, event or circumstance which, upon the giving of notice and/or the lapse of time and/or the issue of a certificate, could constitute an Event of Default;

"Principal Subsidiary" means any Consolidated Subsidiary of the Company, (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10% or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10% or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant Event" means any Corporate Event, Delisting Event or Squeezeout Event;

"Relevant Event Date" has the meaning provided in Condition 5.2.15;

"Relevant Event Redemption Price" has the meaning provided in Condition 7.8;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the FIEA, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means the Tokyo Stock Exchange, or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on the Tokyo Stock Exchange, the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, the Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

"Shareholder Determination Date Restriction Period" has the meaning provided in Condition 5.1.4;

"Squeezeout Effective Date" has the meaning provided in Condition 7.7;

"Squeezeout Event" means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) under the Companies Act by way of an amendment to the Articles of Incorporation, such as (but not limited to) for the purpose of making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling

Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) under the Companies Act after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing;

"Squeezeout Redemption Date" has the meaning provided in Condition 7.7;

"Stock Acquisition Date" has the meaning provided in Condition 5.9.4;

"Stock Split" means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

"Subsidiary" means a company, more than 50% of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Tax Redemption Date" has the meaning provided in Condition 7.4;

"Tax Redemption Notice" has the meaning provided in Condition 7.4;

"Tokyo Business Day" means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo;

"Tokyo Stock Exchange" means Tokyo Stock Exchange, Inc. (or its successor);

"Trading Day" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

"Transfer Business Day" has the meaning provided in Condition 1.4.3; and

"yen" and "¥" mean Japanese yen, the lawful currency of Japan.

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words "issue", "issued" and "issuable" shall be construed accordingly), and references in these Conditions to the word "acquire" used in conjunction with the Shares shall be read as including both the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be construed accordingly, and references to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Incorporated. The words "substitution" and "grant" used in relation to the exchange of the Company's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum as being equal to the 3-Month Deposit Rate as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. **Exercise of Stock Acquisition Rights**

5.1 ***Conversion Price, Exercise Period, Shares Issuable and Procedure***

5.1.1 *Stock Acquisition Rights and the Contribution of the Bond*: Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which has been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as of the Stock Acquisition Date as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond.

5.1.2 *Number of Shares*: The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares not constituting a unit (*tangen*) of Shares ("Non-unit Shares") or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As of the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares. Under the book-entry transfer system established pursuant to the Book-Entry Act, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares constituting less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares constituting less than one unit may generally require the Company to purchase such Shares through the relevant Account Management Institution. The Articles of Incorporation currently provide that a holder of Shares constituting less than one unit may also request the Company to sell to such holder Shares representing less than one unit which, when added to the Shares held by such holder, shall constitute one full unit.

5.1.3 *Conversion Price*: The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the "Conversion Price") shall initially be ¥3,913 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period*: Each Stock Acquisition Right may be exercised at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, August 14, 2026 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on July 17, 2031 (the "Exercise Period End Date"), or:

(i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2, 7.3 or 7.4, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed);

(ii) if the relevant Bond shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof;

(iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.9 and cancelled by the Company pursuant to Condition 7.10, then up to the time when such Bond is so cancelled; or

(iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

(a) in no event shall the Stock Acquisition Rights be exercised after the Exercise Period End Date;

(b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.5 and 7.6); and

(c) the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law, regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

"Shareholder Determination Date" means (i) any Record Date, and (ii) any other date set for the purpose of determination of the holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act; and

"Shareholder Determination Date Restriction Period" means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that

if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date).

The Company shall give the Trustee (unless the Trustee is also the Principal Agent) and the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination and period referred to in Condition 5.1.4(b) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least three Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are March 31 and September 30. By way of example, in respect of the Record Date falling on September 30, 2026, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) September 28, 2026 to (and including) September 30, 2026.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is referred to in these Conditions as the "Exercise Period" (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purposes.

5.1.5 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights*: Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right relating to the Shares the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

5.2 ***Adjustments of the Conversion Price***

Upon the occurrence of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective

immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

(i) the Record Date for the allotment, grant, issue or offer of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or

(ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8, or

(iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8, or

(iv) the date of grant, issue, transfer or offer of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant, issue or offer to the holders of Shares, rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets (including Extraordinary Dividends)*: if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being "distribution of surplus" within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director or an Authorised Officer and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of an Extraordinary Dividend, the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation of such Extraordinary Dividend.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution (including a distribution of an Extraordinary Dividend); provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

"Extraordinary Dividend" means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend, and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period.

For the purposes of the Conditions, "Extraordinary Dividend" applicable to the Annual Fiscal Period ending March 31, 2027 means any cash dividend or cash distribution declared by the Company, the Record Date for which falls on or after July 14, 2026.

"Base Dividend" means ¥0.

"Relevant Number of Shares" means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were such Bond, and only such Bond, to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend.

5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds and bonds with stock acquisition rights due 2033 issued by the Company on the Closing Date, or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share

receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities;

5.2.6 *Issue of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which (a) merges into the Company upon such merger, (b) becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), or (c) becomes a subsidiary of the Company by share delivery (*kabushiki-kofu*), in proportion to their shareholding in such corporation immediately prior to such merger or such share exchange (in the case of such merger or such share exchange) or in accordance with the plan of such share delivery (in the case of such share delivery), or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue or transfer) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/ Exchangeable Securities*: if the Company shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling holders thereof to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the grant, issue or offer of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the grant or issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue, transfer or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of grant, issue, transfer or offer which is the relevant date;

5.2.9 *Current Market Price per Share*: for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question, and any event which requires an adjustment with reference to the same Current Market Price per Share) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

(i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;

(ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

(iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription,

purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

(iv) in the case of the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and

(v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, or the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of "Fixed"*: any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price,

the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

5.2.15 *Conversion Price Adjustment on Relevant Events:* Upon the occurrence of any Relevant Event (and, in the case of a Corporate Event, if any of the conditions set out in items (i), (ii), (iii) and (iv) of Condition 7.5 is satisfied), the Conversion Price in effect on the date in Japan on which the Relevant Event takes place (and, in the case of a Corporate Event, such condition is satisfied) (the "Relevant Event Date"), shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{\left(1 + \left(CP \times {}^{c}/_{t}\right)\right)}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CP = 49.98%, expressed as a fraction.

c = the number of days from and including the Relevant Event Date to but excluding the Maturity Date.

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

Such adjustment shall become effective from the day immediately after the Relevant Event Date. No further adjustment under this Condition 5.2.15 will be made in respect of a Relevant Event (or subsequent Relevant Events) if and once the Conversion Price has been adjusted pursuant to this Condition 5.2.15.

"CP" is the conversion premium (the percentage above the offer price per Share in respect of the Concurrent Share Offering) at which the Conversion Price is set.

5.3 ***Retroactive Adjustments***

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis,* to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the "Stock Acquisition Date" shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 ***Limitation on Reduction of Conversion Price***

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect,

the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 ***Employee Share Schemes***

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors, directors or officers (including directors or officers holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 ***Minimum Adjustments***

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least one yen provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 ***Calculations***

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified hereon, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth of a yen. None of the Trustee, the Custodian, the Custodian's Agent, the Registrar, the Principal Agent nor the other Agents shall be under any duty or responsibility to any Bondholder or any other person to determine, calculate or verify the adjusted Conversion Price or to monitor or make enquiries as to whether any adjustment is required to be made and none of them will be responsible or liable in any respect to Bondholders or any other person for any loss arising from any failure by it to do so or any erroneous calculation.

5.8 ***Notification of Adjustments***

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Registrar, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 ***Procedure for Conversion***

5.9.1 *Conversion Notice*: To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent*: The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days' prior written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior

written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent fail to do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

5.9.3 *Conditions Precedent*: As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The relevant Agent will not be bound to make any payments until such Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the relevant Agent have been made.

The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The relevant Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the relevant Agent disclosing otherwise confidential information for the purposes of such Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

5.9.4 *Deposit Date and Stock Acquisition Date*:

(i) The time at which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as

the "Deposit Date" applicable to such Bond. For the avoidance of doubt, a Deposit Date may not occur during any period when the Stock Acquisition Rights may not be exercised;

(ii) The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the relevant Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond);

(iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and

(iv) If deposit of the Conversion Notice is made on a day which is not a Business Day or after 16:00 hours in the place of the specified office of the Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such Business Day.

At any time when the relevant Bonds are evidenced by the Global Certificate, the exercising Bondholder shall, in lieu of depositing the Conversion Notice in the manner aforesaid, transmit the Conversion Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. The time at which such duly completed Conversion Notice is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its Deposit Time. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bonds the Stock Acquisition Rights incorporated in which have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares*: The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise, and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice (including any administrative orders or guidelines issued by any relevant authority), the Articles of Incorporation or the share handling regulations of the Company:

(i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution, in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and

(ii) as soon as practicable, the Company shall deliver to the Custodian's Agent for the account of the Custodian or its nominee, securities (other than the Shares) required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the

Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:

(a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares) required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or

(b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares) required to be delivered upon exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

Any Conversion Notice transmitted electronically is not required to be endorsed and shall be processed in accordance with the operating procedures of the relevant clearing systems.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital*: With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6. Certain Corporate Events

6.1 *Corporate Events*

In the case of a proposal for:

(i) any Merger Event; or

(ii) any Asset Transfer Event; or

(iii) any Corporate Split Event; or

(iv) any Holding Company Event; or

(v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a "Corporate Event") pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a "New Obligor"),

the following provisions of this Condition 6 shall apply.

6.2 ***Notice of Proposal***

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 ***Notice of Passing of Resolution***

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company's proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its "Corporate Event Effective Date".

6.4 ***Transfer of Obligations Following a Corporate Event***

6.4.1 *Transfer*: If a Corporate Event occurs and:

(i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;

(ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as "Listing") on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(iv).

6.5 ***New Stock Acquisition Rights***

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the

Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by the New Obligor by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

(ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall, upon its exercise immediately after the Corporate Event Effective Date, receive an equivalent economic interest to be determined by the Company as that which would have been received by a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the "New Obligor Current Market Price per Share" means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof*: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights*: The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights*: No New Stock Acquisition Right may be exercised in part;

6.5.7 *Amount of Stated Capital and Additional Paid-in Capital*: As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the "maximum capital and other increase amount" as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.8 *Others*: Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 ***Subsequent Corporate Events***

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7. Redemption, Purchase and Cancellation

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100% of their principal amount on July 31, 2031 (the "Maturity Date"). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 ***Redemption at the Option of the Company upon Increased Share Prices***

At any time on or after July 31, 2029, the Company may (subject to Condition 7.12), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Optional Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100% of their principal amount together with all Additional Amounts due on the Bonds (if any), on the date fixed for such

redemption in the Optional Redemption Notice, provided, however, that no such redemption may be made unless the Closing Price of the Shares for any 20 Trading Days in a period of 30 consecutive Trading Days, the last of which consecutive Trading Days occurs not more than 30 days prior to the date upon which the Optional Redemption Notice is first published, is at least 130% of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price).

7.3 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may (subject to Condition 7.12), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100% of their principal amount together with all Additional Amounts due on the Bonds (if any), on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10% of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.4 ***Redemption for Taxation Reasons***

The Company may (subject to Condition 7.12), but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100% of their principal amount together with all Additional Amounts due on the Bonds (if any), on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after July 14, 2026, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate without further investigation as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100% of their principal amount together with all Additional Amounts due on the Bonds (if any), on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10% or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.5 ***Corporate Event Redemption***

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.12) give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) determined in accordance with the provisions of Condition 7.8, on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event), together with all Additional Amounts due on the Bonds (if any), if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate without further investigation as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

7.6 ***Redemption on Delisting of the Shares***

7.6.1 *Offers and Redemption*: If:

(i) any offer is made by a party or parties (the "Offeror") other than the Company in accordance with the FIEA to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;

(ii) the Company expresses its opinion to support such offer in accordance with the FIEA;

(iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and

(iv) the Offeror acquires any Shares pursuant to the offer, (the occurrence of items (i), (ii), (iii) and (iv) above together being a "Delisting Event") then the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) determined in accordance with the provisions of Condition 7.8, on the date (the "Delisting Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days nor later than 30 Tokyo Business Days, from the date of such notice), together with all Additional Amounts due on the Bonds (if any). The Trustee shall be entitled to assume, without being required to take any action and without liability, until it has received written notice to the contrary, that the Offeror has not so acquired any Shares.

7.6.2 *Offer Followed by Corporate Event or Squeezeout Event*: Notwithstanding the above provisions of this Condition 7.6, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company's obligation to redeem the Bonds under this Condition 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Conditions 6 and Condition 7.5 or 7.7, as the case may be, shall be applicable to such Corporate Event or Squeezeout Event, as the case may be) unless such Corporate Event or a Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice) at the Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8 (for the avoidance of doubt, "r" in the formula set out in Condition 7.8 being the number of days from and including such Delisting Redemption Date to but excluding the Maturity Date), together with all Additional Amounts due on the Bonds (if any).

7.6.3 *Irrevocable Notice*: Any notice of redemption given under this Condition 7.6 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.6.4 *Notice to Bondholders*: Upon the occurrence of:

(a) any of the events set out in (i) through (iv) of Condition 7.6.1; or

(b) any of the events set out in Condition 7.6.2 which results in the cancellation or revival of the Company's obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

7.6.5 *Condition*: If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.6 and either Condition 7.5 or 7.7, the procedure pursuant to Condition 7.5 or 7.7, as the case may be, shall apply.

7.7 ***Squeezeout Redemption***

Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable),

as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8, on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition, sale or consolidation of the Shares with respect to the Squeezeout Event, as the case may be, provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date), together with all Additional Amounts due on the Bonds (if any).

7.8 ***Relevant Event Redemption Price***

The Relevant Event Redemption Price per Bond for the purposes of Conditions 7.5, 7.6 and 7.7 shall be determined in accordance with the following formula:

$$RERP = (OP - D) \times \frac{r}{t} + D$$

where:

RERP = Relevant Event Redemption Price.

D = ¥10,000,000.

OP = 103.5% × D.

r = the number of days (i) in the case of a redemption following a Corporate Event, from and including the Corporate Event Redemption Date to but excluding the Maturity Date, (ii) in the case of a redemption following a Delisting Event, from and including the Delisting Redemption Date (or, if applicable, the Corporate Event Redemption Date which follows such Delisting Event) to but excluding the Maturity Date, and (iii) in the case of a redemption following a Squeezeout Event, from and including the Squeezeout Redemption Date to but excluding the Maturity Date.

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

The amount calculated in accordance with the above formula shall be rounded to the nearest yen with five one-tenths or more of a yen to be considered a full yen.

"D" is the denomination of each Bond and "OP" is the Offer Price of each Bond.

7.9 ***Purchase of Bonds by the Company or any Subsidiary***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.10 ***Cancellation***

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.9 shall be forwarded to the Principal Agent for cancellation.

7.11 ***Notice of Redemption***

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.2, 7.3 or 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.12 ***Priorities Among Redemption Provisions***

If any notice of redemption is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, no other notice may be, or as the case may be, shall be required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.6.2 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) to (iv) of Condition 7.6.1 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

7.13 ***Calculations***

The Trustee, the Custodian, the Custodian's Agent, the Registrar, the Principal Agent and the other Agents are not liable to determine or calculate any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions other than in such cases as specifically stated herein (if any) and shall have no responsibility to verify or monitor such calculations.

8. **Payments**

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made (subject to surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent, if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) to the person shown on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date for payment thereof, by transfer to its Registered Account. Such payments will be made by transfer to its Registered Account subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, such payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment and the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date of payment.

8.2 ***Agents***

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; and (iv) such other agents as may be required by the rules of any stock

exchange on which the Bonds are listed. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

8.3 ***Payments on Payment Business Days***

If the due date for payment of any amount in respect of any Bond is not a Payment Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Payment Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Payment Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in Tokyo and in such place.

9. **Taxation**

All payments by the Company in respect of the Bonds, subject to Condition 7.4, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) to a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond; or

(ii) in respect of which the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds in accordance with Condition 7.4 (subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4).

In these Conditions, the "Due Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No Additional Amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection

with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

10. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable on the occurrence of any of the following events:

10.1 *Non-payment:* the Company defaults in the payment of the principal of any of the Bonds under Condition 7.4 as and when the same shall become due and payable, and such default is not remedied within seven days; or

10.2 *Breach of Obligations:* the Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay the principal in respect of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 *Cross Default on Indebtedness:* the obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (whether on demand (if applicable) or otherwise) (or at the expiration of any grace period as originally provided (if applicable)); or

10.4 *Cross Default on Guarantee/Indemnity:* the Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 *Initiation of Insolvency Proceedings:* proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 *Decree of Insolvency/Dissolution:* a final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or (in the opinion of the Trustee) any material part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 *Resolution for Dissolution:* a resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such winding-up, dissolution or liquidation; or

10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.8 *Institution of Insolvency Proceedings:* the Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 *Stop Payment:* the Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

10.10 *Cessation of Business:* the Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on all of its business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.11 *Encumbrancer:* any encumbrancer takes possession of the whole or any material (in the opinion of the Trustee) part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or any material (in the opinion of the Trustee) part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned having taken appropriate legal advice upon which the Trustee shall be entitled to rely absolutely;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.5, 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee in forming such an opinion, or making any determination under or required or contemplated by this Condition 10, may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Trustee at its absolute discretion on any day when the Trustee requests such a quotation for such purpose.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100% of their principal amount (together with Additional Amounts, if any, premium, if any, and default interest, if any, accrued to the date of payment) as provided in the Trust Deed.

11. Undertakings

11.1 *Undertakings with Respect to the Stock Acquisition Rights*

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be delivered upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;

11.1.2 *Transfers*: not take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, if any, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;

11.1.3 *Financial Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;

11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours or the maintenance of such listing is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of the Bondholders would

not be thereby materially prejudiced, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that:

(i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan;

(ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.5 or Condition 7.6 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1); and

(iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.7 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from, among other things, proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be);

11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);

11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Trustee in writing and to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;

11.1.7 *Limitation on the Reduction of the Conversion Price*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;

11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds are to be redeemed pursuant to Condition 7.5 or 7.6); and

11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 ***Charges***

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Registrar, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent (including the cost of providing notices) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3 and the issue and delivery of Shares and the delivery of any other securities pursuant to Condition 5.9.5 following such deposit.

12. **Substitution**

12.1 ***Substitution other than under a Corporate Event***

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (iii) the satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19.

When determining, pursuant to this Condition 12.1, whether an event or circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility or liability to the Bondholders or any other person for delay occasioned for so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 ***Substitution under a Corporate Event***

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date)

within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

12.2.1 under such supplemental trust deed, the New Obligor agrees, in form, manner and substance satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;

12.2.2 except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director or an Authorised Officer of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's long-term, unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt (and which certificate the Trustee shall be entitled to rely upon without further investigation and without incurring any liability to any person for doing so). In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;

12.2.3 if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.4 in relation to payment of Additional Amounts by the New Obligor (and/ or the guarantor, if any);

12.2.4 a Representative Director or an Authorised Officer of the New Obligor certifies that the New Obligor will be solvent immediately after such substitution (if the Trustee receives such certification, the Trustee need not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company);

12.2.5 the Company shall have certified (by a certificate of a Representative Director or an Authorised Officer) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;

12.2.6 the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and

12.2.7 such substitution and grant of the New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2.2), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 ***Deemed Amendment***

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

(i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and

(ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2.2 except where the context requires otherwise.

13. **Prescription**

Claims in respect of the Bonds will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. **Meetings of Bondholders; Modification and Waiver**

15.1 ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50% in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia,* modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75%, or at any adjourned such meeting not less than 50%, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90% in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in the Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders. A meeting of Bondholders may be held physically, virtually, electronically or in a hybrid format, in accordance with the procedures set out in the Trust Deed.

15.2 ***Modification and Waiver***

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these

Conditions) or to any waiver or authorisation of any breach, continuing breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default or Potential Event of Default shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver, determination or authorisation shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to the Trustee of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.5 and/or 7.7 or (ii) the FIEA which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to the Trustee of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.6, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed (i) imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed or (ii) decreases the protections it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any opinion or any certificate of a Representative Director or an Authorised Officer provided pursuant to this Condition 15.2 without liability to any person and without further investigation. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 ***Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 ***Authority to the Trustee***

To the fullest extent permitted by applicable law, by acquiring a Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action, step or proceeding unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action, step or proceeding. The Trustee shall not take any action, step or proceeding on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

16. **Enforcement**

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails or is unable to do so within 30 days of such direction or request and provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure or inability shall be continuing.

17. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds and to be paid its costs and expenses in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders or any other person on any certificate or report prepared by the Auditor or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditor, the Independent Financial Adviser or such other expert (as the case may be) in respect thereof is limited by a monetary (or any other) cap or otherwise, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these Conditions and/or the Trust Deed and, in the absence of manifest error, any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. **Independent Financial Adviser**

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, the Trustee shall have the power, but shall not be obliged, to make such appointment in its absolute discretion and without liability for so doing or not doing, following notification to the Company, in which case such Independent Financial Adviser shall be deemed to have been appointed by the Company.

19. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). If publication in any of such newspapers is not practicable, notices will be given in such other newspaper or newspapers as the Company, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20. **Contracts (Rights of Third Parties) Act 1999**

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21. **Governing Law and Submission to Jurisdiction**

21.1 ***Governing Law***

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 ***Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 ***Agent for Service of Process***

The Company has irrevocably appointed Cogency Global (UK) Limited, whose office is at present at 6 Lloyd's Avenue, Unit 4CL, London EC3N 3AX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Cogency Global (UK) Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

TERMS AND CONDITIONS OF THE 2033 BONDS

The following terms and conditions (the "Conditions") of the 2033 Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein) evidencing the Bonds:

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2033 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by Kawasaki Heavy Industries, Ltd. (the "Company") are constituted by a trust deed (the "Trust Deed") dated July 31, 2026 made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include all persons for the time being trustee or trustees appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right"), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the "Shares") as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the "Agency Agreement") dated July 31, 2026 relating to the Bonds among, *inter alios*, the Company, the Trustee, State Street Bank International GmbH, Luxembourg Branch as principal agent (the "Principal Agent") and as registrar (the "Registrar"), and the other agents referred to therein, are available for inspection by Bondholders by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom, or electronically upon request to and subject to providing satisfactory proof of holding to the Trustee, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include any Agent appointed by the Company in the Agency Agreement (including, where the context permits, the Principal Agent) at their respective specified offices named as paying, transfer and conversion agents in connection with the Bonds for the purposes of, *inter alia*, making payments and transfers, the acceptance of Conversion Notices and the Certificates for the purposes of the exercise of the Stock Acquisition Rights, and the acceptance of Tax Redemption Election Notices (as defined in the Agency Agreement), or such other or further agents for the Bonds as may from time to time be appointed, or at such other or further specified offices as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 (but excluding the Registrar and Custodian).

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of and are bound by all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1. Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 101.0% of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a "Certificate") will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds and any exercise of the Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and executed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are

open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); and (ii) the Company and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered:

(i) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 7.1, 7.5, 7.6 or 7.7;

(ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn); or

(iii) after a notice of redemption has been given pursuant to Condition 7.2, 7.3 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4).

1.5 ***Relationship between Bonds and Stock Acquisition Rights***

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt, or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time or prior thereto, according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50% of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. **Definitions and Construction of References**

3.1 ***Definitions***

In these Conditions (unless the context otherwise requires):

"3-Month Deposit Rate" means, as of any specified time on any date, the rate per annum as of such specified time on such date as shown on Bloomberg page JYDRC Curncy (setting "Bid", and using the pricing source "CMPL") (or any successor page, setting or pricing source), or, if no such rate is available as of the specified time on such day (for the purposes of this definition, the "Original Date"), the 3-Month Deposit Rate on the Original Date shall be the 3-Month Deposit Rate, determined as aforesaid, as of the specified time on the immediately preceding day on which the same can be so determined, provided however that if such immediately preceding day falls prior to the fifth day before the Original Date, or if the 3-Month Deposit Rate cannot be determined as aforesaid (including without limitation because such Bloomberg page (or any successor) has ceased to exist), the 3-Month Deposit Rate as of the specified time on the Original Date shall be determined in such other manner as determined in good faith to be appropriate by an Independent Financial Adviser. If the 3-Month Deposit Rate determined as aforesaid shall be less than zero, then the 3-Month Deposit Rate shall be deemed to be zero;

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

"Annual Fiscal Period" means a period commencing on April 1 and ending on March 31 of the immediately succeeding year; provided that, if the Company shall change its financial year so as to end on a date other than March 31, "Annual Fiscal Period" shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Articles of Incorporation" means the articles of incorporation of the Company from time to time in effect;

"Asset Transfer Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the "Asset Transferee"), pursuant to the terms of which the Company's obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

"Asset Transferee" has the meaning provided in the definition of Asset Transfer Event;

"Auditor" means the independent auditor for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested of them under these Conditions or the Trust Deed, such other auditor or firm of auditors as may be appointed by the Company to act as such and promptly notified in writing to the Trustee by the Company;

"Authorised Officer" means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have notified to the Trustee in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Base Dividend" has the meaning provided in Condition 5.2.4;

"Board of Directors", in respect of any company, means the board of directors of that company within the meaning of the Companies Act; provided that, if any individual director is authorised by such board of directors to make the relevant decision in accordance with the Companies Act and such company's articles of incorporation and other internal regulations, any reference to the Board of

Directors of such company shall be deemed to mean such director, and any reference to the relevant resolution or approval at a meeting of such Board of Directors shall be deemed to mean the relevant decision of such director;

"Bondholder" and "holder" have the meaning provided in Condition 1.2;

"Book-Entry Act" means the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

"Business Day" in respect of any place means a day, other than a Saturday or Sunday, on which banks are open for business in such place;

"Certificate" has the meaning provided in Condition 1.1;

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Clean-up Redemption Notice" has the meaning provided in Condition 7.3;

"Closed Period" has the meaning provided in Condition 7.11;

"Closing Date" means July 31, 2026;

"Closing Price" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Company's Territory" has the meaning provided in Condition 12.2.3;

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Controlling Shareholder" means a shareholder holding, directly or indirectly, 90% (or such other percentage above 90% as provided in the Articles of Incorporation) or more of the Company's voting rights as calculated in accordance with the Companies Act;

"Conversion Notice" means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the relevant schedule to the Agency Agreement;

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Corporate Event" has the meaning provided in Condition 6.1;

"Corporate Event Effective Date" has the meaning provided in Condition 6.3;

"Corporate Event Redemption Date" has the meaning provided in Condition 7.5;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Corporate Split Counterparty" has the meaning provided in the definition of Corporate Split Event;

"Corporate Split Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company's obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the "Corporate Split Counterparty");

"Current Market Price per Share" has the meaning provided in Condition 5.2.9;

"Custodian" means The Law Debenture Trust Corporation p.l.c. at its specified office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

"Custodian's Agent" means Mizuho Bank, Ltd. at its specified office at 15-1, Konan 2-chome, Minato-ku, Tokyo 108-6009, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

"Delisting Event" has the meaning provided in Condition 7.6.1;

"Delisting Redemption Date" has the meaning provided in Condition 7.6.1;

"Deposit Date" has the meaning provided in Condition 5.9.4;

"Deposit Time" has the meaning provided in Condition 5.9.4;

"Due Date" has the meaning provided in Condition 9;

"Event of Default" means any of the events listed in Condition 10, which, if so required by that Condition, has been certified in writing by the Trustee to the Company in accordance with that Condition that, in the opinion of the Trustee, it is materially prejudicial to the interests of the Bondholders, upon the occurrence of which the Bonds may become due and repayable;

"Exercise Period" has the meaning provided in Condition 5.1.4;

"Exercise Period End Date" has the meaning provided in Condition 5.1.4;

"Extraordinary Dividend" has the meaning provided in Condition 5.2.4;

"Extraordinary Resolution" means a resolution passed (i) at a meeting of the Bondholders duly convened (including the satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

"FATCA withholding" has the meaning provided in Condition 9;

"Financial Instruments and Exchange Act" or "FIEA" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"Fiscal Period" means, as the context may require, (i) a period commencing on April 1 and ending on March 31 of the immediately succeeding year; or (ii) three month periods each commencing on April 1, July 1, October 1 and January 1; provided that, if the Company shall change its financial year so as to end on a date other than March 31, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Holding Company" has the meaning provided in the definition of Holding Company Event;

"Holding Company Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a

meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the "Holding Company") by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

"Independent Financial Adviser" means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified in writing to the Trustee or, if the Company fails to make such appointment when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, as may be appointed by the Trustee in its absolute discretion (without liability for so doing or not doing) following notification to the Company, which appointment shall be deemed to be an appointment of the Company;

"Listing" has the meaning provided in Condition 6.4.2;

"Maturity Date" has the meaning provided in Condition 7.1;

"Merged Company" means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

"Merger Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

"New Obligor" has the meaning provided in Condition 6.1;

"New Obligor Current Market Price per Share" has the meaning provided in Condition 6.5.3;

"New Stock Acquisition Rights" has the meaning provided in Condition 12.2;

"New Territory" has the meaning provided in Condition 12.2;

"Non-unit Shares" has the meaning provided in Condition 5.1.2;

"Number of Deliverable Shares" has the meaning provided in Condition 6.5.3;

"Number of Held Shares" has the meaning provided in Condition 6.5.3;

"Offeror" has the meaning provided in Condition 7.6.1;

"Optional Redemption Notice" has the meaning provided in Condition 7.2;

"Payment Business Day" has the meaning provided in Condition 8.3;

"Potential Event of Default" means any condition, omission, act, event or circumstance which, upon the giving of notice and/or the lapse of time and/or the issue of a certificate, could constitute an Event of Default;

"Principal Subsidiary" means any Consolidated Subsidiary of the Company, (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10% or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10% or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant Event" means any Corporate Event, Delisting Event or Squeezeout Event;

"Relevant Event Date" has the meaning provided in Condition 5.2.15;

"Relevant Event Redemption Price" has the meaning provided in Condition 7.8;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the FIEA, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means the Tokyo Stock Exchange, or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on the Tokyo Stock Exchange, the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, the Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

"Shareholder Determination Date Restriction Period" has the meaning provided in Condition 5.1.4;

"Squeezeout Effective Date" has the meaning provided in Condition 7.7;

"Squeezeout Event" means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) under the Companies Act by way of an amendment to the Articles of Incorporation, such as (but not limited to) for the purpose of making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling

Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) under the Companies Act after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing;

"Squeezeout Redemption Date" has the meaning provided in Condition 7.7;

"Stock Acquisition Date" has the meaning provided in Condition 5.9.4;

"Stock Split" means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

"Subsidiary" means a company, more than 50% of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Tax Redemption Date" has the meaning provided in Condition 7.4;

"Tax Redemption Notice" has the meaning provided in Condition 7.4;

"Tokyo Business Day" means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo;

"Tokyo Stock Exchange" means Tokyo Stock Exchange, Inc. (or its successor);

"Trading Day" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

"Transfer Business Day" has the meaning provided in Condition 1.4.3; and

"yen" and "¥" mean Japanese yen, the lawful currency of Japan.

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words "issue", "issued" and "issuable" shall be construed accordingly), and references in these Conditions to the word "acquire" used in conjunction with the Shares shall be read as including both the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be construed accordingly, and references to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Incorporated. The words "substitution" and "grant" used in relation to the exchange of the Company's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. Default Interest

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum as being equal to the 3-Month Deposit Rate as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. Exercise of Stock Acquisition Rights

5.1 *Conversion Price, Exercise Period, Shares Issuable and Procedure*

5.1.1 *Stock Acquisition Rights and the Contribution of the Bond*: Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which has been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as of the Stock Acquisition Date as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond.

5.1.2 *Number of Shares*: The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares not constituting a unit (*tangen*) of Shares ("Non-unit Shares") or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As of the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares. Under the book-entry transfer system established pursuant to the Book-Entry Act, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares constituting less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares constituting less than one unit may generally require the Company to purchase such Shares through the relevant Account Management Institution. The Articles of Incorporation currently provide that a holder of Shares constituting less than one unit may also request the Company to sell to such holder Shares representing less than one unit which, when added to the Shares held by such holder, shall constitute one full unit.

5.1.3 *Conversion Price*: The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the "Conversion Price") shall initially be ¥3,783 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period*: Each Stock Acquisition Right may be exercised at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, August 14, 2026 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on July 15, 2033 (the "Exercise Period End Date"), or:

(i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2, 7.3 or 7.4, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed);

(ii) if the relevant Bond shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof;

(iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.9 and cancelled by the Company pursuant to Condition 7.10, then up to the time when such Bond is so cancelled; or

(iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

(a) in no event shall the Stock Acquisition Rights be exercised after the Exercise Period End Date;

(b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.5 and 7.6); and

(c) the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law, regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

"Shareholder Determination Date" means (i) any Record Date, and (ii) any other date set for the purpose of determination of the holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act; and

"Shareholder Determination Date Restriction Period" means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that

if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date).

The Company shall give the Trustee (unless the Trustee is also the Principal Agent) and the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination and period referred to in Condition 5.1.4(b) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least three Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are March 31 and September 30. By way of example, in respect of the Record Date falling on September 30, 2026, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) September 28, 2026 to (and including) September 30, 2026.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is referred to in these Conditions as the "Exercise Period" (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purposes.

5.1.5 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights*: Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right relating to the Shares the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

5.2 ***Adjustments of the Conversion Price***

Upon the occurrence of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective

immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

(i) the Record Date for the allotment, grant, issue or offer of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or

(ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8, or

(iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8, or

(iv) the date of grant, issue, transfer or offer of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant, issue or offer to the holders of Shares, rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets (including Extraordinary Dividends)*: if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being "distribution of surplus" within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director or an Authorised Officer and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of an Extraordinary Dividend, the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation of such Extraordinary Dividend.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution (including a distribution of an Extraordinary Dividend); provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

"Extraordinary Dividend" means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend, and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period.

For the purposes of the Conditions, "Extraordinary Dividend" applicable to the Annual Fiscal Period ending March 31, 2027 means any cash dividend or cash distribution declared by the Company, the Record Date for which falls on or after July 14, 2026.

"Base Dividend" means ¥0.

"Relevant Number of Shares" means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were such Bond, and only such Bond, to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend.

5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds and bonds with stock acquisition rights due 2031 issued by the Company on the Closing Date, or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share

receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities;

5.2.6 *Issue of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which (a) merges into the Company upon such merger, (b) becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), or (c) becomes a subsidiary of the Company by share delivery (*kabushiki-kofu*), in proportion to their shareholding in such corporation immediately prior to such merger or such share exchange (in the case of such merger or such share exchange) or in accordance with the plan of such share delivery (in the case of such share delivery), or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue or transfer) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/ Exchangeable Securities*: if the Company shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling holders thereof to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the grant, issue or offer of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the grant or issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue, transfer or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of grant, issue, transfer or offer which is the relevant date;

5.2.9 *Current Market Price per Share*: for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question, and any event which requires an adjustment with reference to the same Current Market Price per Share) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

(i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;

(ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

(iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription,

purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

(iv) in the case of the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and

(v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, or the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of "Fixed"*: any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price,

the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

5.2.15 *Conversion Price Adjustment on Relevant Events:* Upon the occurrence of any Relevant Event (and, in the case of a Corporate Event, if any of the conditions set out in items (i), (ii), (iii) and (iv) of Condition 7.5 is satisfied), the Conversion Price in effect on the date in Japan on which the Relevant Event takes place (and, in the case of a Corporate Event, such condition is satisfied) (the "Relevant Event Date"), shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{\left(1 + \left(CP \times {}^{c}/_{t}\right)\right)}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CP = 45.00%, expressed as a fraction.

c = the number of days from and including the Relevant Event Date to but excluding the Maturity Date.

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

Such adjustment shall become effective from the day immediately after the Relevant Event Date. No further adjustment under this Condition 5.2.15 will be made in respect of a Relevant Event (or subsequent Relevant Events) if and once the Conversion Price has been adjusted pursuant to this Condition 5.2.15.

"CP" is the conversion premium (the percentage above the offer price per Share in respect of the Concurrent Share Offering) at which the Conversion Price is set.

5.3 ***Retroactive Adjustments***

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis,* to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the "Stock Acquisition Date" shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 ***Limitation on Reduction of Conversion Price***

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 ***Employee Share Schemes***

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors, directors or officers (including directors or officers holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 ***Minimum Adjustments***

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least one yen provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 ***Calculations***

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified hereon, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth of a yen. None of the Trustee, the Custodian, the Custodian's Agent, the Registrar, the Principal Agent nor the other Agents shall be under any duty or responsibility to any Bondholder or any other person to determine, calculate or verify the adjusted Conversion Price or to monitor or make enquiries as to whether any adjustment is required to be made and none of them will be responsible or liable in any respect to Bondholders or any other person for any loss arising from any failure by it to do so or any erroneous calculation.

5.8 ***Notification of Adjustments***

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Registrar, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 ***Procedure for Conversion***

5.9.1 *Conversion Notice*: To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent*: The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days' prior written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to

Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent fail to do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

5.9.3 *Conditions Precedent*: As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The relevant Agent will not be bound to make any payments until such Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the relevant Agent have been made.

The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The relevant Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the relevant Agent disclosing otherwise confidential information for the purposes of such Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

5.9.4 *Deposit Date and Stock Acquisition Date*:

(i) The time at which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date" applicable to such Bond. For the avoidance of doubt, a Deposit Date may not occur during any period when the Stock Acquisition Rights may not be exercised;

(ii) The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the relevant Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond);

(iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and

(iv) If deposit of the Conversion Notice is made on a day which is not a Business Day or after 16:00 hours in the place of the specified office of the Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such Business Day.

At any time when the relevant Bonds are evidenced by the Global Certificate, the exercising Bondholder shall, in lieu of depositing the Conversion Notice in the manner aforesaid, transmit the Conversion Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. The time at which such duly completed Conversion Notice is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its Deposit Time. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bonds the Stock Acquisition Rights incorporated in which have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares*: The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise, and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice (including any administrative orders or guidelines issued by any relevant authority), the Articles of Incorporation or the share handling regulations of the Company:

(i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution, in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and

(ii) as soon as practicable, the Company shall deliver to the Custodian's Agent for the account of the Custodian or its nominee, securities (other than the Shares) required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the

Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:

(a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares) required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or

(b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares) required to be delivered upon exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

Any Conversion Notice transmitted electronically is not required to be endorsed and shall be processed in accordance with the operating procedures of the relevant clearing systems.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital*: With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6. Certain Corporate Events

6.1 *Corporate Events*

In the case of a proposal for:

(i) any Merger Event; or

(ii) any Asset Transfer Event; or

(iii) any Corporate Split Event; or

(iv) any Holding Company Event; or

(v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a "Corporate Event") pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a "New Obligor"),

the following provisions of this Condition 6 shall apply.

6.2 ***Notice of Proposal***

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 ***Notice of Passing of Resolution***

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company's proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its "Corporate Event Effective Date".

6.4 ***Transfer of Obligations Following a Corporate Event***

6.4.1 *Transfer*: If a Corporate Event occurs and:

(i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;

(ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as "Listing") on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(iv).

6.5 ***New Stock Acquisition Rights***

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the

Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by the New Obligor by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

(ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall, upon its exercise immediately after the Corporate Event Effective Date, receive an equivalent economic interest to be determined by the Company as that which would have been received by a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the "New Obligor Current Market Price per Share" means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof*: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights*: The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights*: No New Stock Acquisition Right may be exercised in part;

6.5.7 *Amount of Stated Capital and Additional Paid-in Capital*: As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the "maximum capital and other increase amount" as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.8 *Others*: Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 ***Subsequent Corporate Events***

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7. Redemption, Purchase and Cancellation

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100% of their principal amount on July 29, 2033 (the "Maturity Date"). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 ***Redemption at the Option of the Company upon Increased Share Prices***

At any time on or after July 31, 2031, the Company may (subject to Condition 7.12), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Optional Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100% of their principal amount together with all Additional Amounts due on the Bonds (if any), on the date fixed for such

redemption in the Optional Redemption Notice, provided, however, that no such redemption may be made unless the Closing Price of the Shares for any 20 Trading Days in a period of 30 consecutive Trading Days, the last of which consecutive Trading Days occurs not more than 30 days prior to the date upon which the Optional Redemption Notice is first published, is at least 130% of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price).

7.3 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may (subject to Condition 7.12), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100% of their principal amount together with all Additional Amounts due on the Bonds (if any), on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10% of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.4 ***Redemption for Taxation Reasons***

The Company may (subject to Condition 7.12), but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100% of their principal amount together with all Additional Amounts due on the Bonds (if any), on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after July 14, 2026, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate without further investigation as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100% of their principal amount together with all Additional Amounts due on the Bonds (if any), on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10% or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.5 ***Corporate Event Redemption***

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.12) give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) determined in accordance with the provisions of Condition 7.8, on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event), together with all Additional Amounts due on the Bonds (if any), if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate without further investigation as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.5(iii) or 7.5(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

7.6 ***Redemption on Delisting of the Shares***

7.6.1 *Offers and Redemption*: If:

(i) any offer is made by a party or parties (the "Offeror") other than the Company in accordance with the FIEA to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;

(ii) the Company expresses its opinion to support such offer in accordance with the FIEA;

(iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and

(iv) the Offeror acquires any Shares pursuant to the offer,

(the occurrence of items (i), (ii), (iii) and (iv) above together being a "Delisting Event") then the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) determined in accordance with the provisions of Condition 7.8, on the date (the "Delisting Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days nor later than 30 Tokyo Business Days, from the date of such notice), together with all Additional Amounts due on the Bonds (if any). The Trustee shall be entitled to assume, without being required to take any action and without liability, until it has received written notice to the contrary, that the Offeror has not so acquired any Shares.

7.6.2 *Offer Followed by Corporate Event or Squeezeout Event*: Notwithstanding the above provisions of this Condition 7.6, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company's obligation to redeem the Bonds under this Condition 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Conditions 6 and Condition 7.5 or 7.7, as the case may be, shall be applicable to such Corporate Event or Squeezeout Event, as the case may be) unless such Corporate Event or a Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice) at the Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8 (for the avoidance of doubt, "r" in the formula set out in Condition 7.8 being the number of days from and including such Delisting Redemption Date to but excluding the Maturity Date), together with all Additional Amounts due on the Bonds (if any).

7.6.3 *Irrevocable Notice*: Any notice of redemption given under this Condition 7.6 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.6.4 *Notice to Bondholders*: Upon the occurrence of:

(a) any of the events set out in (i) through (iv) of Condition 7.6.1; or

(b) any of the events set out in Condition 7.6.2 which results in the cancellation or revival of the Company's obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

7.6.5 *Condition*: If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.6 and either Condition 7.5 or 7.7, the procedure pursuant to Condition 7.5 or 7.7, as the case may be, shall apply.

7.7 ***Squeezeout Redemption***

Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable),

as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at the Relevant Event Redemption Price per Bond (expressed in yen) calculated in accordance with the provisions of Condition 7.8, on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition, sale or consolidation of the Shares with respect to the Squeezeout Event, as the case may be, provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date), together with all Additional Amounts due on the Bonds (if any).

7.8 ***Relevant Event Redemption Price***

The Relevant Event Redemption Price per Bond for the purposes of Conditions 7.5, 7.6 and 7.7 shall be determined in accordance with the following formula:

$$RERP = (OP - D) \times \frac{r}{t} + D$$

where:

RERP = Relevant Event Redemption Price.

D = ¥10,000,000.

OP = 103.5% × D.

r = the number of days (i) in the case of a redemption following a Corporate Event, from and including the Corporate Event Redemption Date to but excluding the Maturity Date, (ii) in the case of a redemption following a Delisting Event, from and including the Delisting Redemption Date (or, if applicable, the Corporate Event Redemption Date which follows such Delisting Event) to but excluding the Maturity Date, and (iii) in the case of a redemption following a Squeezeout Event, from and including the Squeezeout Redemption Date to but excluding the Maturity Date.

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

The amount calculated in accordance with the above formula shall be rounded to the nearest yen with five one-tenths or more of a yen to be considered a full yen.

"D" is the denomination of each Bond and "OP" is the Offer Price of each Bond.

7.9 ***Purchase of Bonds by the Company or any Subsidiary***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.10 ***Cancellation***

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.9 shall be forwarded to the Principal Agent for cancellation.

7.11 ***Notice of Redemption***

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.2, 7.3 or 7.4 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.12 ***Priorities Among Redemption Provisions***

If any notice of redemption is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, no other notice may be, or as the case may be, shall be required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.6.2 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) to (iv) of Condition 7.6.1 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

7.13 ***Calculations***

The Trustee, the Custodian, the Custodian's Agent, the Registrar, the Principal Agent and the other Agents are not liable to determine or calculate any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions other than in such cases as specifically stated herein (if any) and shall have no responsibility to verify or monitor such calculations.

8. **Payments**

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made (subject to surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent, if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) to the person shown on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date for payment thereof, by transfer to its Registered Account. Such payments will be made by transfer to its Registered Account subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, such payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment and the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date of payment.

8.2 ***Agents***

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; and (iv) such other agents as may be required by the rules of any stock

exchange on which the Bonds are listed. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

8.3 ***Payments on Payment Business Days***

If the due date for payment of any amount in respect of any Bond is not a Payment Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Payment Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Payment Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in Tokyo and in such place.

9. **Taxation**

All payments by the Company in respect of the Bonds, subject to Condition 7.4, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) to a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond; or

(ii) in respect of which the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds in accordance with Condition 7.4 (subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4).

In these Conditions, the "Due Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No Additional Amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection

with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

10. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable on the occurrence of any of the following events:

10.1 *Non-payment:* the Company defaults in the payment of the principal of any of the Bonds under Condition 7.4 as and when the same shall become due and payable, and such default is not remedied within seven days; or

10.2 *Breach of Obligations:* the Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay the principal in respect of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 *Cross Default on Indebtedness:* the obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (whether on demand (if applicable) or otherwise) (or at the expiration of any grace period as originally provided (if applicable)); or

10.4 *Cross Default on Guarantee/Indemnity:* the Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 *Initiation of Insolvency Proceedings:* proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 *Decree of Insolvency/Dissolution:* a final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or (in the opinion of the Trustee) any material part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 *Resolution for Dissolution:* a resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such winding-up, dissolution or liquidation; or

10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.8 *Institution of Insolvency Proceedings:* the Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 *Stop Payment:* the Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

10.10 *Cessation of Business:* the Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on all of its business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.11 *Encumbrancer:* any encumbrancer takes possession of the whole or any material (in the opinion of the Trustee) part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or any material (in the opinion of the Trustee) part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned having taken appropriate legal advice upon which the Trustee shall be entitled to rely absolutely;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.5, 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee in forming such an opinion, or making any determination under or required or contemplated by this Condition 10, may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Trustee at its absolute discretion on any day when the Trustee requests such a quotation for such purpose.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100% of their principal amount (together with Additional Amounts, if any, premium, if any, and default interest, if any, accrued to the date of payment) as provided in the Trust Deed.

11. Undertakings

11.1 *Undertakings with Respect to the Stock Acquisition Rights*

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be delivered upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;

11.1.2 *Transfers*: not take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, if any, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;

11.1.3 *Financial Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;

11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours or the maintenance of such listing is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of the Bondholders would

not be thereby materially prejudiced, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that:

(i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan;

(ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.5 or Condition 7.6 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1); and

(iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.7 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from, among other things, proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be);

11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);

11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Trustee in writing and to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;

11.1.7 *Limitation on the Reduction of the Conversion Price*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;

11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds are to be redeemed pursuant to Condition 7.5 or 7.6); and

11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 ***Charges***

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Registrar, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent (including the cost of providing notices) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3 and the issue and delivery of Shares and the delivery of any other securities pursuant to Condition 5.9.5 following such deposit.

12. **Substitution**

12.1 ***Substitution other than under a Corporate Event***

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (iii) the satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19.

When determining, pursuant to this Condition 12.1, whether an event or circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility or liability to the Bondholders or any other person for delay occasioned for so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 ***Substitution under a Corporate Event***

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date)

within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

12.2.1 under such supplemental trust deed, the New Obligor agrees, in form, manner and substance satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;

12.2.2 except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director or an Authorised Officer of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's long-term, unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt (and which certificate the Trustee shall be entitled to rely upon without further investigation and without incurring any liability to any person for doing so). In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;

12.2.3 if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.4 in relation to payment of Additional Amounts by the New Obligor (and/ or the guarantor, if any);

12.2.4 a Representative Director or an Authorised Officer of the New Obligor certifies that the New Obligor will be solvent immediately after such substitution (if the Trustee receives such certification, the Trustee need not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company);

12.2.5 the Company shall have certified (by a certificate of a Representative Director or an Authorised Officer) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;

12.2.6 the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and

12.2.7 such substitution and grant of the New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2.2), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 ***Deemed Amendment***

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

(i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and

(ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2.2 except where the context requires otherwise.

13. **Prescription**

Claims in respect of the Bonds will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. **Meetings of Bondholders; Modification and Waiver**

15.1 ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50% in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia,* modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75%, or at any adjourned such meeting not less than 50%, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90% in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in the Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders. A meeting of Bondholders may be held physically, virtually, electronically or in a hybrid format, in accordance with the procedures set out in the Trust Deed.

15.2 ***Modification and Waiver***

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these

Conditions) or to any waiver or authorisation of any breach, continuing breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default or Potential Event of Default shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver, determination or authorisation shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to the Trustee of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.5 and/or 7.7 or (ii) the FIEA which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to the Trustee of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.6, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed (i) imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed or (ii) decreases the protections it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any opinion or any certificate of a Representative Director or an Authorised Officer provided pursuant to this Condition 15.2 without liability to any person and without further investigation. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 ***Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 ***Authority to the Trustee***

To the fullest extent permitted by applicable law, by acquiring a Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action, step or proceeding unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action, step or proceeding. The Trustee shall not take any action, step or proceeding on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

16. **Enforcement**

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails or is unable to do so within 30 days of such direction or request and provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure or inability shall be continuing.

17. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds and to be paid its costs and expenses in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders or any other person on any certificate or report prepared by the Auditor or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditor, the Independent Financial Adviser or such other expert (as the case may be) in respect thereof is limited by a monetary (or any other) cap or otherwise, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these Conditions and/or the Trust Deed and, in the absence of manifest error, any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. **Independent Financial Adviser**

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, the Trustee shall have the power, but shall not be obliged, to make such appointment in its absolute discretion and without liability for so doing or not doing, following notification to the Company, in which case such Independent Financial Adviser shall be deemed to have been appointed by the Company.

19. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). If publication in any of such newspapers is not practicable, notices will be given in such other newspaper or newspapers as the Company, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20. **Contracts (Rights of Third Parties) Act 1999**

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21. **Governing Law and Submission to Jurisdiction**

21.1 ***Governing Law***

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 ***Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 ***Agent for Service of Process***

The Company has irrevocably appointed Cogency Global (UK) Limited, whose office is at present at 6 Lloyd's Avenue, Unit 4CL, London EC3N 3AX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Cogency Global (UK) Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Each Global Certificate contains provisions which apply to the Bonds in respect of which such Global Certificate is issued, some of which modify the effect of the Conditions of the 2031 Bonds and the Conditions of the 2033 Bonds set out in this offering circular. Terms defined in the Conditions of the 2031 Bonds and the Conditions of the 2033 Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered Bondholder whose Bonds are evidenced by the relevant Global Certificate shall (unless the relevant Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of relevant Bondholders and, at any such meeting, as having one vote in respect of each relevant Bond in respect of which such Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to the relevant Series of Bonds in respect of which such Global Certificate is issued to attend and speak (but not vote) at a meeting of relevant Bondholders on appropriate proof of its identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved in writing by the Trustee (an "Alternative Clearing System"), the Stock Acquisition Right incorporated in a Bond of the relevant Series in respect of which the relevant Global Certificate is issued may be exercised by the transmission in electronic form to any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bond and otherwise in accordance with the procedures of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System (the "relevant clearing systems"). Deposit of the relevant Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of the relevant Global Certificate.

Payments

Payments in respect of the relevant Series of Bonds evidenced by the relevant Global Certificate shall be made against presentation of or, if no further payment falls to be made in respect of such Series of Bonds, against presentation and surrender of, such Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the holders of the relevant Series of Bonds for this purpose.

All payments in respect of the relevant Series of Bonds evidenced by the relevant Global Certificate will be made to, or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment. For the purposes of this paragraph, "Clearing System Business Day" means Monday to Friday inclusive, excluding December 25 and January 1 in each year.

So long as the relevant Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, a "Payment Business Day" for the purposes of Condition 8.3 of the Conditions for the relevant Series of Bonds shall be any day on which dealings in foreign currency may be carried out in Tokyo.

Notices

So long as the relevant Series of Bonds are evidenced by a Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to the relevant Bondholders shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, for communication by it to entitled accountholders in substitution for publication and mailing as required by the Conditions for the relevant Series of Bonds. Such notices shall be deemed to have been given in accordance with the Conditions for the relevant Series of Bonds on the date of delivery to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System.

So long as the relevant Series of Bonds are evidenced by a Global Certificate, the Company will be required to give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of the Conditions for the relevant Series of Bonds, of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) in accordance with Condition 5.1.4 of the Conditions for the relevant Series of Bonds at least three business days (as defined below) prior to the commencement of such Shareholder Determination Date Restriction Period (provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect); "business day" in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.

Transfers

Transfers of interests in the relevant Series of Bonds in respect of which a Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Prescription

Claims against the Company for payment in respect of principal, premium (if any) and accrued interest (if any) in respect of the relevant Series of Bonds evidenced by a Global Certificate shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions for the relevant Series of Bonds).

Trustee's Powers

In considering the interests of Bondholders of the relevant Series while a Global Certificate is registered in the name of a nominee for any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements to the relevant Bonds evidenced by such Global Certificate, and may consider such interests, and treat such accountholders, as if such accountholders were the holder of the relevant Bonds in respect of which such Global Certificate is issued.

Cancellation

Cancellation of any Bond evidenced by a Global Certificate which is required by the Conditions for the relevant Series of Bonds to be cancelled will be effected by reduction in the principal amount of the relevant Series of Bonds in the Register relating to such Series of Bonds, and the endorsement (for information only) of the relevant Global Certificate by the Registrar.

Early Redemption by the Company

The options and obligations of the Company to redeem any Series of Bonds prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5, 7.6 and 7.7 of the Conditions for the relevant Series of Bonds shall be exercised or performed by the Company giving notice (as applicable) to the Trustee, the Principal Agent and the Bondholders within the time limits relating thereto set out in and containing the information required of the Company in accordance with the relevant Condition in accordance with the paragraph entitled "Notices" above.

Election of Bondholders

The election option of the holders of Bonds of the relevant Series provided for in Condition 7.4 of the Conditions for the relevant Series of Bonds may be exercised by any Bondholder whose Bonds are evidenced by the relevant Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be) in the form acceptable thereto from time to time.

Electronic Consent

While the Bonds evidenced by the Global Certificate are registered in the name of any nominee for, or for any common depositary (or its nominee) for, the relevant clearing system, then (a) approval of a resolution proposed by the Company or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s), to the Principal Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the holders of any Bonds of the relevant Series of not less than 75% in nominal amount of such Bonds then outstanding (an "Electronic Consent" as defined in the Trust Deed of the relevant Series of Bonds) shall, for all purposes (including in relation to Reserved Matters (as defined in the Trust Deed of the relevant Series of Bonds)), take effect as an extraordinary resolution passed at a meeting of the Bondholders of the relevant Series duly convened

and held, and shall be binding on all Bondholders of the relevant Series, whether or not they participated in such Electronic Consent, and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed of the relevant Series of Bonds) has been validly passed, subject to certain requirements set out in the Trust Deed of the relevant Series of Bonds, the Company and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Trustee, as the case may be, by accountholders in the relevant clearing system with entitlements to such Bonds of the relevant Series evidenced by the relevant Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries.

Enforcement

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which a Global Certificate is issued, each person who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg or Alternative Clearing System as the holder of a particular principal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or Alternative Clearing System as to the principal amount of Bonds in respect of which such Global Certificate is issued standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of Bonds of the relevant Series.

JAPANESE FOREIGN EXCHANGE REGULATIONS

General

The Foreign Exchange Regulations govern certain aspects, in particular, relating to the acquisition and holding of the Shares by "exchange non-residents" and by "foreign investors" (as these terms are defined below). However, in general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents for the purchase or sale of shares outside Japan using currencies other than yen.

"Exchange residents" are defined in the Foreign Exchange Regulations as:

(i) individuals who reside within Japan; or

(ii) corporations whose principal offices are located within Japan.

"Exchange non-residents" are defined in the Foreign Exchange Regulations as:

(i) individuals who do not reside in Japan; or

(ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

"Foreign investors" are defined in the Foreign Exchange Regulations as:

(i) individuals who are exchange non-residents;

(ii) corporations or other entities that are organized under the laws of foreign countries or whose principal offices are located outside Japan (for this purpose, branches of such corporations or other entities located within Japan are included in this (ii)) (excluding partnerships falling within (iv));

(iii) corporations of which 50% or more of the total voting rights are held, directly or indirectly, by individuals and/or entities falling within (i) and/or (ii) above;

(iv) partnerships engaging in investment activities formed under the Civil Code of Japan (Act No. 89 of 1896, as amended), investment limited partnerships formed under the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended), or any similar partnerships under the laws of foreign countries, where either (a) 50% or more of the total contributions to such entities are made by exchange non-residents or certain other foreign investors prescribed under the Foreign Exchange Regulations or (b) a majority of the managing partners or general partners of such partnerships are exchange non-residents or certain other foreign investors prescribed under the Foreign Exchange Regulations; or

(v) corporations or other entities of which a majority of either (a) directors or other officers (including those who have the same degree or more control over such corporations or such other entities as directors or other officers) or (b) directors or other officers (including those who have the same degree or more control over such corporations or such other entities as directors or other officers) having the power of representation are individuals who are exchange non-residents.

Acquisition of Shares

In general, the acquisition by an exchange non-resident of shares of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance through the Bank of Japan. No such reporting requirement is imposed, however, if:

(i) the aggregate purchase price of the relevant shares is ¥100 million or less;

(ii) the acquisition is effected through any bank, financial instruments business operator or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or

(iii) the acquisition constitutes an Inward Direct Investment described below.

Prior Notification Requirements on Inward Direct Investment in Shares of Listed Corporations

If a foreign investor acquires shares or voting rights of a Japanese corporation that is listed on a Japanese stock exchange, such as the Shares, or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any of its existing holdings of the shares or voting rights, and any shares or voting rights managed by such foreign investor under discretionary investment management agreements (including those held or managed by certain related entities of such foreign investor), directly or indirectly holds 1% or more of (i) the total issued shares or (ii) the total voting rights of the relevant corporation, then such acquisition constitutes an Inward Direct Investment. In general, any foreign investor intending to make an Inward Direct Investment by acquisition of shares or voting rights of a corporation engaging in certain business sectors designated by the Foreign Exchange Regulations (*Shitei-Gyoshu*) (including those in which we are engaging) (the "Designated Business Sectors"), must, except where any of certain exemptions applies, file a prior notification of the acquisition with the Ministers. The proposed acquisition may not be consummated until 30 days have passed from the date of filing, although this period will be shortened if the proposed acquisition is determined not to raise concerns from the perspective of Japan's national security or certain other factors. On the other hand, if the Ministers deem it necessary to continue to review the proposed acquisition, they may extend such period up to five months. The Ministers may also recommend any modification or abandonment of the proposed acquisition and, if such recommendation is not accepted, they may order the modification or abandonment of such acquisition. In addition, if the Ministers consider the proposed acquisition to fall under any of the Inward Direct Investments prescribed under the Foreign Exchange Regulations (including those being likely to be a substantial threat to Japan's national security) and, if a foreign investor (i) consummates such acquisition without filing the prior notification described above; (ii) consummates such acquisition before the expiration of the prescribed period under the Foreign Exchange Regulations; (iii) in connection with such acquisition, makes false statements in the prior notification described above; or (iv) does not follow the recommendation made by, or order issued by, the Ministers to modify or abandon such acquisition, the Ministers may order such foreign investor to implement measures necessary to correct such violation (including divesting of all or part of the shares acquired).

Acquisitions of shares by foreign investors by way of stock split are not subject to the prior notification requirements.

Exemption for Prior Notification Requirements

Under the Foreign Exchange Regulations, in the case of an acquisition of shares or voting rights, any foreign investors which fall under the definition of foreign financial institutions (the "Foreign Financial Institutions"), will be exempted from the prior notification requirements mentioned above without any upper limit on the number of shares or voting rights to be acquired or held, on condition that they are neither "Type-A investors" (as defined below) nor "Type-B investors" (as defined below), and comply with the following exemption conditions (the "Common Exemption Conditions").

In general, "Common Exemption Conditions" are set out in the relevant public notices as follows:

(i) foreign investors or their related persons (as defined in the Foreign Exchange Regulations) are not to become directors or audit and supervisory board members of the investee corporation or its certain related corporations;

(ii) foreign investors will not propose by themselves or through other shareholders to the investee corporation's general meeting of shareholders the transfer or other disposition or discontinuation of the business activities in the Designated Business Sectors; and

(iii) foreign investors will not access non-public information about the investee corporation's or its certain related corporations' technology in relation to business activities in the Designated Business Sectors, or take certain other actions that may lead to the leakage of such non-public information (as prescribed in the relevant public notice).

Under the Foreign Exchange Regulations, any foreign investors (other than the Foreign Financial Institutions), excluding disqualified investors such as those with a record of sanctions for violation of the FEFTA, state-owned enterprises (except those who are accredited by the authorities) and Type-A investors (except those who are accredited by the authorities) ("Eligible Foreign Investors"), will also be exempted from the prior notification requirements mentioned above without any upper limit on the number of shares or voting rights to be acquired or held, on condition that they comply with the Common Exemption Conditions, unless the investment proposed to be conducted by them constitutes the Inward Direct Investment in a corporation engaging in certain types of Designated Business Sector designated as being a substantial threat to Japan's national security. However, an investment by an Eligible Foreign Investor, excluding a Type-B investor, in a corporation engaging in certain types of Designated Business Sectors,

which investment would constitute a substantial threat to Japan's national security, as set out in the relevant public notice (in which our business sectors are included) (the "Core Sectors"), will be exempted from the prior notification requirements, on condition that the Eligible Foreign Investor complies with the following additional exemption conditions (the "Exemption Conditions on Core Sectors"), as well as with the Common Exemption Conditions, unless and until the investment results in holdings, in combination with any of its existing holdings of the shares or voting rights, and any shares or voting rights managed by the Eligible Foreign Investor under discretionary investment management agreements (including those held or managed by certain related entities of such Eligible Foreign Investor), directly or indirectly, of 10% or more of (i) the total issued shares or (ii) the total voting rights of the relevant corporation.

In general, "Exemption Conditions on Core Sectors" are set out in the relevant public notices as follows:

(i) regarding business activities in the Core Sectors, foreign investors will not, or will not cause its representative to, attend the investee corporation's or its certain related corporations' board of directors, executive board or other committees that make important decisions on these activities; and

(ii) regarding business activities in the Core Sectors, foreign investors will not make proposals, by themselves or through persons designated by them, in writing or electronic form, to (a) the investee corporation's or its certain related corporations' board of directors, executive board or other committees that make important decisions on these activities or (b) the members of such board or committees, requiring responses and/or actions by certain deadlines.

Foreign investors (including the Foreign Financial Institutions) falling within, among others, either of the following categories, are regarded as "Type-A investors":

(i) individuals or organizations who have obligations to cooperate with foreign governments, foreign government agencies, foreign local public entities, foreign central banks, or foreign political parties or other political organizations (collectively, the "Foreign Governments"), in collecting information related to Japan's national security based on agreements with such Foreign Governments or foreign laws and regulations; or

(ii) organizations controlled by another organization or individual falling within category (i) above or by Foreign Governments imposing those obligations on these investors. This control may be established through (a) holding 50% or more of the total issued shares or the total voting rights of such organizations, (b) holding class shares that grant the right to veto matters to be resolved at the general meeting of shareholders or by the board of directors of such organizations, (c) the appointment of one-third or more of (x) such organizations' directors or other officers or (y) those having the power of representation, or (d) holding the right to direct such organizations regarding their Inward Direct Investments or their exercise of voting rights in connection with Inward Direct Investments.

An investment by Type-B investors in a corporation engaging in the Core Sectors will be exempted from the prior notification requirements mentioned above, on condition that they comply with the following additional exemption conditions (the "Additional Exemption Conditions on Core Sectors"), as well as with the Common Exemption Conditions and the Exemption Conditions on Core Sectors, unless they invest in (a) a corporation engaging in the Core Sectors, which results in direct or indirect holdings of 10% or more of (i) the total issued shares or (ii) the total voting rights of the relevant corporation, or (b) a corporation engaging in the Core Sectors that is designated as a Specified Essential Infrastructure Service Provider under the Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures of Japan (Act No. 43 of 2022, as amended). Our business sectors are currently included in the Core Sectors as described above. However, we are currently not designated as a Specified Essential Infrastructure Service Provider.

Foreign investors (including the Foreign Financial Institutions) falling within, among others, any of the following categories are regarded as "Type-B investors":

(i) investors whose substantive decision-making powers over financial matters and business policy is controlled by individuals or organizations who have obligations to cooperate with Foreign Governments in collecting information related to Japan's national security based on agreements with such Foreign Governments or foreign laws and regulations;

(ii) investors whose substantive decision-making powers over financial matters and business policy is made in countries or regions outside of their incorporation, and whose decision-making powers are affected by laws and regulations that impose obligations to cooperate with Foreign Governments in collecting information related to Japan's national security, or subsidiaries of such investors;

(iii) investors who have obligations to disclose information in order to cooperate with Foreign Governments in collecting information related to Japan's national security based on agreements with Type-A investors or directors or other officers of Foreign Governments and Type-A investors; or

(iv) investors who have obligations to disclose information in order to cooperate with Foreign Governments in collecting information related to Japan's national security based on agreements with investors falling within category (iii) above or this category (iv).

In general, "Additional Exemption Conditions on Core Sectors" are set out in the relevant public notices as follows:

(i) foreign investors will not access non-public information about the investee corporation's or its certain related corporations' business activities in the Core Sectors (excluding information about directors, other officers, and the financial condition of such corporations); and

(ii) regarding business activities in the Core Sectors, foreign investors will not send employees to the investee corporation or its certain related corporations and will not recruit or solicit any of directors, other officers or employees of such corporations.

Consent at the General Meeting of Shareholders

In addition to the acquisition of shares or voting rights mentioned above, if a foreign investor who directly or indirectly holds 1% or more of the total voting rights of a Japanese corporation that is listed on a Japanese stock exchange and engages in the Designated Business Sectors, such as ourselves, intends to consent, at the general meeting of shareholders, to certain proposals having material influence on the management of such corporation such as (i) election of such foreign investor or its related persons (as defined in the Foreign Exchange Regulations) as directors or audit and supervisory board members of the relevant corporation or (ii) transfer or discontinuation of its business, such consent also constitutes an Inward Direct Investment, and in certain circumstances, such foreign investor must file a prior notification with the Ministers. In such cases, the exemptions from the prior notification requirements described above are not available.

Post Investment Reports

Further to the prior notifications, under the Foreign Exchange Regulations, foreign investors conducting Inward Direct Investments may be required to submit post investment reports to the Ministers within 45 days from the transaction settlement date, even if such Inward Direct Investments are not subject to the prior notification requirements or are exempted from such requirements. For instance, post investment reports with respect to the acquisition of shares or voting rights of corporations engaging in Designated Business Sectors which are not in the Core Sectors, where the prior notification requirement for such acquisition has been exempted, will generally be required when the ratio of the total number of shares or voting rights held directly or indirectly by foreign investors in combination with any of its existing holdings of the shares or voting rights and shares or voting rights managed by such foreign investor under discretionary investment management agreements (including those held or managed by certain related entities of such foreign investor) after the acquisition to the number of (i) the total issued shares or (ii) the total voting rights of the relevant corporation reaches:

(i) 1% or more to less than 3% for the first time;

(ii) 3% or more to less than 10% for the first time; or

(iii) 10% or more for each transaction.

The Foreign Financial Institutions are only required to file post investment reports for (iii) above.

Acquisitions of shares by foreign investors by way of stock split are not subject to the post investment report requirements.

Dividends and Proceeds from Sales of Shares

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from sales in Japan of the Shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad. However, under the Foreign Exchange Regulations, certain procedures may be required for the transfer of funds out of Japan or may be prohibited, depending on the location of the recipient, the purpose of such fund transfer and other factors.

DESCRIPTION OF COMMON STOCK

Set forth below is information concerning the shares of our common stock, including brief summaries of certain provisions of our articles of incorporation, our share handling regulations and the Companies Act relating to joint stock corporations (*kabushiki kaisha*) and certain related legislation, all as currently in effect.

General

The table below shows our share capital as of the date of this offering circular:

Type of share capital	Authorized shares	Issued shares
Common stock	1,680,000,000	839,609,000

All issued shares of our common stock are fully paid and non-assessable and generally transferable through the book-entry transfer system as described below. The transfer agent for the shares of our common stock is Sumitomo Mitsui Trust Bank, Limited, located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan. Our transfer agent maintains our register of shareholders.

The Japanese book-entry transfer system for listed shares of Japanese companies under the Act on Book-Entry Transfer of Corporate Bonds and Shares of Japan (Act No. 75 of 2001, as amended), including regulations promulgated thereunder, or the Book-Entry Act, applies to the shares of our common stock. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholders have an account at JASDEC, the only institution that is designated by the relevant authorities as a clearing house under the Book-Entry Act. "Account management institutions" are financial instruments business operators (that is, securities firms), banks, trust companies and certain other financial institutions that meet the requirements prescribed by the Book-Entry Act. Under the Book-Entry Act, transfer of the shares of our common stock is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Companies Act and the Book-Entry Act, in order to assert against us shareholders' rights to which shareholders as of a given record date are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends), a shareholder must have its name and address registered in our register of shareholders, except in limited circumstances. Under the Japanese book-entry transfer system, such registration on the register of shareholders is made upon our receipt of necessary information from JASDEC through an all-shareholders notice (*soukabunushi tsuchi*). See "—Record Date" below. On the other hand, in order to assert shareholders' rights to which shareholders are entitled regardless of record dates, such as minority shareholders' rights, including the right to propose a matter to be considered at a general meeting of shareholders but excluding shareholders' rights to request us to purchase shares constituting less than a full unit or to sell a number of shares necessary to make the shares less than a full unit held by the requesting shareholder a whole unit of shares (as described in "—Unit Share System"), upon a shareholder's request, JASDEC shall issue to us a notice of certain information (*kobetsukabunushi tsuchi*), which information includes the name and address of such shareholder. Under the Book-Entry Act, a shareholder must exercise its shareholder's right within four weeks after the notice above.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to us through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to such standing proxies or mailing addresses.

Under this book-entry transfer system, when opening an account at an account management institution, a shareholder must enter into an agreement with the account management institution.

Distribution of Surplus

General

Under the Companies Act, distribution of cash or other assets by a joint stock corporation to its shareholders, including dividends, takes the form of distribution of Surplus (as defined in "—Restriction on Distribution of Surplus"). We are permitted to make distributions of Surplus to our shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distribution of Surplus." Under the Companies Act,

distributions of Surplus are, in principle, required to be authorized by a resolution of a general meeting of shareholders. Distributions of Surplus are, however, permitted pursuant to a resolution of the board of directors if:

(a) our articles of incorporation provide for distributions of Surplus pursuant to a resolution of the board of directors;

(b) we form an audit and supervisory committee and select an independent auditor;

(c) the normal term of office of our directors who are not audit and supervisory committee members expires at or before the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after their election; and

(d) our non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present our assets and profit or loss, as required by ordinances of the Ministry of Justice.

At present, the requirement described in (a) above is not met. The Companies Act enables a company to make distributions of Surplus in cash as an interim dividend by a resolution of its board of directors if its articles of incorporation so provide. Our current articles of incorporation have a provision to that effect with a record date of September 30 of each year.

Under our articles of incorporation, the record date for year-end dividend is March 31. We are not obligated to pay any year-end dividend nor interim dividend which was made in cash that has not been received by a shareholder after the lapse of five years from the commencement date of such distribution.

Distributions of Surplus may be made in cash or (except for interim dividends) in kind in proportion to the number of shares of our common stock held by each shareholder. A resolution adopted at a general meeting of shareholders or the board of directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders and the effective date of the distribution. If a distribution of Surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders, grant to our shareholders a right to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution adopted at a general meeting of shareholders (see "—Voting Rights" with respect to a "special resolution").

In Japan, the "ex-dividend date" (the date from which purchasers of shares through Japanese stock exchanges will not be entitled to the dividends to be paid to registered shareholders as of any record date) and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The ex-dividend date of the shares of our common stock is generally the business day immediately prior to the record date.

Restriction on Distribution of Surplus

In making a distribution of Surplus, we must set aside in our additional paid-in capital, legal reserve or both a total amount equal to one-tenth of the amount of Surplus so distributed until the sum of such additional paid-in capital and legal reserve reaches one-quarter of our stated capital.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

"A" = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on our non-consolidated balance sheet as of the end of the last fiscal year

"B" = (if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof

"C" = (if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)

"D" = (if we have reduced our additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)

"E" = (if we have canceled our treasury stock after the end of the last fiscal year) the book value of such treasury stock

"F" = (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed

"G" = certain other amounts set forth in ordinances of the Ministry of Justice, including the following:

- if we have reduced Surplus and increased our stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year, the amount of such reduction; and
- if we have distributed Surplus to our shareholders after the end of the last fiscal year, the amount set aside in our additional paid-in capital or legal reserve, if any, as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by us may not exceed a prescribed distributable amount, or the Distributable Amount, as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be the amount of Surplus less the aggregate of (i) the book value of our treasury stock, (ii) the amount of consideration for any of our treasury stock disposed of by us after the end of the last fiscal year and (iii) certain other amounts set forth in ordinances of the Ministry of Justice, including all or a certain part of the amount by which deferred assets and one-half of our goodwill exceeds, if at all, the total of the stated capital, additional paid-in capital and legal reserve, each such amount being the amount in our non-consolidated balance sheet as of the end of the last fiscal year, as calculated in accordance with ordinances of the Ministry of Justice.

If we have become, at our option, a company with respect to which its consolidated balance sheet should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), we shall further deduct from the amount of Surplus the excess amount, if any, of (i) the total amount of the shareholders' equity appearing on our non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth in ordinances of the Ministry of Justice over (ii) the total amount of the shareholders' equity and certain other amounts set forth in ordinances of the Ministry of Justice appearing on our consolidated balance sheet as of the end of the last fiscal year.

If we have prepared interim financial statements as described below, and if such interim financial statements have been approved by the board of directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. We may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and a statement of income for the period from the first day of the subject fiscal year to the date of such balance sheet. Interim financial statements so prepared by us must be audited by the audit and supervisory committee and the independent auditor, as required by the Companies Act and ordinances of the Ministry of Justice.

Capital and Reserves

We may generally reduce our additional paid-in capital or legal reserve by a resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, we may generally reduce our stated capital by a special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, we may reduce our Surplus and increase either (i) stated capital or (ii) additional paid-in capital, legal reserve or both by the same total amount, in either case by a resolution of a general meeting of shareholders.

Stock Splits

We may at any time split shares of our common stock into a greater number of shares of our common stock by a resolution of the board of directors. When a stock split is to be made, so long as our only class of outstanding stock is our common stock, we may increase the number of authorized shares by the same ratio as that of such stock split by amending our articles of incorporation, which amendment may be effected by a resolution of the board of directors without the approval of shareholders. Before a stock split, we must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date. Under the JASDEC rules, we must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of our board of directors determining such stock split. On the effective date of the stock split, the number of shares recorded in all accounts held by holders of shares at account management institutions or JASDEC will be increased in accordance with the applicable ratio.

Unit Share System

Our articles of incorporation provide that 100 shares each constitute one unit of shares. Under the unit share system, shareholders have, at general meetings of shareholders, one voting right for each unit of shares held by them, and shares constituting less than a full unit carry no voting rights. Our articles of incorporation provide that the holders of shares constituting less than a full unit do not have shareholder rights, except for (a) those specified in the Companies Act or ordinances of the Ministry of Justice, which include rights (i) to receive dividends, (ii) to receive cash or other assets in the case of a consolidation of shares or stock split, share exchange (*kabushiki-kokan*) or share

transfer (*kabushiki-iten*) or merger or (iii) to be allotted shares and stock acquisition rights (*shinkabu yoyakuken*) for free when such rights are granted to shareholders, (b) those to request us to acquire shares with an option to request for acquisition or (c) those to be allotted rights to subscribe for shares or stock acquisition rights in proportion to the number of shares held by such shareholder when such rights are granted to shareholders. Holders of shares constituting less than a full unit may at any time request that we purchase such shares constituting less than a full unit at their market price in accordance with our share handling regulations. In addition, our articles of incorporation provide that holders of shares constituting less than a full unit may require that we sell them such number of shares, that, when combined with the number of shares already held by such holder, constitute a whole unit of shares; provided that we are obliged to comply with such request only when there is a sufficient number of shares held as treasury stock to accommodate such request. Such requests must be made through an account management institution and JASDEC pursuant to the JASDEC rules without going through the notification procedure required for the exercise of shareholders' rights to which shareholders are entitled regardless of record dates as described in "—General." The board of directors may reduce the number of shares constituting one unit or cease to use the unit share system by amendments to the articles of incorporation without shareholders' approval even though amendments to the articles of incorporation generally require a special resolution adopted at the general meeting of shareholders.

Under the book-entry transfer system described in "—General," shares constituting less than a full unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

General Meetings of Shareholders

Under our articles of incorporation, the ordinary general meeting of shareholders is held in June each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. The place, the time, the purpose and certain other matters relating to the general meeting of shareholders, including the information contained in the reference materials, must be uploaded onto a website at least three weeks prior to the date set for the meeting, and notice of the URL of the website to be used and certain other matters relating to such meeting must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is March 31 of each year.

Any shareholder holding at least 300 voting rights or 1% of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders, and may request to include a summary of such matter in a convocation notice to our shareholders, by submitting a request to a representative director at least eight weeks prior to the date of such meeting (provided that, we are able to limit the number of such matters proposed by each shareholder to 10 when including the summary in such a convocation notice). Any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if our articles of incorporation so provide. Our articles of incorporation currently do not include any such provisions.

Voting Rights

Shareholders of our common stock have one voting right for each unit of shares held by them.

Except as otherwise provided by law or in our articles of incorporation, a majority of the voting rights held by the shareholders present at a general meeting of shareholders is necessary to adopt a resolution at the meeting. Our articles of incorporation provide that the quorum for election of directors is one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. A shareholder may exercise its voting rights in writing or through a proxy, provided that the proxy also is a holder of our shares having voting rights at such meeting. Generally, a shareholder may also exercise its voting rights by electronic means pursuant to the method designated by us.

The Companies Act provides that certain important matters shall be approved by "special resolution" of a general meeting of shareholders. Under our articles of incorporation, the quorum for a special resolution is one-third of the total number of voting rights, and the approval of not less than two-thirds of the voting rights held by the shareholders present at the meeting is required for adopting a special resolution. Such important matters include:

- any amendment to our articles of incorporation (except for such amendments that may be made without the approval of shareholders under the Companies Act, such as (i) an increase of the number of authorized shares by the same ratio as that of a stock split, (ii) a reduction of the number of shares per unit of shares and (iii) termination of the unit share system);
- our dissolution, merger or consolidation requiring shareholders' approval;

- dismissal of any directors who are audit and supervisory committee members;
- establishment of a parent and wholly owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*) requiring shareholders' approval;
- a partial share exchange (*kabushiki-kofu*) for the purpose of making another corporation a subsidiary requiring shareholders' approval;
- transfer of the whole or a substantial part of our business;
- transfer of the whole or a part of our equity interests in any of our subsidiaries where the amount of the book value of the equity interests so transferred exceeds one-fifth of the amount of our total assets as provided for by ordinances of the Ministry of Justice and we have no more than half of the voting rights of all holders of equity interests in that subsidiary as of the effective date of the transfer;
- taking over of the whole of the business of another company requiring shareholders' approval;
- our corporate split requiring shareholders' approval;
- consolidation of shares of our common stock;
- acquisition of shares of our common stock from a specific shareholder other than our subsidiary;
- distribution of Surplus in kind (except when shareholders are granted the right to require that such distribution be made in cash instead of in kind);
- reduction of stated capital;
- issuance of new shares or sale of existing shares held by us as treasury stock to persons other than the shareholders at a "specially favorable" price; and
- issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favorable" conditions.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of shares of our common stock in proportion to the respective numbers of shares held by them.

Issuance of Additional Shares and Pre-emptive Rights

Holders of our common stock have no pre-emptive rights. Authorized but unissued shares of our common stock may be issued, or existing shares held by us as treasury stock may be sold, at such times and upon such terms as the board of directors determines subject to the limitations as to the issuance of new shares of our common stock or sale of existing shares held by us as treasury stock at a "specially favorable" price mentioned in "—Voting Rights." The board of directors may, however, determine that shareholders shall be given subscription rights regarding a particular issuance of new shares or sale of existing shares held by us as treasury stock, in which case such rights must be given on uniform terms to all shareholders as of a record date not less than two weeks prior to which public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks' prior notice of the date on which such rights expire.

In the case of an issuance of shares of our common stock or a sale of existing shares of our common stock held by us as treasury stock or an issuance of stock acquisition rights whereby any subscriber (including its subsidiaries and other companies set forth in ordinances of the Ministry of Justice) will hold more than 50% of the voting rights of all shareholders, and if shareholders who hold one-tenth or more of the voting rights of all shareholders dissent from the issuance of shares or stock acquisition rights, the approval by a resolution of a general meeting of shareholders is generally required before the payment date (or the allotment date in the case of an issuance of stock acquisition rights) pursuant to the Companies Act. In addition, in the case of an issuance of shares or a sale of existing shares held by us as treasury stock or an issuance of stock acquisition rights by a listed company by way of an allotment to a third party which would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a resolution of the board of directors, shareholders' approval, through a resolution of a general meeting of shareholders or otherwise, or an affirmative opinion by a person independent of the management is generally required pursuant to the rules of the Japanese stock exchanges.

Stock Acquisition Rights

We may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from us upon payment of the applicable exercise price and subject to other terms and conditions. We

may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by the board of directors unless it is made under "specially favorable" conditions, as described in "—Voting Rights" or, in certain circumstances, may be required to obtain an approval of the shareholders or an affirmative opinion by an independent person as described above.

Record Date

As mentioned above, March 31 is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders. September 30 is the record date for the payment of interim dividends. In addition, by a resolution of the board of directors and after giving at least two weeks' prior public notice, we may at any time set a record date in order to determine the shareholders who are entitled to certain rights pertaining to our stock.

Under the Book-Entry Act, JASDEC is required to give us notice of the names and addresses of our shareholders, the numbers of shares held by them and other relevant information as of such record date.

Acquisition of Our Common Stock

We may acquire shares of our common stock (i) by way of purchase on any Japanese stock exchange on which the shares of our common stock are listed or by way of tender offer (in either case pursuant to a resolution adopted by the board of directors), (ii) from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution adopted at a general meeting of shareholders) or (iii) from any of our subsidiaries (pursuant to a resolution adopted by the board of directors).

In the case of (ii) above, any other shareholder may make a request to us that such shareholder be included as a seller in the proposed purchase unless the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the greater of (i)(a) the closing price of our shares at the market trading such shares on the day immediately preceding the day on which such resolution is made or (b) if no sale takes place at such market on that day, the price at which the sale of our shares is executed on such market immediately thereafter and (ii) in the event that such shares are subject to a tender offer on the day immediately preceding the day on which such resolution is made, the price set in the contract regarding such tender offer on such day.

The total amount of the purchase price of shares of our common stock may not exceed the Distributable Amount as described in "—Distribution of Surplus—Restriction on Distribution of Surplus."

We may hold the shares of our common stock acquired and may generally dispose of or cancel such shares by a resolution of the board of directors.

Request by a Controlling Shareholder to Sell All Shares

A shareholder holding, directly or indirectly, 90% (or such other percentage above 90% as may be provided in our articles of incorporation) or more of voting rights has the right to request, subject to approval by the board of directors, that the other shareholders and (if the controlling shareholder so determines) all holders of stock acquisition rights (in each case other than us and, if the controlling shareholder so determines, the controlling shareholder's wholly owned subsidiaries) sell to the controlling shareholder all shares and all stock acquisition rights, as the case may be, held by them (*kabushikitou uriwatashi seikyu*). If the approval is granted by a resolution of the board of directors, we will be required to give public notice thereof to all holders and registered pledgees of shares (and stock acquisition rights, as the case may be) not later than 20 days prior to the effective date of such sales, as proposed by the controlling shareholder.

Disposal of Shares of Our Common Stock Held by Shareholders Whose Location is Unknown

We are not required to continue to send notices to a shareholder if notices sent by us to such shareholder fail to arrive for five consecutive years or more at such shareholder's address registered in our register of shareholders or otherwise notified to us.

In the above case, if the relevant shareholder also fails to receive dividends on the shares continuously for five years or more at such shareholder's address registered in our register of shareholders or otherwise notified to us, then we may in general dispose of such shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

Reporting of Substantial Shareholdings

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of common stock of a company that is listed on any Japanese stock exchange, or whose shares are traded on an over-the-counter market in Japan, to file a report concerning its shareholdings with the Director-General of the competent Regional Finance Bureau of the Ministry of Finance, in

general, within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in the holding or of any change in material matters set out in any previously filed reports unless and until a holder files a report stating a holding of 5% or less of the total issued shares. For this purpose, shares issuable or transferable to such person upon exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by the holder and the issuer's total issued shares of common stock. These reports are required to be filed and made publicly available through the EDINET system, which is an electronic disclosure system operated by the Financial Services Agency.

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon exercise of the Stock Acquisition Rights incorporated in the Bonds who are non-resident individuals or non-Japanese corporations having no permanent establishment in Japan ("non-resident Holders"). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties or arrangements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisors.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisors as to the applicable tax treatment.

Gains derived from the sale of Bonds, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company. Stock splits are not subject to Japanese income tax.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20%, subject to any applicable income tax treaty. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the Shares) to any corporate or individual shareholders (including those shareholders who are non-resident individuals or non-Japanese corporations), except for any individual shareholder who holds 3% or more of the total issued shares of the relevant Japanese corporation, the said 20% withholding tax rate is reduced to 15%. Due to the imposition of a special additional withholding tax (2.1% of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake (the "Special Income Tax for Reconstruction"), the original withholding tax rate of 15% and 20%, as applicable, has been effectively increased to 15.315% and 20.42% during the period beginning on January 1, 2013 and ending on December 31, 2026. On or after January 1, 2027, the Special Income Tax for Reconstruction will be reduced to 1.1% of the original withholding tax amount, but another special additional withholding tax (1% of the original withholding tax amount) to secure funds for strengthening the defense capabilities of Japan (the "Special Income Tax for Defense") will be introduced. Accordingly, the overall withholding tax rate will remain unchanged during the period beginning on January 1, 2027 and ending on December 31, 2047. On or after January 1, 2048, the Special Income Tax for Reconstruction will no longer apply, but the Special Income Tax for Defense will remain applicable. Accordingly, the 15.315% and 20.42% withholding tax rates will be reduced to 15.15% and 20.2%, respectively. The withholding tax under Japanese tax law mentioned above may be exempted or reduced under an applicable tax treaty between Japan and the country of tax residence of a non-resident Holder.

Gains derived from the sale of Shares, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

SUBSCRIPTION AND SALE

Subscription Agreement

Pursuant to a subscription agreement dated July 14, 2026 in respect of the Bonds (the "Subscription Agreement") between us on the one hand and Mizuho International plc and Nomura International plc (together, the "Joint Lead Managers") and SMBC Bank International plc (together with the Joint Lead Managers, the "Managers") on the other, the Managers have agreed with us, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of the 2031 Bonds and the 2033 Bonds as indicated in the table below at the issue price (i) in respect of the 2031 Bonds of 101.0% of the principal amount of the 2031 Bonds (the "2031 Bonds Issue Price"), and (ii) in respect of the 2033 Bonds of 101.0% of the principal amount of the 2033 Bonds (the "2033 Bonds Issue Price," and together with the 2031 Bonds Issue Price, the "Issue Prices"), and to offer (i) the 2031 Bonds at the offer price in respect of the 2031 Bonds as stated on the cover page of this offering circular (the "2031 Bonds Offer Price") and (ii) the 2033 Bonds at the offer price in respect of the 2033 Bonds as stated on the cover page of this offering circular (the "2033 Bonds Offer Price," and together with the 2031 Bonds Offer Price, the "Offer Prices").

Managers	Aggregate Principal Amount of the 2031 Bonds	Aggregate Principal Amount of the 2033 Bonds
Mizuho International plc	¥22,500,000,000	¥22,500,000,000
Nomura International plc	22,500,000,000	22,500,000,000
SMBC Bank International plc	5,000,000,000	5,000,000,000
Total	¥50,000,000,000	¥50,000,000,000

No selling concession or combined management and underwriting commission will be payable by us with respect to the offering of the Bonds. The difference between the Offer Prices and the Issue Prices will be retained by the Managers.

The closings of the 2031 Bonds and the 2033 Bonds are conditional upon each other.

We have agreed to pay certain costs in connection with the issue and offering of the Bonds. The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to us as set out therein. We have agreed to indemnify the Managers against certain liabilities in connection with the issue and offering of the Bonds.

Lock-up

In connection with the issue and offering of the Bonds, we have agreed that, during the period beginning on the date of this offering circular and ending on the date that is 180 days from and including the Closing Date, we will not, without the prior written consent of the Joint Lead Managers on behalf of the Managers:

(i) issue, offer, allot, transfer, pledge, lend, sell or enter into any contract relating thereto, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale or otherwise dispose of Shares or any other class of our capital stock or any securities convertible into, or exchangeable for, or that represent the right to acquire or receive, Shares or any other class of our capital stock, including the stock acquisition rights of the Company (collectively, the "Lock-up Securities") (in each case regardless of whether any such transaction is to be effected by actual disposition, cash settlement or other settlement for economic value);

(ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of the Lock-up Securities;

(iii) permit any entities or persons acting at the Company's direction to engage in any of the prohibited actions described in (i) or (ii) above;

(iv) announce or publicise the intention to enter into, or consent to, any of the prohibited actions described in (i) through (iii) above; or

(v) approve of or request for, or take any internal corporate action in order to approve of, any secondary offering of Shares or any other class of our capital stock by our shareholders.

The restrictions above also prohibit transactions undertaken with the intent to lead to or bring about, or transactions that could reasonably be expected to result in, sales or disposals of the Lock-up Securities, such as hedging or other transactions, including disposals of the Lock-up Securities, undertaken by third parties. Prohibited hedging and other transactions include, but are not limited to, short sales and any purchase, sale or grant of rights (including but not limited to put options and call options) relating to the Lock-up Securities or securities relating to or that derive their primary value from the Lock-up Securities.

Notwithstanding the foregoing, the restrictions described above will not apply to:

(A) the issue and sale of the Shares and Bonds in the Concurrent Share Offering and the Offering, respectively;

(B) the approval of, and the taking of any internal corporate action in order to approve of, the Concurrent Share Offering or the Offering;

(C) a stock split undertaken in accordance with Article 183 of the Companies Act or an allotment of shares without contribution undertaken in accordance with Article 185 of the Companies Act;

(D) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares in accordance with paragraph 3 of Article 194 of the Companies Act; or

(E) the issuance or delivery of Shares upon the exercise of the Stock Acquisition Rights relating to the Bonds or other stock acquisition rights outstanding on the date hereof and disclosed in this offering circular.

Other Relationships

The Managers or their respective affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offering of the Bonds, the Managers or their respective affiliates may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or the Shares and/or other securities of us or our subsidiaries or affiliates and/or components of such Bonds and/or Shares and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result of such transactions the Managers or their respective affiliates may hold long or short positions in the Bonds and/or Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

The Managers or their respective affiliates have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, advisory and other services to us and our subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds. In particular, Mizuho Bank, Ltd. ("Mizuho Bank") is one of our principal bank lenders and is an affiliate of Mizuho International plc, a Joint Lead Manager in respect of the offering of the Bonds. A material portion of our short-term and long-term borrowings is held by Mizuho Bank. We may use a portion of the proceeds from the offerings of the Bonds for the repayment of certain borrowings from Mizuho Bank.

In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of us or our subsidiaries and affiliates. The Managers or their respective affiliates that have a lending relationship with us or our subsidiaries and affiliates routinely hedge their credit exposure to it consistent with their customary risk management policies. Typically, the Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities, including potentially the Bonds. Any such short positions could adversely affect future trading prices of the Bonds. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial

instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Concurrent Share Offering

Separately from the issue and offering of the Bonds, and concurrently, we are offering and intend to sell 37,350,000 newly issued Shares. The Concurrent Share Offering will be conducted outside Japan in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act and within the United States only to QIBs, in reliance on Rule 144A under the Securities Act. Subject to certain conditions, the joint lead managers for the Concurrent Share Offering will purchase the Shares at a purchase price of ¥2,501.40 per Share, and initially offer the Shares at the offer price of ¥2,609.0 per Share.

It is expected that payment for the Shares offered in the Concurrent Share Offering will be made in Japanese yen for value on or about July 22, 2026 (Tokyo time) and delivered through the facilities of JASDEC in Tokyo on or about July 23, 2026 (Tokyo time), or on such other date as we and the joint lead managers for the Concurrent Share Offering may agree.

No Offered Shares are being offered hereby. The closing of the offering of the Bonds is not conditional upon the closing of the Concurrent Share Offering and *vice versa*.

Selling Restrictions

United States

The Bonds are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act. The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Japan

The Bonds have not been and will not be registered under the FIEA. The Bonds may not be offered or sold in Japan or to, or for the account or benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Prohibition of Sales to EEA Retail Investors

The Bonds are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Prohibition of Sales to UK Retail Investors and Other Restrictions

The Bonds are not intended to be offered, sold, distributed or otherwise made available and should not be offered, sold distributed or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is either one (or both) of the following:

  (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or

(ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

In addition, in the United Kingdom this offering circular is being distributed only to, and is directed only at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (ii) entities falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as "relevant persons"). This offering circular must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this offering circular relates is only available to, and will be engaged in with, relevant persons.

Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Bonds have not been offered or sold or caused to be made the subject of an invitation for subscription or purchase, and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and neither this offering circular nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds has been circulated or distributed, nor will they be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Hong Kong

The Bonds have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong, has been or will be issued, whether in Hong Kong or elsewhere, except if permitted to do so under the securities laws of Hong Kong, other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Switzerland

The Bonds may not be publicly offered, sold, advertised or marketed directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the "FinSA"), except under an exemption from the prospectus requirements under the FinSA, and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this offering circular nor any other offering or marketing material relating to the Bonds may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus pursuant to the FinSA.

General

Neither we nor the Managers represent that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Numbers (ISINs) and the Common Codes are as follows:

	ISIN	Common Code
2031 Bonds	XS3406772007	340677200
2033 Bonds	XS3406772346	340677234

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 7012. The Legal Entity Identifier (LEI) for the Company is 5493008FFSI8SQ74AT93.

3. We have obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated July 2, 2026 of our Board of Directors.

4. Approval in-principle has been received for the listing of each Series of Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this offering circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of us or the Bonds. Each Series of Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST and rules of the SGX-ST so require. For so long as the relevant Series of Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the relevant Series of Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate evidencing the relevant Series of Bonds is exchanged for definitive Certificates. In addition, in the event that the Global Certificate evidencing the relevant Series of Bonds is exchanged for definitive Certificates, an announcement of such exchange shall be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

5. Save as disclosed in this offering circular, there has been no significant change in the financial or trading position of us and our subsidiaries and affiliates taken as a whole, and no material adverse change in the prospects of us and our subsidiaries and affiliates taken as a whole since March 31, 2026.

6. Save as disclosed in this offering circular, neither we nor any of our subsidiaries are, or have been involved in, any governmental, legal, administrative, arbitrative or other proceedings (including any such proceedings which are pending or threatened of which we are aware) which may have, or have had during the 12 months preceding the date of this offering circular, a significant effect on our financial position or the profitability or that of any of our subsidiaries and affiliates, and so far as we are aware, there are no such proceedings that are pending or threatened.

7. The consolidated financial statements of Kawasaki Heavy Industries, Ltd. and its consolidated subsidiaries as of and for the year ended March 31, 2026, included in this offering circular, have been audited by KPMG AZSA LLC, independent auditor, as stated in its report appearing herein.

8. The consolidated financial statements of Kawasaki Heavy Industries, Ltd. and its consolidated subsidiaries as of and for the year ended March 31, 2025, included in this offering circular, have been audited by KPMG AZSA LLC, independent auditor, as stated in its report appearing herein.

9. Copies of the Trust Deed and the Agency Agreement will be available for inspection at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

10. Except to the extent provided in Condition 6 of the Conditions for the relevant Series of Bonds, the Conditions do not provide for participating rights in the event of a take-over of us.

11. The Trustee is entitled under each Trust Deed to rely on reports and certificates addressed and/or delivered to it by our independent auditor whether or not the same are subject to any limitation on the liability of the independent auditor to the Company and whether by reference to a monetary cap or otherwise.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of management's judgment on the recoverability of deferred tax assets	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") and its consolidated subsidiaries as of March 31, 2026, deferred tax assets of ¥119,475 million were recognized. As described in Note 15, "Deferred taxes and income taxes" to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥167,559 million. Of this amount, the gross deferred tax assets held by the Company, which applies the Group Tax Sharing System, amounted to ¥101,896 million, representing approximately 3.1% of total assets in the consolidated financial statements.	The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets of the Company was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the judgment on the recoverability of deferred tax assets. In this assessment, we focused our testing on internal controls over the preparation of the business plan used to estimate the Company's future taxable income.

As described in Note 3(17), "Material accounting policies - Income taxes," recoverability of deferred tax assets is reassessed every fiscal year end and are recognized to the extent that deductible temporary differences are expected to reduce future taxable income. The future taxable income to be generated by the Company, which was used to determine the recoverability of its deferred tax assets, was estimated based primarily on the business plan prepared by management. This business plan involved uncertainty since forecasts of revenue and profit, which are the key elements of the business plan, may be affected by changes in future economic conditions and other factors, and had a significant impact on the assessment of the recoverability of deferred tax assets. We, therefore, determined that our assessment of the appropriateness of management's judgement on the recoverability of deferred tax assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	**(2) Assessment of the reasonableness of the estimated future taxable income** In order to assess the reasonableness of key assumptions applied in preparing the business plan that served as the basis for estimating future taxable income, we: • evaluated the process of preparing the business plan that served as the basis for estimating future taxable income by inquiring of management of the Company, respective company presidents and management of Kawasaki Railcar Manufacturing Co., Ltd., and by inspecting the minutes of the Management Committee of the Company. • assessed the consistency of the estimated future taxable income used to determine the recoverability of deferred tax assets with the business plan approved by the Management Committee of the Company.

Management's assessment of the financial asset based on contractual rights related to certain overseas LNG tank construction work (Energy Solution & Marine Engineering Company)

The key audit matter	How the matter was addressed in our audit
As described in Note 14, "Other financial assets," Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") sustained a loss of approximately ¥51 billion due to a breach of contract by an overseas construction subcontractor that failed to fulfill the contract on certain LNG tank construction work overseas. In connection with this issue, the Company filed a petition for arbitration with the International Chamber of Commerce ("ICC"). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on its contractual rights within "Other" under "Other financial assets." Management's assessment of the financial asset based on the Company's contractual rights considered the progress of the arbitration proceedings at the ICC and the prospect for an award of the arbitration tribunal as well as the business environment and the financial conditions of the overseas construction subcontractor. These estimates included significant management judgments, including the prospects for an award of the arbitration tribunal and amount of claim the Company alleged was caused by the breach of contract by the overseas construction subcontractor, as well as the ability of the overseas construction subcontractor to make payment for any amount of claim to be determined by the arbitration tribunal, all of which involved uncertainty.	The primary procedures we performed to assess the appropriateness of management's assumptions used for assessing the financial asset based on the Company's contractual rights related to certain overseas LNG tank construction work included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to management's assessment of the financial asset based on its contractual rights. In the assessment, we focused on internal controls in which the personnel responsible for the accounting division assess the estimates of the arbitration tribunal related to the subject and amount of claim based on its contractual rights as well as the ability of the overseas construction subcontractor to make payment for any amount of claim to be determined by the arbitration tribunal, giving consideration to the opinion of the Company's legal counsel. **(2) Assessment of the reasonableness of the estimation related to the amount of the financial asset based on the Company's contractual rights** • We inspected the minutes of the Management Committee of the Company related to the

We, therefore, determined that our assessment of the appropriateness of management's assessment of the financial asset based on the Company's contractual rights related to certain overseas LNG tank construction project was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	estimation of the amount of financial asset. In addition, we inquired of several personnel, such as management (including the president of Energy Solution & Marine Engineering Company) and those responsible for the administration division and the accounting division and then assessed the reasonableness of their respective responses. • We circularized through a written legal confirmation directly with the legal counsel engaged by the Company to assess the amount of the financial asset and assessed the consistency of the opinion of the legal counsel with the result of management's assessment of the amount of the financial asset. We inspected the annual reports issued by the overseas construction subcontractor and the monthly research reports on the financial conditions, order booking status and other information of the overseas construction subcontractor submitted by the Company's legal counsel and evaluated the consistency of the information with the result of management's assessment of the overseas construction subcontractor's ability to make payment.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

Fee-related Information

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

Convenience Translation

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

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

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

Horiuchi Kazuhisa
Designated Engagement Partner
Certified Public Accountant

Takeshita Shimpei
Designated Engagement Partner
Certified Public Accountant

Kyoi Yasumasa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Kobe Office, Japan
June 19, 2026

Notes to the Reader of Independent Auditor's Report:

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

Consolidated Statement of Financial Position

As of March 31, 2026 and 2025

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

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Profit or Loss

For the years ended March 31, 2026 and 2025

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

Note: On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Basic earnings per share has been calculated assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2025.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2026 and 2025

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

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended March 31, 2026 and 2025

		Millions of yen												
		Equity attributable to owners of parent												
						Other components of equity								
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Other comprehensive income associated with assets held for sale	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2024		¥104,484	¥ 56,455	¥405,156	¥(1,060)	¥ —	¥10,407	¥ 355	¥58,291	¥ 69,054	¥—	¥634,090	¥20,459	¥654,549
Profit				88,001								88,001	2,326	90,328
Other comprehensive income	21					7,614	(2,226)	(858)	(3,318)	1,211		1,211	(139)	1,071
Comprehensive income				88,001		7,614	(2,226)	(858)	(3,318)	1,211		89,213	2,186	91,399
Purchase of treasury shares	20				(3,078)							(3,078)		(3,078)
Disposal of treasury shares	20		0		45							46		46
Dividends	20			(16,787)								(16,787)	(860)	(17,647)
Transfer to retained earnings				7,159		(7,614)	455			(7,159)		—		—
Change in scope of consolidation									(0)	(0)		(0)		(0)
Capital increase of consolidated subsidiaries												—	363	363
Change in ownership interest of parent due to transactions with non-controlling interests												—		—
Transfer to non-financial assets								(568)		(568)		(568)		(568)
Transfer to other comprehensive income associated with assets held for sale												—		—
Other												—		—
Total transactions with owners			0	(9,628)	(3,032)	(7,614)	455	(568)	(0)	(7,727)	—	(20,388)	(496)	(20,885)
Balance as of March 31, 2025		¥104,484	¥ 56,456	¥483,530	¥(4,093)	¥ —	¥ 8,636	¥(1,071)	¥54,972	¥ 62,537	¥—	¥702,915	¥22,148	¥725,064
Profit				108,157								108,157	6,769	114,927
Other comprehensive income	21					14,566	3,671	(1,385)	28,655	45,507		45,507	3,455	48,963
Comprehensive income				108,157		14,566	3,671	(1,385)	28,655	45,507		153,665	10,225	163,891
Purchase of treasury shares	20				(30)							(30)		(30)
Disposal of treasury shares	20		1		210							212		212
Dividends	20			(26,020)								(26,020)	(1,341)	(27,362)
Transfer to retained earnings				15,149		(14,566)	(582)			(15,149)		—		—
Change in scope of consolidation												—	1,712	1,712
Capital increase of consolidated subsidiaries			22									22	2,977	3,000
Change in ownership interest of parent due to transactions with non-controlling interests	5		49,019				41	47	(3,759)	(3,670)		45,349	34,650	80,000
Transfer to non-financial assets								(77)		(77)		(77)		(77)
Transfer to other comprehensive income associated with assets held for sale							(23)	(14)		(37)	37	—		—
Other			2,085									2,085		2,085
Total transactions with owners			51,128	(10,871)	180	(14,566)	(564)	(43)	(3,759)	(18,934)	37	21,540	37,998	59,538
Balance as of March 31, 2026		¥104,484	¥107,584	¥580,816	¥(3,912)	¥ —	¥11,743	¥(2,500)	¥79,868	¥ 89,111	¥37	¥878,121	¥70,372	¥948,494

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended March 31, 2026 and 2025

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

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flow

For the years ended March 31, 2026 and 2025

	Notes	Millions of yen		Thousands of U.S. dollars
		2025	2026	2026
Cash flows from operating activities				
Profit		¥ 90,328	¥ 114,927	$ 718,608
Depreciation and amortization		93,431	103,816	649,134
Impairment losses		—	1,248	7,803
Finance income and finance costs		26,566	31	194
Share of loss (profit) of investments accounted for using equity method		(23,174)	(24,141)	(150,947)
Loss (gain) on sale of fixed assets		948	3,210	20,071
Income tax expense		17,190	30,602	191,346
Increase (decrease) in assets and liabilities related to retirement benefits		(5,307)	4,437	27,743
Decrease (increase) in trade and other receivables		(96,117)	(86,461)	(540,618)
Decrease (increase) in contract assets		(33,844)	(29,582)	(184,968)
Decrease (increase) in inventories		(69,241)	(23,895)	(149,409)
Increase (decrease) in trade and other payables		70,498	66,797	417,664
Decrease (increase) in advance payments		(67,377)	(33,202)	(207,603)
Increase (decrease) in contract liabilities		98,899	19,388	121,228
Increase (decrease) in refund liabilities		1,071	7,805	48,803
Increase (decrease) in provisions		1,512	(3,088)	(19,308)
Decrease (increase) in other current assets		(47)	1,946	12,168
Increase (decrease) in other current liabilities		32,549	16,080	100,544
Other		31,398	1,601	10,011
Subtotal		169,284	171,521	1,072,475
Interest received		2,554	1,657	10,361
Dividends received		10,784	17,502	109,435
Interest paid		(14,838)	(13,885)	(86,819)
Income taxes paid		(18,841)	(36,725)	(229,632)
Net cash provided by (used in) operating activities		¥ 148,943	¥ 140,071	$ 875,827
Cash flows from investing activities				
Purchase of property, plant and equipment		¥ (98,682)	¥ (95,983)	$ (600,156)
Proceeds from sale of property, plant and equipment		7,309	2,209	13,812
Purchase of intangible assets		(14,962)	(21,802)	(136,322)
Proceeds from sale of intangible assets		434	436	2,726
Payments for equity method investments and purchase of other financial assets		(7,612)	(11,987)	(74,952)
Proceeds from equity method investments and sale of other financial assets		2,865	2,649	16,563
Other		(553)	(3,570)	(22,322)
Net cash provided by (used in) investing activities		¥(111,201)	¥(128,049)	$ (800,657)

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flow

For the years ended March 31, 2026 and 2025

	Notes	Millions of yen		Thousands of U.S. dollars
		2025	2026	2026
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	17	¥ 67,327	¥(80,332)	$(502,295)
Repayments of lease liabilities	13,17	(17,290)	(18,306)	(114,463)
Proceeds from long-term borrowings	17	38,000	38,000	237,604
Repayments of long-term borrowings	17	(29,001)	(27,049)	(169,130)
Redemption of bonds	17	(30,000)	(40,000)	(250,109)
Dividends paid	20	(16,763)	(25,953)	(162,277)
Proceeds from factoring agreements	17	100,464	110,635	691,771
Repayment of liabilities under factoring agreements	17	(85,629)	(61,741)	(386,050)
Dividends paid to non-controlling interests		(860)	(1,341)	(8,385)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation		—	80,000	500,219
Other		(16,639)	(7,142)	(44,657)
Net cash provided by (used in) financing activities		¥ 9,605	¥(33,232)	$(207,791)
Effect of exchange rate changes on cash and cash equivalents		1,275	3,918	24,498
Net increase (decrease) in cash and cash e**quivalents**		48,623	(17,290)	(108,110)
Cash and cash equivalents at beginning of period	6	84,153	132,776	830,213
Cash and cash equivalents included in assets held for sale	9	—	(71)	(444)
Cash and cash equivalents at end of period	6	¥132,776	¥ 115,414	$ 721,653

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

1. Reporting Entity

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

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group, which meet the requirements of the "Specified Company Applying Designated International Financial Reporting Standards" prescribed in Article 1-2-1 of the Ordinance on Consolidated Financial Statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 312 of the Ordinance.

The consolidated financial statements were approved by Yasuhiko Hashimoto, Representative Director & President, on June 19, 2026.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, and figures are rounded down to the nearest million yen, unless otherwise stated.

U.S dollar amounts are included solely for convenience purposes. These translations should not be construed as representations that the Japanese yen amounts actually represent or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are solely for convenience purposes, the prevailing rate on March 31, 2026 of ¥159.93 to US$1.00 is used for the purpose of presenting U.S. dollar amounts in the accompanying consolidated financial statements.

(4) Use of significant estimates and judgments

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

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

(5) Issued accounting standards and interpretations not yet adopted

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

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

3. Material accounting policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group.

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

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

(ii) Associates

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

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

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

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

(iii) Joint arrangements

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

(iv) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

(2) Foreign currency translation

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

(3) Financial instruments

(i) Non-derivative financial assets

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

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

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

On the reporting date, if a credit risk on a financial instrument has not significantly increased since its initial recognition, the allowance on the financial instrument is measured at an amount equal to the expected credit loss arising from possible events of default that could occur within 12-month from the reporting date (12-month expected credit loss). However, for trade receivables, contract assets and lease receivables, allowances are always measured at the amount equal to expected lifetime credit losses.

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

(iii) Non-derivative financial liabilities

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

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

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the liabilities. The financial liabilities are derecognized when, and only when, the financial liabilities are extinguished, or the obligations specified in the contract are extinguished, discharged, cancelled or expired.

(iv) Derivative transactions and hedge accounting

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

(c) Derivatives not designated as hedges

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

(4) Cash and cash equivalents

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

(5) Inventories

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

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

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

(6) Assets held for sale

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

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

(7) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

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

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

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

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

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

(8) Intangible assets

(i) Recognition and measurement

(a) Development expenses

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

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

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

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

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

(b) Software and other intangible assets

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

(c) Goodwill

Goodwill arising from the acquisition of a subsidiary is recorded as an intangible asset. Initial recognition and measurement of goodwill are stated above in Note 3 (1) (iv), "Business combinations." Goodwill is accounted for using the cost model and measured at the acquisition cost less accumulated impairment loss. For the equity-method entities, the carrying amount of goodwill is included in the carrying amount of investments.

(ii) Amortization

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

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

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

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

(9) Leases

(i) Leases as lessee

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

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

Lease liabilities are initially measured at the discounted present value of the outstanding lease payments at the commencement date of the lease using the interest rate implicit in the lease. If the interest rate implicit in the lease is not readily determinable, the Group's incremental borrowing rate is used.

Lease liabilities are measured at amortized cost using the effective interest method. Each contract includes an option to buy the underlying asset and extend or terminate the lease term. Lease liabilities are remeasured if there is any change in the prospects for exercising the option.

In addition, right-of-use assets and lease liabilities are not recognized for short-term leases whose lease terms are 12 months or less and leases of low-value assets, and the related lease payments are recognized as expenses on a straight-line basis over the lease term.

The Group distinguishes right-of-use assets from other assets and presents lease liabilities in "Bonds, borrowings and other financial liabilities" in the consolidated statement of financial position.

(ii) Leases as lessor

Contractually, leases in which substantially all the risks and rewards incidental to ownership of underlying assets are transferred to the lessee are classified as finance leases. Leases other than finance leases are classified as operating leases.

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

For operating lease transactions, lease payments received are recognized as revenue on a straight-line basis over the lease terms.

(10) Impairment of non-financial assets

The Group's carrying amounts of property, plant and equipment and intangible assets are determined by whether there is any indication of impairment at the end of each reporting period. If there is an indication of impairment, the Group estimates the recoverable amount of the asset and performs an impairment test. Goodwill and intangible assets with indefinite useful lives or not yet available for use are not only periodically tested for impairment once a year, but also whenever there is an indication of impairment.

The recoverable amount of assets or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. With regard to the measurement of value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. The cash-generating unit is the smallest unit of an asset group that can be identified as generating cash inflows that are largely independent of cash inflows from other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in profit or loss. An impairment loss recognized in relation to a cash-generating unit is allocated to reduce the carrying amount of goodwill allocated to the unit and subsequently to reduce the carrying amount of other assets within the unit on a pro-rata basis.

Impairment loss in relation to goodwill is not reversed. For non-financial assets other than goodwill with impairments loss recognized in the past, a determination is made to whether there is any indication of a reversal of the impairment loss recorded in previous years at the end of each reporting period. If such an indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or the unit, impairment loss is reversed up to the lower of the calculated recoverable amount and the carrying amount after deducting any depreciation of which no impairment loss had been recognized in the previous years.

(11) Government grants

Government grants are measured at fair value when there is reasonable assurance that the Group will receive the grant and will comply with the required terms and conditions, and recognized as following method.

Grants related to assets are recognized by a method which deducts the value of the grant from the acquisition cost of the asset to determine the carrying amount of the asset. Grants related to revenue are recognized by a method which deducts the value of the grant from the related expenses.

(12) Employee benefits

(i) Long-term employee benefits

(a) Post-employment benefits

a) Defined contribution plans

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

b) Defined benefit plans

Defined benefit plans are recognized as liabilities or assets in which the fair value of the plan asset is deducted from the present value of the defined benefit obligations.

The present value of the defined benefit obligations and service cost are determined using the projected unit credit method for each system.

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

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

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

(b) Other long-term employee benefits

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

(ii) Short-term employee benefits

Short-term employee benefits are not discounted but recorded as expenses as the relevant services are provided. For bonuses, if the Group has the present legal and constructive obligation to pay them as the result of past services provided by employees and the amount can be reliably estimated, the estimated amount to be paid is recognized as a liability.

(13) Provisions

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

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

(14) Shareholders' equity

(i) Common shares

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

(ii) Treasury shares

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

(15) Revenue

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

(i) Identify the contract with the customers

(ii) Identify the performance obligations in the contract

(iii) Determine the transaction price

(iv) Allocate the transaction price to the performance obligations in the contract

(v) Recognize revenue when (or as) the Group satisfies a performance obligation

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

(i) Sale of products and other goods

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

(ii) Construction contracts and rendering of services

Revenues from construction contracts and the rendering of services are derived from the manufacturing of products based on orders from customers and the maintenance of the associated products. The Group has the performance obligations to transfer goods or services to the customer under the contract. For construction contracts and rendering of services, the Company recognizes revenue by reasonably measuring the progress towards complete satisfaction of performance obligations as control over goods or services is transferred to the customer over a certain period. The measurement of the progress takes into account the nature of the goods or services promised to be transferred to the customer. If costs incurred are proportional to progress in satisfying the performance obligations, such as with construction contracts in the Aerospace Systems segment and the Energy Solution & Marine Engineering segment, the progress is measured using the input method based on the ratio of the current cumulative costs incurred to the estimated total costs of the entire transaction. In the case of contracts that charge a fixed amount for services provided over a certain period of time, such as maintenance contracts in the Energy Solution & Marine Engineering segment, or contracts that have the right to receive from the customer an amount of consideration that directly corresponds to the value to the customer for the portion of the performance completed, such as with maintenance contracts for commercial aircraft jet engines in the Aerospace Systems segment and the manufacturing of rolling stock in the Rolling Stock segment, the progress is measured using the output method based on the ratio of the elapsed period to the entire contract period and the ratio of the fulfilled obligation up to the current time to the total performance obligation. If the Group is unable to reasonably estimate the progress but expects to recover the costs incurred, the Group recognizes revenue within the range of the costs incurred.

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

The Group provides a warranty that products meet the specifications set forth in the contracts. However, since the product warranty does not provide for separate service, it is not distinguished as an independent performance obligation. For transaction contracts that include changes in consideration, such as for rebates and post-sale discounts, the variable price is estimated to the extent that it is highly probable that a significant reversal in sales revenue will not occur when the uncertainty is resolved to determine the transaction price.

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

(16) Finance income and costs

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

(17) Income taxes

Income taxes comprise current taxes and deferred taxes and are recognized in profit or loss, except for taxes arising from business combinations and taxes incurred from items directly recognized in equity or other comprehensive income. Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities. The calculation of the taxes is based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

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

Deferred tax assets are recognized for the unused tax loss carryforward, tax credit carryforward, and deductible temporary differences only to the extent that it is probable that future taxable income will be available against which they can be utilized. In addition, they are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to realize the benefits of the deferred tax assets. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized in the following cases:

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

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

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

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

(18) Earnings per share

Basic earnings per share are determined by dividing profit attributable to owners of parent by the weighted average number of shares of outstanding common stock less treasury shares during the period.

Diluted earnings per share are determined by adjusting the impact of all potential common shares with a dilutive effect.

4. Operating segments

(1) Overview of reportable segments

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

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

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

(2) Information about reportable segments

The accounting policies applied to the reportable segments are generally the same as the Group's accounting policies described in Note 3, "Material accounting policies." Information about the reportable segments of the Group is as follows:

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

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

Notes:

1. Intersegment revenue and transfers are made with reference to prevailing market prices.
2. The details of Eliminations and corporate are as follows:
   (1) Eliminations and corporate of ¥ (25,609) million for business profit include ¥ (777) million for intersegment transactions and ¥ (24,832) million for general and administrative expenses not attributed to reportable segments. Eliminations and corporate also include ¥ (10,651) million related to new business investments (head office projects).
   (2) Eliminations and corporate of ¥ (12,871) million for segment assets include ¥ (273,121) million for eliminations of intersegment receivables and payables and corporate assets not allocated to reportable segments of ¥260,249 million among cash and cash equivalents, property, plant and equipment, other financial assets and others.
3. Business profit is calculated by deducting cost of sales, selling, general and administrative expenses, share of profit and loss of investments accounted for using equity method, other income, and other expenses from revenue.

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

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

Notes:

1. Intersegment revenue and transfers are made with reference to prevailing market prices.
2. The details of Eliminations and corporate are as follows:
   (1) Eliminations and corporate of ¥ (25,308) million ($(158,244) thousand) for business profit include ¥ (1,189) million ($(7,435) thousand) for intersegment transactions and ¥ (24,119) million ($(150,810) thousand) for general and administrative expenses not attributed to reportable segments. Eliminations and corporate also include ¥ (12,223) million ($(76,427) thousand) related to new business investments (head office projects).
   (2) Eliminations and corporate of ¥ (65,647) million ($(410,473) thousand) for segment assets include ¥ (273,199) million ($(1,708,241) thousand) for eliminations of intersegment receivables and payables and corporate assets not allocated to reportable segments of ¥207,551 million ($1,297,762 thousand) among cash and cash equivalents, property, plant and equipment, other financial assets and others.
3. Business profit is calculated by deducting cost of sales, selling, general and administrative expenses, share of profit and loss of investments accounted for using equity method, other income, and other expenses from revenue.

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

(3) Information by product and service

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

(4) Information by region

The Group's revenues by region are based on the geographical distribution of its customers, the breakdown of which is described in Note 25, "Revenue." The breakdown of the carrying amounts of non-current assets (excluding items such as financial assets, deferred tax assets, and retirement benefit assets.) analyzed by region of the Group is as follows:

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

(5) Information about major customers

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

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

5. Change in subsidiaries and non-controlling interests

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

There were no significant business combinations.

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

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

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

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

6. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

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

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

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

7. Trade and other receivables

The breakdown of trade and other receivables is as follows:

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

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

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

8. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Merchandise and finished goods	¥134,712	¥153,010	$ 956,731
Work in process	414,791	418,377	2,616,001
Raw materials and supplies	225,930	250,781	1,568,067
Total	¥775,434	¥822,169	$5,140,805

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

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

9. Assets held for sale

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

(1) Assets held for sale

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

(2) Liabilities directly associated with assets held for sale

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

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

The Company resolved, at a meeting of its Board of Directors held on February 9, 2026, to transfer all shares of EarthTechnica held by the Company to Furukawa Co., Ltd., and entered into a share transfer agreement

on the same date. The share transfer agreement provides for the phased transfer of all shares of EarthTechnica. The Company transferred 60% of the total number of issued shares on April 1, 2026, as described in Note 33, "Subsequent events." The remaining 40% of the total number of issued shares is scheduled to be transferred on April 1, 2027.

10. Property, plant and equipment

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

Carrying amount

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

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

Acquisition cost

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

Thousands of U.S. dollars

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

Accumulated depreciation and accumulated impairment loss

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

Notes:

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

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

11. Intangible assets

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

Carrying amount

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

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

Acquisition cost

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

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

Accumulated amortization and accumulated impairment loss

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

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

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

12. Impairment of non-financial assets

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

As of March 31, 2025

There was no material impairment loss.

As of March 31, 2026

There was no material impairment loss.

13. Leases

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

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

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

Also, the Group leases mainly machinery and equipment other than offices and other premises, and the lease terms for machinery and equipment are from 5 to 10 years. Among these leases are leases under which the Group has the option to purchase the asset at the end of the contract term and leases under which the Group guarantees the residual value of the lease assets at the end of the contract term.

The Group remeasures right-of-use assets and lease liabilities through monitoring the use of the machinery and equipment and revaluing amounts expected to be paid based on residual value guarantees as of the reporting date. Other IT equipment leases include short-term leases and leases of low-value assets, for which right-of-use assets and lease liability are not recognized.

(1) Right-of-use assets

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

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

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

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

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

(2) Lease liabilities

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

(3) Amount recognized in profit and loss

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

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

(4) Cash outflow related to leases

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

(5) Sale and leaseback

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

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

14. Other financial assets

(1) The breakdown of other financial assets

The breakdown of other financial assets is as follows:

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

Notes:

1. Derivative assets include those designated as hedging instruments. The effective portion of any change in fair value of derivative assets is recognized as other comprehensive income.
2. The Company sustained losses (approximately ¥51 billion ($318,890 thousand)) due to breach of contract by an overseas construction subcontractor in connection with a certain overseas liquefied natural gas (LNG) tank construction project. The Company has filed a petition for arbitration on this matter with the International Chamber of Commerce (ICC). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on contractual rights within "Other" under "Other financial assets."

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

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

(i) The breakdown of major stocks and fair value

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

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

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

(ii) Derecognition

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

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

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

(iii) Dividend income

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

15. Deferred taxes and income taxes

(1) Deferred taxes

(i) Deferred tax assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Income tax expense

The breakdown of income tax expense is as follows:

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

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

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

(3) Reconciliation of applicable tax rate

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

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

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

16. Trade and other payables

The breakdown of trade and other payables is as follows:

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

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

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

17. Bonds, borrowings and other financial liabilities

(1) Breakdown

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

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

Average interest rates for short-term and long-term borrowings applicable to the current consolidated fiscal year were 2.878% and 1.209%, respectively.

Long-term borrowings will be due in 2026 through 2036.

(2) Contractual terms and repayment schedule

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

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

(3) Receivables securitization

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

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

(4) Reconciliation of liabilities on financing activities

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

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

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

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

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

(5) Financial covenants

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

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

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

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

18. Employee benefits

(1) Overview of retirement benefit plans

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

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

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

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

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

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

(2) Defined benefit plans

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

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

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

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

(ii) Changes in present value of defined benefit obligations

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

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

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

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

(iii) Changes in fair value of plan assets

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

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

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

(iv) Components of plan assets

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

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

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

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

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

(v) Changes in the effect of the asset ceiling

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

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

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

	2025	2026
Discount rate (%)	2.22	3.10

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

(vii) Sensitivity analysis of defined benefit obligations

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

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

(3) Defined contribution plans

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

(4) Employee benefit expenses

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

19. Provisions

(1) Statements of changes

Changes in provisions are as follows:

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

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

(2) Details of provisions

(i) Provision for product and construction warranties

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

(ii) Provision for loss on construction contracts

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

(iii) Other

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

20. Paid-in capital and other equity

(1) Capital Management

The Group's basic management policy is to stably generate profits that exceed the cost of capital into the future in order to sustainably improve corporate value and strengthen the Group's financial base.

In order to do so, the Group believes that it is important to maintain an appropriate balance between long-term shareholder value through strategic investments for future growth and stable returns to shareholders while maintaining financial soundness.

In this pursuit, the Group places after-tax ROIC and net D/E ratio as significant monitoring targets.

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

The Group is not subject to any significant capital regulations.

(2) Share capital and treasury shares

Changes in authorized shares and issued shares are as follows:

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

Notes:

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

(3) Surplus

(i) Capital surplus

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

(ii) Retained earnings

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

(4) Other components of equity

(i) Remeasurements of defined benefit plans

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

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

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

(iii) Cash flow hedges

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

(iv) Exchange differences on translation of foreign operations

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

(5) Dividends

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

(i) Total dividends and dividends per share

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

Notes:

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

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

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

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

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

(i) Total dividends and dividends per share

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

Notes:
1. The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2025 includes dividends of ¥59 million ($369 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.
2. The total amount of dividends declared based on the resolution of the Board of Directors Meeting on November 11, 2025 includes dividends of ¥52 million ($325 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.
3. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Dividends per share reflect the actual dividend amounts prior to the stock split.

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

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

Notes:
1. The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 25, 2026 includes dividends of ¥67 million ($419 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.
2. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Dividends per share reflect the actual dividend amounts prior to the stock split.

21. Other comprehensive income

Changes in other comprehensive income are as follows:

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

22. Financial instruments

(1) Financial risk management

The Group is exposed to the following risks on financial instruments.

- Credit risk (see (2))
- Liquidity risk (see (3))
- Market risk (see (4))

(2) Credit risk

(i) Details of credit risk and risk management policy

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

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

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

(ii) Credit risk exposure

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

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

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

(b) Debt guarantees

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

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

(iii) Changes in allowance for doubtful accounts

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

- Trade receivables, contract assets and lease receivables

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

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

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

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

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

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

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

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

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

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

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

There were no significant changes in the total carrying amount of any of these assets that would affect the change in the allowance for doubtful accounts for the previous consolidated fiscal year or the current consolidated fiscal year.

In addition, there are no significant properties held as security or other credit enhancements.

(3) Liquidity risk

(i) Details and management policy of liquidity risk

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

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

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

(ii) Maturity analysis

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

(a) As of March 31, 2025

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

(b) As of March 31, 2026

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

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

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

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

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

(iv) Supplier finance arrangements

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

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

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

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

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

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

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

(4) Market risk

(i) Foreign currency risk

(a) Details and management policy of foreign currency risk

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

(b) Exposures to foreign currency risk

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

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

(c) Foreign currency sensitivity analysis

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

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

(ii) Interest rate risk

Details and management policy of interest rate risk

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

(5) Hedge accounting

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

(i) Significant derivatives designated as hedges

(a) As of March 31, 2025

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

(b) As of March 31, 2026

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

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

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

(ii) Cash flow hedge reserve

The balance of cash flow hedge reserve is as follows:

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

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

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

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

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

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

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

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

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

(6) Fair values of financial instruments

(i) Fair value hierarchy

The respective levels are defined as follows:

Level 1: Fair value measured at the quoted price (unadjusted) in an active market for identical assets or liabilities

Level 2: Fair value measured using directly or indirectly observable inputs that are other than those in Level 1

Level 3: Fair value measured using significant unobservable inputs

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

(ii) Method of fair value measurement

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

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

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

(b) Derivatives

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

(c) Shares and investments in capital

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

(d) Long-term borrowings

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

(e) Bonds

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

(iii) Financial instruments measured at fair value

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

(a) As of March 31, 2025

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

(b) As of March 31, 2026

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

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

a) Valuation techniques and significant unobservable inputs

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

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

b) Valuation process

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

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

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

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

(iv) Financial instruments not measured at fair value

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

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

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

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

23. Consolidation

(1) Composition of the Group

Major subsidiaries at the end of the current consolidated fiscal year are as follows.

There was no significant change in principal subsidiaries and ownership percentages of voting rights during the previous consolidated fiscal year and the current consolidated fiscal year.

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

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

(2) Subsidiaries with material non-controlling interests

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

(3) Significant restrictions

Not applicable.

24. Investments accounted for using equity method

(1) Information about interest

(i) Material associates

The Group does not have any material associates.

(ii) Material joint ventures

The Group does not have any material joint ventures.

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

(a) Financial information

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

(b) Carrying amount of the equity method affiliates

The carrying amount of equity in affiliates accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥63,373 million and ¥77,275 million ($483,180 thousand), respectively.

The carrying amount of the equity in joint venture accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥44,898 million and ¥64,068 million ($400,600 thousand), respectively.

(2) Significant restrictions

Not applicable.

(3) Contingent liabilities with associates and joint ventures

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

25. Revenue

(1) Disaggregation of revenue

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

(i) Breakdown by product type

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

Millions of yen

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

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

Millions of yen

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

Thousands of U.S. dollars

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

(ii) Breakdown by region

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

Millions of yen

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

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

Millions of yen

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

Thousands of U.S. dollars

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

(iii) Refund liabilities

As of March 31, 2025

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

As of March 31, 2026

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

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

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

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

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

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

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

(2) Contract balances

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

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

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

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

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

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

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

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

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

(3) Transaction price allocated to the remaining performance obligations

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

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

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

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

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

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

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

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

(4) Assets recognized from contract costs

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

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

26. Other assets and other liabilities

(1) Other assets

The breakdown of other assets is as follows:

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

(2) Other liabilities

The breakdown of other liabilities is as follows:

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

27. Selling, general and administrative expenses

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

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

28. Other income and expenses

(1) Other income

The breakdown of other income is as follows:

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

(2) Other expenses

The breakdown of other expenses is as follows:

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

29. Finance income and finance costs

(1) Finance income

The breakdown of finance income is as follows:

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

(2) Finance costs

The breakdown of finance costs is as follows:

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

30. Government grants

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

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

31. Earnings per share

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

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

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

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

Notes:

1. Diluted earnings per share are not stated because there were no potential dilutive shares.
2. The Company's shares held by trusts whose beneficiaries are directors and others recorded as treasury shares under equity are included in the number of shares held in treasury to be deducted from the calculation of the average number of shares during respective periods in computing the earnings per share. (At the end of the previous consolidated fiscal year: 3,694,500 shares, at the end of the current consolidated fiscal year: 3,517,065 shares).
3. On April 1, 2026, the Company carried out a stock split of common shares at a 5-for-1 ratio. Basic earnings per share has been calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

32. Related party

(1) Related party transactions

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

As of March 31, 2025

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

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

As of March 31, 2026

Not applicable.

(2) Remuneration for key management personnel

Remuneration for directors is as follows:

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

33. Subsequent events

(1) Sale of Consolidated Subsidiary Shares

(i) Details of the event

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

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

Overview of the Share Transfer

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

(ii) Effect of the event on financial results

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

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

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

(i) Purpose of the stock split

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

(ii) Overview of the stock split

(a) Method of the stock split

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

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

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

(c) Schedule for the stock split

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

(d) Impact on per-share information

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

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

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

(a) Reason for the amendment

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

(b) Details of the amendment

The details of the amendment are as follows:

(Underline indicates amendments.)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kawasaki Heavy Industries, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") , which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 312 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (here in after referred to as "IFRS").

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><td colspan="2">Appropriateness of management's judgment on the recoverability of deferred tax assets</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>In the consolidated balance sheet of Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") and its consolidated subsidiaries as of March 31, 2025, deferred tax assets of ¥128,796 million were recognized. As described in Note 14, "Deferred taxes and income taxes" to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥168,060 million. Of this amount, the gross deferred tax assets held by the Company, which applies the Group Tax Sharing System, amounted to ¥109,494 million, representing approximately 3.6% of total assets in the consolidated financial statements.

As described in Note 3(16), "Material accounting policies - Income taxes," recoverability of deferred tax assets is reassessed every fiscal year end and are recognized to the extent that deductible temporary differences are expected to reduce future taxable income.

The future taxable income to be generated by the Company, which was used to determine the recoverability of its deferred tax assets, was estimated</td><td>The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets of the Company was appropriate included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the judgment on the recoverability of deferred tax assets. In this assessment, we focused our testing on internal controls over the preparation of the business plan used to estimate the Company's future taxable income.

(2) Assessment of the reasonableness of the estimated future taxable income

In order to assess the reasonableness of key assumptions applied in preparing the business plan that served as the basis for estimating future taxable income, we:

• evaluated the process of preparing the business plan that served as the basis for estimating</td></tr>
</table>

future based primarily on the business plan prepared by management. This business plan involved uncertainty since forecasts of revenue and profit, which are the key elements of the business plan, may be affected by changes in future economic conditions and other factors, and had a significant impact on the assessment of the recoverability of deferred tax assets. We, therefore, determined that our assessment of the appropriateness of management's judgement on the recoverability of deferred tax assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	• evaluated the process of preparing the business plan that served as the basis for estimating future taxable income by inquiring of management of taxable income by inquiring of management of the Company, respective company president and management of Kawasaki Motors, Ltd. and Kawasaki Railcar Manufacturing Co., Ltd. and inspecting the minutes of the Management Committee of the Company. • assessed the consistency of the estimated future taxable income used to determine the recoverability of deferred tax assets with the business plan approved by the Management Committee of the Company.

Management's assessment of the financial asset based on contractual rights related to certain overseas LNG tank construction work (Energy Solution & Marine Engineering Company)

The key audit matter	How the matter was addressed in our audit
As described in Note 13, "Other financial assets," Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") sustained a loss of approximately ¥51 billion due to a breach of contract by an overseas construction subcontractor that failed to fulfill the contract on certain LNG tank construction work overseas. In connection with this issue, the Company filed a petition for arbitration with the International Chamber of Commerce ("ICC"). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on its contractual rights within "Other" under "Other financial assets." Management's assessment of the financial asset based on the Company's contractual rights considered the progress of the arbitration proceedings at the ICC and the prospect for an award of the arbitration tribunal as well as the business environment and the financial conditions of the overseas construction subcontractor. These estimates included significant management judgments, including the prospects for an award of the arbitration tribunal and amount of claim the Company alleged was caused by the breach of contract by the overseas construction subcontractor, as well as the ability of the overseas construction subcontractor to make payment for any amount of claim to be determined by the arbitration tribunal, all of which involved uncertainty. We, therefore, determined that our assessment of the appropriateness of management's assessment of the financial asset based on the Company's contractual rights related to certain overseas LNG tank construction project was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	The primary procedures we performed to assess the appropriateness of management's assumptions used for assessing the financial asset based on the Company's contractual rights related to certain overseas LNG tank construction work included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to management's assessment of the financial asset based on its contractual rights. In the assessment, we focused on internal controls in which the personnel responsible for the accounting division assess the estimates of the arbitration tribunal related to the subject and amount of claim based on its contractual rights as well as the ability of the overseas construction subcontractor to make payment for any amount of claim to be determined by the arbitration tribunal, giving consideration to the opinion of the Company's legal counsel. **(2) Assessment of the reasonableness of the estimation related to the amount of the financial asset based on the Company's contractual rights** • We inspected the minutes of the Management Committee of the Company related to the estimation of the amount of financial asset. In addition, we inquired of several personnel, such as management (including the president of Energy Solution & Marine Engineering Company) and those responsible for the administration division and the accounting division and then assessed the reasonableness of their respective responses. • We circularized through a written legal confirmation directly with the legal counsel engaged by the Company to assess the amount of the financial asset and assessed the consistency of the opinion of the legal counsel with the result of management's assessment of the amount of the financial asset.

	We inspected the annual reports issued by the overseas construction subcontractor and the monthly research reports on the financial conditions, order booking status and other information of the overseas construction subcontractor submitted by the Company's legal counsel and evaluated the consistency of the information with the result of management's assessment of the overseas construction subcontractor's ability to make payment.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

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

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

Horiuchi Kazuhisa
Designated Engagement Partner
Certified Public Accountant

Takeshita Shimpei
Designated Engagement Partner
Certified Public Accountant

Kyoi Yasumasa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Kobe Office, Japan
June 24, 2025

Notes to the Reader of Independent Auditor's Report:

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

Consolidated Statement of Financial Position

As of March 31, 2025 and 2024

	Notes	Millions of yen		Thousands of U.S. dollars
		2024	2025	2025
Assets				
Current assets				
Cash and cash equivalents	6,21	¥ 84,153	¥ 132,776	$ 887,956
Trade and other receivables	7,16,21,24,31	681,030	764,383	5,111,904
Contract assets	16,21,24	136,706	170,556	1,140,614
Inventories	8,24	710,207	775,434	5,185,809
Income taxes receivable		2,158	200	1,338
Other financial assets	13,21	11,024	11,770	78,713
Other current assets	25	101,644	168,779	1,128,730
Total current assets		1,726,925	2,023,901	13,535,083
Non-current assets				
Property, plant and equipment	9,11	496,331	515,743	3,449,094
Intangible assets	10,11	69,617	75,760	506,654
Right-of-use assets	11,12	64,824	58,697	392,543
Investments accounted for using equity method	23	90,954	108,271	724,075
Other financial assets	13,21	80,762	71,802	480,185
Deferred tax assets	14	117,452	128,796	861,339
Other non-current assets	11,17,25	33,307	33,978	227,232
Total non-current assets	4	953,250	993,050	6,641,142
Total assets		¥2,680,176	¥3,016,951	$20,176,226
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	15,21	¥ 521,734	¥ 593,878	$ 3,971,631
Bonds, borrowings and other financial liabilities	16,21	453,694	527,197	3,525,694
Income taxes payable		7,928	20,188	135,010
Contract liabilities	24,31	265,468	363,534	2,431,178
Provisions	18	34,242	35,731	238,955
Refund liabilities	24	72,518	73,097	488,845
Other current liabilities	21,25	185,902	233,675	1,562,730
Total current liabilities		1,541,489	1,847,303	12,354,063
Non-current liabilities				
Bonds, borrowings and other financial liabilities	16,21	391,539	362,313	2,423,012
Retirement benefit liability	17	74,604	67,100	448,739
Provisions	18	957	1,038	6,942
Deferred tax liabilities	14	707	1,019	6,815
Other non-current liabilities	25	16,327	13,112	87,688
Total non-current liabilities		484,137	444,584	2,973,209
Total liabilities		2,025,626	2,291,887	15,327,272
Equity				
Equity attributable to owners of parent				
Share capital	19	104,484	104,484	698,749
Capital surplus	19	56,455	56,456	377,556
Retained earnings	19	405,156	483,530	3,233,665
Treasury shares	19	(1,060)	(4,093)	(27,372)
Other components of equity	19,20	69,054	62,537	418,224
Total equity attributable to owners of parent		634,090	702,915	4,700,829
Non-controlling interests		20,459	22,148	148,117
Total equity		654,549	725,064	4,848,953
Total liabilities and equity		¥2,680,176	¥3,016,951	$20,176,226

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Profit or Loss

For the years ended March 31, 2025 and 2024

	Notes	Millions of yen		Thousands of U.S. dollars
		2024	2025	2025
Revenue	24,31	¥1,849,287	¥2,129,321	$14,240,092
Cost of sales	8,9,10,11,17	1,537,050	1,697,784	11,354,136
Gross profit		312,237	431,537	2,885,956
Selling, general and administrative expenses	9,10,12,17,26	276,044	306,963	2,052,852
Share of profit of investments accounted for using equity method	23	11,358	23,174	154,979
Other income	27	5,704	3,098	20,718
Other expenses	27	7,053	7,722	51,642
Business profit		46,201	143,123	957,152
Finance income	21,28	3,040	3,423	22,892
Finance costs	12,21,28	17,261	39,028	261,004
Profit before tax		31,980	107,518	719,040
Income tax expense	14	4,670	17,190	114,960
Profit		27,310	90,328	604,079
Profit attributable to:				
Owners of parent		25,377	88,001	588,517
Non-controlling interests		¥ 1,932	¥ 2,326	$ 15,555
Earnings per share	30			
Basic earnings per share		¥ 151.51	¥ 525.44	$ 3.51

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2025 and 2024

	Notes	Millions of yen		Thousands of U.S. dollars
		2024	2025	2025
Profit		¥27,310	¥90,328	$604,079
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	20,21	4,214	(2,277)	(15,228)
Remeasurements of defined benefit plans	17,20	15,017	7,773	51,983
Share of other comprehensive income of investments accounted for using equity method	20,23	1	1	7
Total of items that will not be reclassified to profit or loss		19,233	5,497	36,762
Items that may be reclassified to profit or loss				
Cash flow hedges	20,21	103	257	1,719
Exchange differences on translation of foreign operations	20	23,302	(4,120)	(27,553)
Share of other comprehensive income of investments accounted for using equity method	20,23	3,795	(563)	(3,765)
Total of items that may be reclassified to profit or loss		27,202	(4,426)	(29,599)
Total other comprehensive income		46,435	1,071	7,162
Comprehensive income		¥73,745	¥91,399	$611,242
Comprehensive income attributable to:				
Owners of parent		71,009	89,213	596,623
Non-controlling interests		¥ 2,736	¥ 2,186	$ 14,619

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended March 31, 2025 and 2024

Millions of yen

	Notes	Equity attributable to owners of parent											
						Other components of equity							
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2023		¥104,484	¥55,716	¥380,255	¥(1,107)	¥ —	¥ 4,109	¥ 676	¥32,066	¥36,852	¥576,201	¥20,670	¥596,872
Profit				25,377							25,377	1,932	27,310
Other comprehensive income	20					15,075	4,167	146	26,241	45,631	45,631	804	46,435
Comprehensive income				25,377		15,075	4,167	146	26,241	45,631	71,009	2,736	73,745
Purchase of treasury shares	19				(7)						(7)		(7)
Disposal of treasury shares	19		0		54						54		54
Dividends	19			(13,430)							(13,430)	(1,022)	(14,452)
Transfer to retained earnings				12,945		(15,075)	2,130			(12,945)	—		—
Change in scope of consolidation				8					(17)	(17)	(9)		(9)
Capital increase of consolidated subsidiaries													—
Change in ownership interest of parent due to transactions with non-controlling interests			739								739	(1,926)	(1,186)
Transfer to non-financial assets								(467)		(467)	(467)		(467)
Total transactions with owners			739	(477)	46	(15,075)	2,130	(467)	(17)	(13,429)	(13,120)	(2,948)	(16,068)
Balance as of March 31, 2024		¥104,484	¥56,455	¥405,156	¥(1,060)	¥ —	¥10,407	¥ 355	¥58,291	¥69,054	¥634,090	¥20,459	¥654,549
Profit				88,001							88,001	2,326	90,328
Other comprehensive income	20					7,614	(2,226)	(858)	(3,318)	1,211	1,211	(139)	1,071
Comprehensive income				88,001		7,614	(2,226)	(858)	(3,318)	1,211	89,213	2,186	91,399
Purchase of treasury shares	19				(3,078)						(3,078)		(3,078)
Disposal of treasury shares	19		0		45						46		46
Dividends	19			(16,787)							(16,787)	(860)	(17,647)
Transfer to retained earnings				7,159		(7,614)	455			(7,159)	—		—
Change in scope of consolidation									(0)	(0)	(0)		(0)
Capital increase of consolidated subsidiaries												363	363
Change in ownership interest of parent due to transactions with non-controlling interests													—
Transfer to non-financial assets								(568)		(568)	(568)		(568)
Total transactions with owners			0	(9,628)	(3,032)	(7,614)	455	(568)	(0)	(7,727)	(20,388)	(496)	(20,885)
Balance as of March 31, 2025		¥104,484	¥56,456	¥483,530	¥(4,093)	¥ —	¥ 8,636	¥(1,071)	¥54,972	¥62,537	¥702,915	¥22,148	¥725,064

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended March 31, 2025 and 2024

		Thousands of U.S. dollars											
		Equity attributable to owners of parent											
						Other components of equity							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of March 31, 2024		$698,749	$377,550	$2,709,530	$ (7,089)	$ —	$ 69,598	$ 2,374	$389,828	$461,807	$4,240,554	$136,822	$4,377,376
Profit				588,517							588,517	15,555	604,079
Other comprehensive income	20					50,920	(14,887)	(5,738)	(22,190)	8,099	8,099	(930)	7,162
Comprehensive income				588,517		50,920	(14,887)	(5,738)	(22,190)	8,099	596,623	14,619	611,242
Purchase of treasury shares	19				(20,584)						(20,584)		(20,584)
Disposal of treasury shares	19		0		301						308		308
Dividends	19			(112,265)							(112,265)	(5,751)	(118,016)
Transfer to retained earnings				47,877		(50,920)	3,043			(47,877)	—		—
Change in scope of consolidation									(0)	(0)	(0)		(0)
Capital increase of consolidated subsidiaries												2,428	2,428
Change in ownership interest of parent due to transactions with non-controlling interests													—
Transfer to non-financial assets								(3,799)		(3,799)	(3,799)		(3,799)
Total transactions with owners			0	(64,388)	(20,277)	(50,920)	3,043	(3,799)	(0)	(51,675)	(136,347)	(3,317)	(139,671)
Balance as of March 31, 2025		$698,749	$377,556	$3,233,665	$(27,372)	$ —	$ 57,754	$(7,162)	$367,632	$418,224	$4,700,829	$148,117	$4,848,953

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flow

For the years ended March 31, 2025 and 2024

	Notes	Millions of yen		Thousands of U.S. dollars
		2024	2025	2025
Cash flows from operating activities				
Profit		¥ 27,310	¥ 90,328	$ 604,079
Depreciation and amortization		80,982	93,431	624,831
Impairment losses		1,007	—	—
Finance income and finance costs		11,590	26,566	177,663
Share of loss (profit) of investments accounted for using equity method		(11,358)	(23,174)	(154,979)
Loss (gain) on sale of fixed assets		2,050	948	6,340
Income tax expense		4,670	17,190	114,960
Increase (decrease) in retirement benefit liabilities		(196)	(5,307)	(35,491)
Decrease (increase) in trade and other receivables		(186,486)	(96,117)	(642,794)
Decrease (increase) in contract assets		22,725	(33,844)	(226,336)
Decrease (increase) in inventories		9,903	(69,241)	(463,058)
Increase (decrease) in trade and other payables		43,585	70,498	471,464
Decrease (increase) in advance payments		8,632	(67,377)	(450,592)
Increase (decrease) in contract liabilities		1,057	98,899	661,399
Increase (decrease) in refund liabilities		61,004	1,071	7,162
Increase (decrease) in provisions		10,084	1,512	10,112
Decrease (increase) in other current assets		(6,879)	(47)	(314)
Increase (decrease) in other current liabilities		(19,070)	32,549	217,675
Other		1,685	31,398	209,978
Subtotal		62,298	169,284	1,132,107
Interest received		8,504	2,554	17,080
Dividends received		364	10,784	72,119
Interest paid		(8,110)	(14,838)	(99,231)
Income taxes paid		(31,393)	(18,841)	(126,001)
Net cash provided by (used in) operating activities		¥ 31,662	¥ 148,943	$ 996,074
Cash flows from investing activities				
Purchase of property, plant and equipment		¥ (80,063)	¥ (98,682)	$ (659,948)
Proceeds from sale of property, plant and equipment		2,669	7,309	48,880
Purchase of intangible assets		(16,480)	(14,962)	(100,060)
Proceeds from sale of intangible assets		80	434	2,902
Payments for equity method investments and purchase of other financial assets		(949)	(7,612)	(50,906)
Proceeds from equity method investments and sale of other financial assets		1,124	2,865	19,160
Payments for acquisition of subsidiaries		(20)	—	—
Decrease due to loss of control over subsidiaries		(92)	—	—
Other		3,918	(553)	(3,698)
Net cash provided by (used in) investing activities		¥ (89,814)	¥(111,201)	$ (743,670)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	16	¥ 80,229	¥ 67,327	$ 450,257
Repayments of lease liabilities	12,16	(16,526)	(17,290)	(115,629)
Proceeds from long-term borrowings	16	31,582	38,000	254,130
Repayments of long-term borrowings	16	(23,041)	(29,001)	(193,948)
Proceeds from issuance of bonds	16	10,000	—	—
Redemption of bonds	16	(40,000)	(30,000)	(200,629)
Dividends paid	19	(13,415)	(16,763)	(112,105)
Proceeds from factoring agreements	16	103,482	100,464	671,865
Repayment of liabilities under factoring agreements	16	(105,343)	(85,629)	(572,654)
Dividends paid to non-controlling interests		(1,022)	(860)	(5,751)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(1,563)	—	—
Other		(11,470)	(16,639)	(111,275)
Net cash provided by (used in) financing activities		¥ 12,911	¥ 9,605	$ 64,235
Effect of exchange rate changes on cash and cash equivalents		(9,027)	1,275	8,527
Net increase (decrease) in cash and cash equivalents		(54,267)	48,623	325,172
Cash and cash equivalents at beginning of period	6	138,420	84,153	562,783
Cash and cash equivalents at end of period	6	¥ 84,153	¥ 132,776	$ 887,956

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

1. Reporting Entity

Kawasaki Heavy Industries, Ltd. (hereinafter referred to as the "Company") is a company incorporated in Japan. The consolidated financial statements of the Company with a closing date as of March 31, 2025 comprise the Company and its subsidiaries (hereinafter referred to as the "Group") and the Group's interests in associates and joint ventures. The Group is engaged in the Aerospace Systems segment, the Rolling Stock segment, the Energy Solution & Marine Engineering segment, the Precision Machinery & Robot segment, the Powersports & Engine segment, and the Other segment, centering on the Company.

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group, which meet the requirements of the "Specified Company Applying Designated International Financial Reporting Standards" prescribed in Article 1-2-1 of the Ordinance on Consolidated Financial Statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 312 of the Ordinance.

The consolidated financial statements were approved on June 24, 2025 by Yasuhiko Hashimoto, Representative Director & President, who has been put in sole charge by the Board of Directors.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, and figures are rounded down to the nearest million yen, unless otherwise stated.

U.S dollar amounts are included solely for convenience purposes. These translations should not be construed as representations that the Japanese yen amounts actually represent or have been or could be converted into U.S. dollars.

As the amounts shown in U.S. dollars are solely for convenience purposes, the prevailing rate on March 31, 2025 of ¥149.53 to US$1.00 is used for the purpose of presenting U.S. dollar amounts in the accompanying consolidated financial statements.

(4) Use of significant estimates and judgments

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

Information about estimates and judgements made in the application of accounting policies that could have a significant impact on the amounts recognized in the consolidated financial statements is as follows:

- Impairment of non-financial assets (Note 3 (9), "Impairment of non-financial assets," Note 11, "Impairment of non-financial assets")
- Provisions (Note 3 (12), "Provisions," Note 18, "Provisions")
- Revenue (Note 3 (14), "Revenue," Note 24, "Revenue")
- Income taxes (Note 3 (16), "Income taxes," Note 14, "Deferred taxes and income taxes")

(5) Changes in accounting policies

The Group has adopted the following standards from the current consolidated fiscal year.

IFRS	Title	Summaries of amendments
IAS 1	Presentation of Financial Statements	Clarification on how debt and other liabilities are classified as current or non-current Improvement of corporate disclosure on long-term liabilities with covenants
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	Disclosure requirements to enhance the transparency of Supplier finance arrangements

There is no significant impact on the consolidated financial statements of the Group as a result of adoption above except Note 16 (5), "Financial covenants," and Note 21 (3) (iv), "Supplier finance arrangements."

(6) Issued accounting standards and interpretations not yet adopted

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

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

3. Material accounting policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group.

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

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

(ii) Associates

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

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

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

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

(iii) Joint arrangements

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

(iv) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

(2) Foreign currency translation

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

(3) Financial instruments

(i) Non-derivative financial assets

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

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

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

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

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

Further details regarding the assessment of significant increases in the credit risk and the measurement of expected credit losses are provided in Note 21, "Financial Instruments."

(iii) Non-derivative financial liabilities

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

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

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

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

(iv) Derivative transactions and hedge accounting

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives used as hedging instruments is recognized in other comprehensive income, while the accumulated amount is included in other components of equity. In addition, the ineffective portion of the hedge effect is recognized in profit or loss. The amounts accumulated in

other components of equity are reclassified to profit or loss in the accounting period in which the hedged transactions affect profit or loss. However, if a forecast transaction of hedge subsequently results in the recognition of a non-financial asset or a non-financial liability, the amounts accumulated in other components of equity are accounted as adjustments to the initial carrying amount of the non-financial asset or the non-financial liability.

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

(c) Derivatives not designated as hedges

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

(4) Cash and cash equivalents

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

(5) Inventories

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

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

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

(6) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

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

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

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

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

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

(7) Intangible assets

(i) Recognition and measurement

(a) Development expenses

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

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

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

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

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

(b) Software and other intangible assets

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

(c) Goodwill

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

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

(ii) Amortization

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

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

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

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

(8) Leases

(i) Leases as lessee

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

Right-of-use assets are measured using the cost model and presented at the acquisition cost at the commencement date of lease less accumulated depreciation and accumulated impairment loss. The acquisition cost is measured at the amount of the initial measurement of lease liability, which is adjusted for in the lease

payments at the commencement date and reflect prepaid lease payments, including initial direct costs and costs of dismantling, removal and restoration under the lease contract, less any lease incentives received. After initial recognition, a right-of-use asset is depreciated on a straight-line basis over the shorter of its useful life and the lease term.

Lease liabilities are initially measured at the discounted present value of the outstanding lease payments at the commencement date of the lease using the interest rate implicit in the lease. If the interest rate implicit in the lease is not readily determinable, the Group's incremental borrowing rate is used.

Lease liabilities are measured at amortized cost using the effective interest method. Each contract includes an option to buy the underlying asset and extend or terminate the lease term. Lease liabilities are remeasured if there is any change in the prospects for exercising the option.

In addition, right-of-use assets and lease liabilities are not recognized for short-term leases whose lease terms are 12 months or less and leases of low-value assets, and the related lease payments are recognized as expenses on a straight-line basis over the lease term.

The Group distinguishes right-of-use assets from other assets and presents lease liabilities in "Bonds, borrowings and other financial liabilities" in the consolidated statement of financial position.

(ii) Leases as lessor

Contractually, leases in which substantially all the risks and rewards incidental to ownership of underlying assets are transferred to the lessee are classified as finance leases. Leases other than finance leases are classified as operating leases.

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

For operating lease transactions, lease payments received are recognized as revenue on a straight-line basis over the lease terms.

(9) Impairment of non-financial assets

The Group's carrying amounts of property, plant and equipment and intangible assets are determined by whether there is any indication of impairment at the end of each reporting period. If there is an indication of impairment, the Group estimates the recoverable amount of the asset and performs an impairment test. Goodwill and intangible assets with indefinite useful lives or not yet available for use are not only periodically tested for impairment once a year, but also whenever there is an indication of impairment.

The recoverable amount of assets or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. With regard to the measurement of value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. The cash-generating unit is the smallest unit of an asset group that can be identified as generating cash inflows that are largely independent of cash inflows from other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in profit or loss. An impairment loss recognized in relation to a cash-generating unit is allocated to reduce the carrying amount of goodwill allocated to the unit and subsequently to reduce the carrying amount of other assets within the unit on a pro-rata basis.

Impairment loss in relation to goodwill is not reversed. For non-financial assets other than goodwill with impairments loss recognized in the past, a determination is made to whether there is any indication of a reversal of the impairment loss recorded in previous years at the end of each reporting period. If such an indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or the unit, impairment loss is reversed up to the lower of the calculated recoverable amount and the carrying amount after deducting any depreciation of which no impairment loss had been recognized in the previous years.

(10) Government grants

Government grants are measured at fair value when there is reasonable assurance that the Group will receive the grant and will comply with the required terms and conditions, and recognized as following method.

Grants related to assets are recognized by a method which deducts the value of the grant from the acquisition cost of the asset to determine the carrying amount of the asset. Grants related to revenue are recognized by a method which deducts the value of the grant from the related expenses.

(11) Employee benefits

(i) Long-term employee benefits

(a) Post-employment benefits

a) Defined contribution plans

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

b) Defined benefit plans

Defined benefit plans are recognized as liabilities or assets in which the fair value of the plan asset is deducted from the present value of the defined benefit obligations.

The present value of the defined benefit obligations and service cost are determined using the projected unit credit method for each system.

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

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

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

(b) Other long-term employee benefits

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

(ii) Short-term employee benefits

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

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

(12) Provisions

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

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

(13) Shareholders' equity

(i) Common shares

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

(ii) Treasury shares

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

(14) Revenue

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

(i) Identify the contract with the customers

(ii) Identify the performance obligations in the contract

(iii) Determine the transaction price

(iv) Allocate the transaction price to the performance obligations in the contract

(v) Recognize revenue when (or as) the Group satisfies a performance obligation

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

(i) Sale of products, etc.

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

(ii) Construction contracts and rendering of services

Revenues from construction contracts and the rendering of services are derived from the manufacturing of products based on orders from customers and the maintenance of the associated products. The Group has the performance obligations to transfer goods or services to the customer under the contract. For construction contracts and rendering of services, the Company recognizes revenue by reasonably measuring the progress towards complete satisfaction of performance obligations as control over goods or services is transferred to the customer over a certain period. The measurement of the progress takes into account the nature of the goods or services promised to be transferred to the customer. If costs incurred are proportional to progress in satisfying the performance obligations, such as with construction contracts in the Aerospace Systems segment and the Energy Solution & Marine Engineering segment, the progress is measured using the input method based on the ratio of the current cumulative costs incurred to the estimated total costs of the entire transaction. In the case of contracts that charge a fixed amount for services provided over a certain period of time, such as maintenance contracts in the Energy Solution & Marine Engineering segment, etc., or contracts that have the right to receive from the customer an amount of consideration that directly corresponds to the value to the customer for the portion of the performance completed, such as with maintenance contracts for commercial aircraft jet engines in the Aerospace Systems segment and the manufacturing of rolling stock in the Rolling Stock segment, the progress is measured using the output method based on the ratio of the elapsed period to the entire contract period and the ratio of the fulfilled obligation up to the current time to the total performance obligation. If the Group is unable to reasonably estimate the progress but expects to recover the costs incurred, the Group recognizes revenue within the range of the costs incurred.

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

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

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

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

(15) Finance income and costs

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

(16) Income taxes

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

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

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

Deferred tax assets are recognized for the unused tax loss carryforward, tax credit carryforward, and deductible temporary differences only to the extent that it is probable that future taxable income will be available against which they can be utilized. In addition, they are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to realize the benefits of the deferred tax assets. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized in the following cases:

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

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

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

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

(17) Earnings per share

Basic earnings per share are determined by dividing profit attributable to owners of parent by the weighted average number of shares of outstanding common stock less treasury shares during the period.

Diluted earnings per share are determined by adjusting the impact of all potential common shares with a dilutive effect.

4. Operating segments

(1) Overview of reportable segments

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

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

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

(2) Information about reportable segments

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

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

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen								
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate*2	Consolidated total
Revenue from external customers	¥396,188	195,940	353,248	227,935	592,421	83,552	1,849,287	—	1,849,287
Intersegment revenue and transfers*1	12,099	16	26,487	17,938	1,173	25,513	83,228	(83,228)	—
Total revenue	408,288	195,956	379,736	245,873	593,594	109,066	1,932,515	(83,228)	1,849,287
Segment profit (loss) *3	(15,004)	3,752	31,911	(1,947)	48,071	1,140	67,924	(21,723)	46,201
Finance income									3,040
Finance costs									(17,261)
Profit before tax									31,980
Depreciation and amortization	30,899	2,124	6,317	10,808	19,780	1,449	71,379	9,602	80,982
Impairment loss	—	—	567	—	440	—	1,007	—	1,007
Share of profit (loss) of investments accounted for using equity method	—	2	13,762	(2,531)	—	136	11,370	(12)	11,358

Notes:

1. Intersegment revenue and transfers are recorded at normal market prices.
2. Eliminations and corporate of ¥(21,723) million include ¥(1,753) million for intersegment transactions and ¥(19,970) million for general and administrative expenses not attributed to reportable segments.
3. Segment profit (loss) is calculated by deducting from revenue: cost of sales; selling, general and administrative expenses; share of profit and loss of investments accounted for using equity method; other income; and other expenses.

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

	Millions of yen								
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate*2	Consolidated total
Revenue from external customers	¥567,838	222,306	398,138	241,503	609,357	90,177	2,129,321	—	2,129,321
Intersegment revenue and transfers*1	15,801	240	24,270	21,329	1,326	28,571	91,539	(91,539)	—
Total revenue	583,639	222,546	422,408	262,833	610,684	118,749	2,220,861	(91,539)	2,129,321
Segment profit (loss) *3	55,826	8,408	44,285	7,045	47,884	5,283	168,733	(25,609)	143,123
Finance income									3,423
Finance costs									(39,028)
Profit before tax									107,518
Depreciation and amortization	29,811	2,433	6,567	11,080	32,335	1,576	83,804	9,626	93,431
Impairment loss	—	—	—	—	—	—	—	—	—
Share of profit (loss) of investments accounted for using equity method	—	3	22,946	(1,559)	1,711	140	23,243	(69)	23,174

Notes:

1. Intersegment revenue and transfers are recorded at normal market prices.

2. Eliminations and corporate of ¥(25,609) million ($(171,263) thousand) include ¥(777) million ($(5,196) thousand) for intersegment transactions and ¥(24,832) million ($(166,067) thousand) for general and administrative expenses not attributed to reportable segments.

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

	Thousands of U.S. dollars								
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate*2	Consolidated total
Revenue from external customers	$3,797,485	1,486,698	2,662,596	1,615,081	4,075,149	603,070	14,240,092	—	14,240,092
Intersegment revenue and transfers*1	105,671	1,605	162,309	142,640	8,868	191,072	612,178	(612,178)	—
Total revenue	3,903,157	1,488,303	2,824,905	1,757,728	4,084,023	794,148	14,852,277	(612,178)	14,240,092
Segment profit (loss) *3	373,343	56,230	296,161	47,114	320,230	35,331	1,128,422	(171,263)	957,152
Finance income									22,892
Finance costs									(261,004)
Profit before tax									719,040
Depreciation and amortization	199,365	16,271	43,918	74,099	216,244	10,540	560,449	64,375	624,831
Impairment loss	—	—	—	—	—	—	—	—	—
Share of profit (loss) of investments accounted for using equity method	—	20	153,454	(10,426)	11,443	936	155,440	(461)	154,979

(3) Information by product and service

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

(4) Information by region

The Group's revenues by region are based on the geographical distribution of its customers, the breakdown of which is described in Note 24, "Revenue."

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Japan	¥584,258	¥592,612	$3,963,165
Overseas total	170,387	198,816	1,329,606
Total	¥754,645	¥791,428	$5,292,771

(5) Information about major customers

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

	Related major reportable segments	Millions of yen		Thousands of U.S. dollars
		2024	2025	2025
Ministry of Defense	Aerospace Systems, Energy Solution & Marine Engineering, etc.	¥288,510	¥400,890	$2,681,000

5. Acquisition of subsidiaries and non-controlling interests

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

There were no significant business combinations.

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

There were no significant business combinations.

6. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash and deposits	¥83,928	¥132,737	$887,695
Cash equivalents	224	38	254
Total	¥84,153	¥132,776	$887,956

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

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

7. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Notes and accounts receivable - trade	¥627,506	¥709,131	$4,742,400
Other	53,524	55,252	369,504
Total	¥681,030	¥764,383	$5,111,904

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

The amount of trade and other receivables to be collected in more than 12 months as of March 31, 2024 and March 31, 2025 were ¥66,387 million and ¥105,253 million ($703,892 thousand), respectively.

8. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Merchandise and finished goods	¥113,715	¥134,712	$ 900,903
Work in process	393,110	414,791	2,773,965
Raw materials and supplies	203,381	225,930	1,510,934
Total	¥710,207	¥775,434	$5,185,809

The amounts of inventory write-downs (negative is a reversal) recognized as expenses are included in cost of sales in the consolidated statement of profit or loss, and ¥203 million and ¥1,764 million ($11,797 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

Of the above, inventories to be paid and sold in more than 12 months are quantitatively insignificant as of March 31, 2024 and March 31, 2025.

9. Property, plant and equipment

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

Carrying amount

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2023	¥167,919	¥140,034	¥61,301	¥ 33,351	¥ 48,403	¥451,010
Acquisitions	2,234	4,067	341	93,523	3,017	103,184
Transfer of accounts	8,522	32,511	23	(57,342)	14,789	(1,496)
Sale or disposal	(367)	(1,466)	(229)	(820)	(1,145)	(4,028)
Depreciation*1	(11,787)	(27,027)	—	—	(16,623)	(55,438)
Impairment loss*2 and 3	(21)	(430)	—	—	(167)	(620)
Exchange differences	2,301	3,596	366	2,814	945	10,024
Other	(112)	(549)	—	(5,665)	23	(6,304)
Balance as of March 31, 2024	¥168,689	¥150,736	¥61,803	¥ 65,860	¥ 49,241	¥496,331
Acquisitions	1,252	4,917	1,099	89,970	4,041	101,281
Transfer of accounts	17,388	68,447	0	(105,774)	18,668	(1,269)
Sale or disposal	(345)	(6,345)	(166)	(1,125)	(1,110)	(9,092)
Depreciation*1	(12,550)	(32,242)	—	—	(17,961)	(62,754)
Impairment loss*2 and 3	—	—	—	—	—	—
Exchange differences	(196)	(2,765)	(61)	(1,570)	(331)	(4,925)
Other	(223)	306	—	(3,979)	68	(3,827)
Balance as of March 31, 2025	¥174,015	¥183,055	¥62,676	¥ 43,379	¥ 52,617	¥515,743

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2024	$1,128,128	$1,008,065	$413,315	$ 440,447	$ 329,305	$3,319,274
Acquisitions	8,373	32,883	7,350	601,685	27,025	677,329
Transfer of accounts	116,284	457,748	0	(707,376)	124,845	(8,487)
Sale or disposal	(2,307)	(42,433)	(1,110)	(7,524)	(7,423)	(60,804)
Depreciation*1	(83,930)	(215,622)	—	—	(120,116)	(419,675)
Impairment loss*2 and 3	—	—	—	—	—	—
Exchange differences	(1,311)	(18,491)	(408)	(10,500)	(2,214)	(32,937)
Other	(1,491)	2,046	—	(26,610)	455	(25,594)
Balance as of March 31, 2025	$1,163,746	$1,224,203	$419,153	$ 290,102	$ 351,883	$3,449,094

Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2023	¥461,137	¥614,410	¥61,301	¥ 34,990	¥ 292,937	¥1,464,776
Balance as of March 31, 2024	¥475,870	¥650,933	¥61,803	¥ 67,499	¥ 306,364	¥1,562,471
Balance as of March 31, 2025	¥489,357	¥698,661	¥62,676	¥ 43,379	¥ 319,228	¥1,613,302

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2025	$3,272,634	$4,672,380	$419,153	$290,102	$2,134,876	$10,789,153

Accumulated depreciation and accumulated impairment loss

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2023	¥293,217	¥474,375	¥—	¥1,638	¥244,533	¥1,013,765
Balance as of March 31, 2024	¥307,180	¥500,197	¥—	¥1,638	¥257,122	¥1,066,139
Balance as of March 31, 2025	¥315,341	¥515,605	¥—	¥ —	¥266,611	¥1,097,558

Notes:

1. Depreciation is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. Impairment loss is included in “Cost of sales” in the consolidated statement of profit or loss.
3. Details of impairment loss are disclosed in Note 11, “Impairment of non-financial assets.”

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2025	$2,108,881	$3,448,171	$—	$—	$1,782,993	$7,340,052

10. Intangible assets

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

Carrying amount

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2023	¥ 26,869	¥ 16,459	¥ 22,919	¥ 66,248
Acquisitions through internal development	2,637	—	—	2,637
Acquisitions	—	6,863	8,469	15,332
Sale or disposal	—	(74)	(5)	(80)
Amortization*1	(6,143)	(6,749)	(554)	(13,448)
Impairment loss*2and3	(237)	(21)	(127)	(386)
Exchange differences	22	64	97	184
Other	(11)	171	(1,030)	(870)
Balance as of March 31, 2024	¥ 23,136	¥ 16,713	¥ 29,767	¥ 69,617
Acquisitions through internal development	9,464	—	—	9,464
Acquisitions	—	8,278	7,172	15,451
Sale or disposal	—	(260)	(174)	(434)
Amortization*1	(9,056)	(7,167)	(502)	(16,726)
Impairment loss*2and3	—	—	—	—
Exchange differences	11	72	11	95
Other	(64)	487	(2,131)	(1,708)
Balance as of March 31, 2025	¥ 23,491	¥ 18,124	¥ 34,143	¥ 75,760

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2024	$154,725	$111,770	$199,070	$ 465,572
Acquisitions through internal development	63,292	—	—	63,292
Acquisitions	—	55,360	47,964	103,330
Sale or disposal	—	(1,739)	(1,164)	(2,902)
Amortization*1	(60,563)	(47,930)	(3,357)	(111,857)
Impairment loss*2and3	—	—	—	—
Exchange differences	74	482	74	635
Other	(428)	3,257	(14,251)	(11,422)
Balance as of March 31, 2025	$157,099	$121,206	$228,335	$ 506,654

Acquisition cost

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2023	¥ 38,579	¥ 80,007	¥ 32,369	¥ 150,956
Balance as of March 31, 2024	¥ 41,226	¥ 87,033	¥ 39,900	¥ 168,160
Balance as of March 31, 2025	¥ 50,639	¥ 90,325	¥ 45,071	¥ 186,035

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2025	$338,654	$604,059	$301,418	$1,244,132

Accumulated amortization and accumulated impairment loss

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2023	¥11,709	¥63,547	¥ 9,450	¥ 84,708
Balance as of March 31, 2024	¥18,090	¥70,319	¥10,133	¥ 98,543
Balance as of March 31, 2025	¥27,147	¥72,200	¥10,927	¥110,275

Notes:

1. Amortization is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
2. Impairment loss is included in "Cost of sales" in the consolidated statement of profit or loss.
3. Details of impairment loss are disclosed in Note 11, "Impairment of non-financial assets."

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2025	$181,549	$482,846	$73,076	$737,477

11. Impairment of non-financial assets

The Group recorded impairment losses for the following groups of assets. The impairment losses are included in "Cost of sales" in the consolidated statement of profit or loss.

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

As of March 31, 2024

The Group recorded impairment loss of ¥567 million on the assets of the Sakaide Works in the Energy Solution & Marine Engineering segment, and ¥440 million on the assets of a subsidiary in the Powersports & Engine segment due to a decline in profitability based on the current market environment.

As of March 31, 2025

There was no material impairment loss.

12. Leases

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

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

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

Also, the Group leases mainly machinery and equipment other than offices, etc., and the lease terms for machinery and equipment are from 5 to 10 years. Among these leases are leases under which the Group has the option to purchase the asset at the end of the contract term and leases under which the Group guarantees the residual value of the lease assets at the end of the contract term.

The Group remeasures right-of-use assets and lease liabilities through monitoring the use of the machinery and equipment and revaluing amounts expected to be paid based on residual value guarantees as of the reporting date.

Other IT equipment leases include short-term leases and leases of low-value assets, for which right-of-use assets and lease liability are not recognized.

(1) Right-of-use assets

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

	Millions of yen			
	Type of underlying assets			
	Buildings and structures, land and other properties	Machinery, equipment and vehicles	Other	Total
2024	¥ 49,632	¥13,870	¥1,321	¥ 64,824
2025	¥ 50,821	¥ 6,615	¥1,259	¥ 58,697

	Thousands of U.S. dollars			
	Type of underlying assets			
	Buildings and structures, land and other properties	Machinery, equipment and vehicles	Other	Total
2025	$339,872	$44,239	$8,420	$392,543

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Underlying assets of buildings and structures, land and other properties	¥ 8,738	¥10,589	$ 70,815
Underlying assets of machinery, tools and fixtures	2,883	2,861	19,133
Underlying assets of other	533	498	3,330
Total depreciation of right-of-use assets	12,155	13,950	93,292
Increase in right-of-use assets	13,318	16,283	108,895

(2) Lease liabilities

The maturity analysis of lease liabilities at the end of the previous consolidated fiscal year and the current consolidated fiscal year is described in Note 21, “Financial Instruments.”

(3) Amount recognized in profit and loss

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Interest expense on lease liabilities	¥783	¥2,086	$13,950
Expenses related to short-term leases	195	352	2,354
Expenses related to leases of low-value assets	941	1,253	8,380

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

(4) Cash outflow related to leases

	Millions of yen		Thousands of U.S. dollars
	2024	**2025**	**2025**
Cash outflow related to leases	¥18,636	¥21,205	$141,811

(5) Sale and leaseback

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

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

13. Other financial assets

(1) The breakdown of other financial assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Financial assets measured at fair value through profit or loss			
Derivative assets*1	¥ 1,661	¥ 1,980	$ 13,241
Other	185	205	1,371
Financial assets measured at fair value through other comprehensive income			
Shares and investments in capital	32,500	31,190	208,587
Financial assets measured at amortized cost			
Time deposits with maturities of more than three months	7,803	8,740	58,450
Other*2	49,636	41,456	277,242
Total	¥91,787	¥83,573	$558,905
Current assets	11,024	11,770	78,713
Non-current assets	80,762	71,802	480,185
Total	¥91,787	¥83,573	$558,905

Notes:

1. Derivative assets include those designated as hedging instruments. The effective portion of any change in fair value of derivative assets is recognized as other comprehensive income.
2. The Company sustained losses (approximately ¥51 billion ($341,069 thousand)) due to breach of contract by an overseas construction subcontractor in connection with a certain overseas liquefied natural gas (LNG) tank construction project. The Company has filed a petition for arbitration on this matter with the International Chamber of Commerce (ICC). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on contractual rights within "Other" under "Other financial assets."

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

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

(i) The breakdown of major stocks and fair value

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

	Millions of yen
	2024
IHI Investment for Aero Engine Leasing LLC	¥4,533
Seiwa Building Co., Ltd.	4,220
IHI Aero Engines US Co., Ltd.	3,084
AKASHI-KIKAI INDUSTRY Co., Ltd.	2,048
West Japan Railway Techsia Co., Ltd.	1,464

	Millions of yen	Thousands of U.S. dollars
	2025	2025
IHI Investment for Aero Engine Leasing LLC	¥4,788	$32,020
Seiwa Building Co., Ltd.	3,816	25,520
Panovation Energy (Shanghai) Co., Ltd.	2,169	14,505
IHI Aero Engines US Co., Ltd.	2,023	13,529
West Japan Railway Techsia Co., Ltd.	1,553	10,386

(ii) Derecognition

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Fair value as of the sale date	¥ 431	¥ 106	$ 709
Accumulated gains (losses)	(2,318)	(655)	(4,380)

When financial assets measured at fair value through other comprehensive income are derecognized, the accumulated gains or losses recognized in other comprehensive income are reclassified from other components of equity to retained earnings. The amounts of accumulated gains or losses, net of tax reclassified from other components of equity to retained earnings during the period were ¥(2,130) million and ¥(455) million ($(3,043) thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(iii) Dividend income

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Investments derecognized during the period	¥ 6	¥ 2	$ 13
Investments held as of the year end	357	311	2,080
Total	¥364	¥314	$2,100

14. Deferred taxes and income taxes

(1) Deferred taxes

(i) Deferred tax assets and liabilities

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

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen			
	April 1, 2023	Recognized in profit or loss*	Recognized in other comprehensive income	March 31, 2024
Deferred tax assets				
Inventories	¥ 10,504	¥ (380)	¥ —	¥ 10,124
Excess of book depreciation over tax depreciation, etc.	28,644	339	—	28,984
Provisions	7,715	5,621	—	13,336
Retirement benefit liability	44,114	(348)	(6,653)	37,112
Refund liabilities	2,001	18,780	—	20,782
Tax loss carryforward	4,041	837	—	4,878
Accrued bonuses	13,839	(2,994)	—	10,844
Other	40,351	(4,181)	—	36,170
Total	¥151,213	¥17,675	¥ (6,653)	¥162,235
Deferred tax liabilities				
Reserve for tax purpose reduction entry of non- current assets, etc.	¥(18,568)	¥ 1,135	¥ —	¥(17,433)
Investments in subsidiaries, associates and joint ventures	(10,333)	1,108	(1,639)	(10,864)
Other financial assets	(7,043)	(2,796)	(2,223)	(12,062)
Other	(5,837)	706	—	(5,130)
Total	(41,782)	154	(3,862)	(45,490)
Net amount	¥109,430	¥17,829	¥ (10,516)	¥116,744

Notes:

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

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

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

Notes:

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

	Thousands of U.S. dollars			
	April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2025
Deferred tax assets				
Inventories	$ 67,705	$ 4,474	$ —	$ 72,179
Excess of book depreciation over tax depreciation, etc.	193,834	(39,437)	—	154,397
Provisions	89,186	(8,895)	—	80,292
Retirement benefit liability	248,191	11,229	(23,708)	235,712
Refund liabilities	138,982	(23,199)	—	115,776
Tax loss carryforward	32,622	39,905	—	72,534
Accrued bonuses	72,521	35,578		108,105
Other	241,891	43,008	—	284,906
Total	$1,084,966	$ 62,663	$ (23,708)	$1,123,922
Deferred tax liabilities				
Reserve for tax purpose reduction entry of non-current assets, etc.	$ (116,585)	$ (2,220)	$ —	$ (118,806)
Investments in subsidiaries, associates and	(72,654)	(6,855)	(3,096)	(82,612)

	Thousands of U.S. dollars			
	April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2025
joint ventures				
Other financial assets	(80,666)	39,062	5,477	(36,120)
Other	(34,307)	2,454	—	(31,853)
Total	(304,220)	32,435	2,381	(269,397)
Net amount	$ 780,740	$95,105	$(21,327)	$ 854,517

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

Of the deferred tax assets at the end of the previous consolidated fiscal year and the current consolidated fiscal year, ¥105,585 million and ¥23,976 million, ($160,342 thousand) respectively, were attributed to taxable entities which have incurred losses in the previous consolidated fiscal year or the current consolidated fiscal year.

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Tax loss carryforward	¥15,525	¥9,981	$66,749
Deductible temporary differences	1,702	425	2,842

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

Tax loss carryforward	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Year 1	¥ 170	¥ 111	$ 742
Year 2	20	527	3,524
Year 3	—	554	3,705
Year 4	—	183	1,224
Year 5 or later	15,334	8,604	57,540
Total	¥15,525	¥9,981	$66,749

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

The Group does not recognize deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, except for those related to undistributed profits scheduled to be distributed at the end of the reporting period. This is because the Group is in a position to control the timing of the reversal of the temporary differences, and it is certain that the temporary differences will not be reversed within the foreseeable future. The taxable temporary differences associated with investments in subsidiaries for unrecognized deferred tax liabilities at the end of the previous consolidated fiscal year and the current consolidated fiscal year were ¥319,032 million and ¥247,781 million ($1,657,065 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Current tax expense	¥ 20,457	¥ 33,462	$ 223,781
Deferred tax expense	(15,787)	(16,271)	(108,814)
Total	¥ 4,670	¥ 17,190	$ 114,960

Deferred tax expense includes the amount of benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period, and the write-down or reversal of the previous write-down of the deferred tax assets. The related deferred tax expense decreased by ¥504 million in the previous consolidated fiscal year and was insignificant in the current consolidated fiscal year. In addition, the change in the deferred tax expense due to the change in tax rates was insignificant in the previous consolidated fiscal year and decreased by ¥2,601 million ($17,395 thousand) in the current consolidated fiscal year.

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

(3) Reconciliation of applicable tax rate

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

	%	
	2024	2025
Income taxes at the effective statutory tax rates	30.5	30.5
Movements in unrecognized deferred tax assets	(0.9)	(1.0)
Share of profit or loss of investments accounted for using equity method	(11.3)	(7.3)
Tax credit for research and development expenses	(6.4)	(6.0)
Investments in subsidiaries, associates and joint ventures	(3.5)	1.0
Tax rate difference between subsidiaries	(3.5)	(1.9)
Non-deductible expenses for tax purposes	7.5	1.3
Withholding tax related to dividends from overseas subsidiaries	4.1	1.1
Change in tax rates	0.1	(2.4)
Other	(2.0)	0.8
Actual tax rate	14.6	16.0

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

15. Trade and other payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Notes payable - trade	¥ 5,994	¥ 3,509	$ 23,467
Accounts payable - trade	271,089	309,683	2,071,043
Electronically recorded obligations	174,892	198,917	1,330,282
Other	69,757	81,768	546,833
Total	¥521,734	¥593,878	$3,971,631

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

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

16. Bonds, borrowings and other financial liabilities

(1) Breakdown

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Financial liabilities measured at amortized cost			
Bonds	¥158,968	¥128,994	$ 862,663
Short-term borrowings	143,023	177,945	1,190,029
Long-term borrowings	220,194	230,030	1,538,354
Commercial paper	60,000	89,000	595,198
Other	14,295	9,665	64,636
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	8,751	4,213	28,175
Payables associated with receivables securitization	168,270	183,105	1,224,537
Lease liabilities	71,730	66,556	445,101
Total	¥845,234	¥889,511	$5,948,713
Current liabilities	453,694	527,197	3,525,694
Non-current liabilities	391,539	362,313	2,423,012
Total	¥845,234	¥889,511	$5,948,713

Average interest rates for short-term and long-term borrowings applicable to the current consolidated fiscal year were 3.480% and 0.600%, respectively.

Long-term borrowings will be due in 2025 through 2035.

(2) Contractual terms and repayment schedule

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

Company	Description	Date of issuance	Millions of yen		Thousands of U.S. dollars	Interest rate	Maturity
			2024	2025	2025		
KHI	42nd Unsecured Bonds	July 18, 2014	¥ 10,000	—	$ —	0.791%	July 18, 2024
KHI	44th Unsecured Bonds	July 24, 2015	10,000	10,000	66,876	0.853%	July 24, 2025
KHI	46th Unsecured Bonds	July 15, 2016	10,000	10,000	66,876	0.820%	July 15, 2036
KHI	48th Unsecured Bonds	July 20, 2017	10,000	10,000	66,876	0.900%	July 17, 2037
KHI	50th Unsecured Bonds	July 20, 2018	10,000	10,000	66,876	0.400%	July 20, 2028
KHI	51st Unsecured Bonds	July 12, 2019	10,000	—	—	0.150%	July 12, 2024
KHI	52nd Unsecured Bonds	July 12, 2019	10,000	10,000	66,876	0.820%	July 12, 2039
KHI	53rd Unsecured Bonds	January 21, 2020	10,000	—	—	0.180%	January 21, 2025
KHI	54th Unsecured Bonds	January 21, 2020	10,000	10,000	66,876	0.700%	January 20, 2040
KHI	56th Unsecured Bonds	June 11, 2020	29,968	29,994	200,589	0.260%	June 11, 2025
KHI	57th Unsecured Bonds	June 11, 2020	10,000	10,000	66,876	0.480%	June 11, 2030
KHI	58th Unsecured Bonds	July 15, 2021	10,000	10,000	66,876	0.300%	July 15, 2031
KHI	59th Unsecured Bonds	July 14, 2022	9,000	9,000	60,189	0.789%	July 14, 2032
KHI	60th Unsecured Bonds	February 29, 2024	10,000	10,000	66,876	0.742%	February 28, 2029
	Total		¥158,968	¥128,994	$862,663		

(3) Receivables securitization

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

At the end of the previous consolidated fiscal year and the current consolidated fiscal year such transferred assets were recorded in the consolidated statement of financial position in the amount of ¥83,118 million and

¥106,166 million ($709,998 thousand) respectively as "Trade and other receivables," and ¥85,152 million and ¥76,939 million ($514,539 thousand) respectively as "Contract assets." Amounts received upon the transfer of the assets concerned are recorded as related liabilities in "Bonds, borrowings and other financial liabilities" in the same amounts, respectively. The carrying amounts of the transferred assets and the related liabilities roughly approximate fair value.

(4) Reconciliation of liabilities on financing activities

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen					
			Non-cash transactions			
	April 1, 2023	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2024
Bonds	¥188,941	¥(30,000)	¥ —	¥ —	¥ 26	¥158,968
Short-term borrowings	114,702	20,229	—	7,599	492	143,023
Long-term borrowings	211,080	8,540	—	523	49	220,194
Payables associated with receivables securitization	170,132	(1,861)	—	—	—	168,270
Lease liabilities	75,155	(16,526)	11,836	3,010	(1,746)	71,730
Commercial paper	—	60,000	—	—	—	60,000
Other	5,585	(5,411)	—	—	1,386	1,560
Total	¥765,598	¥ 34,971	¥11,836	¥11,134	¥ 208	¥823,748

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

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

	Thousands of U.S. dollars					
			Non-cash transactions			
	April 1, 2024	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2025
Bonds	$1,063,118	$(200,629)	$ —	$ —	$ 174	$ 862,663
Short-term borrowings	956,484	256,316	—	(19,802)	(2,969)	1,190,029
Long-term borrowings	1,472,574	60,175	—	5,263	334	1,538,354
Payables associated with receivables securitization	1,125,326	99,204	—	—	—	1,224,537
Lease liabilities	479,703	(115,629)	103,029	4,013	(26,008)	445,101
Commercial paper	401,257	193,941	—	—	—	595,198
Other	10,433	(10,332)	—	—	809	916
Total	$5,508,915	$ 283,040	$103,029	$(10,520)	$(27,653)	$5,856,811

(5) Financial covenants

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

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

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

At the end of the current consolidated fiscal year, there were no breaches of financial covenants related to such loan agreements. Also, it is not expected to be difficult to comply with such financial covenants. Therefore, the outstanding borrowings are classified as non-current liabilities. The carrying amount of borrowings classified as non-current liabilities is ¥73,000 million ($488,196 thousand) (¥77,000 million in the previous consolidated fiscal year).

17. Employee benefits

(1) Overview of retirement benefit plans

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

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

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

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

The Group is exposed to actuarial risks (interest rate risk, market risk, etc.) through these retirement benefit plans.

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

(2) Defined benefit plans

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Present value of defined benefit obligations	¥213,768	¥190,500	$1,273,992
Fair value of plan assets	139,554	124,423	832,094
Changes in the effect of the asset ceiling	—	—	—
Net defined benefit liabilities	¥ 74,213	¥ 66,077	$ 441,898
Retirement benefit liabilities	74,604	67,100	448,739
Retirement benefit assets*	390	1,023	6,841
Net defined benefit liabilities	¥ 74,213	¥ 66,077	$ 441,898

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

(ii) Changes in present value of defined benefit obligations

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Balance at the beginning of the year	¥208,456	¥213,768	$1,429,599
Current service cost*	10,145	9,578	64,054
Interest cost*	3,731	4,114	27,513
Remeasurement of defined benefit plans			
Actuarial gains (losses) arising from changes in demographic assumptions	(81)	(38)	(254)
Actuarial gains (losses) arising from changes in financial assumptions	(5,198)	(14,827)	(99,157)
Actuarial gains (losses) arising from experience adjustment	(311)	657	4,394
Past service cost*	—	(908)	(6,072)
Payment of benefits	(6,085)	(5,295)	(35,411)
Changes from the termination of plans	—	(16,716)	(111,790)
Other	3,112	168	1,124
Balance at the end of the year	¥213,768	¥190,500	$1,273,992

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

The Company's weighted average duration of the defined benefit obligations at the end of the previous consolidated fiscal year and the current consolidated fiscal year were 14.3 years and 13.3 years, respectively.

(iii) Changes in fair value of plan assets

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Balance at the beginning of the year	¥117,249	¥139,554	$ 933,284
Return on interest income on plan assets	2,634	3,126	20,906
Remeasurement of defined benefit plans			
Return on plan assets	16,078	(2,889)	(19,321)
Contributions by the employer	4,722	4,208	28,142
Payment of benefits	(2,661)	(2,723)	(18,210)
Changes from the termination of plans	—	(16,716)	(111,790)
Other	1,530	(137)	(916)
Balance at the end of the year	139,554	124,423	832,094

The Group plans to contribute ¥2,484 million ($16,612 thousand) to defined benefit plans for the following consolidated fiscal year.

(iv) Components of plan assets

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

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

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

	Millions of yen		
	2024		
	Quoted market prices in active markets		
	Yes	No	Total
Cash and cash equivalents	¥23,253	¥ —	¥ 23,253
Shares	59,459	—	59,459
Bonds	15,963	—	15,963
General accounts of life insurance companies	—	10,340	10,340
Other	—	30,537	30,537
Total	¥98,676	¥40,878	¥139,554

	Millions of yen			Thousands of U.S. dollars		
	2025			2025		
	Quoted market prices in active markets			Quoted market prices in active markets		
	Yes	No	Total	Yes	No	Total
Cash and cash equivalents	¥13,002	¥ —	¥ 13,002	$ 86,952	$ —	$ 86,952
Shares	66,463	—	66,463	444,479	—	444,479
Bonds	15,962	—	15,962	106,748	—	106,748
General accounts of life insurance companies	—	11,011	11,011	—	73,637	73,637
Other	—	17,983	17,983	—	120,263	120,263
Total	¥95,428	¥28,995	¥124,423	$638,186	$193,908	$832,094

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

	2024	2025
Discount rate (%)	1.65	2.22

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

(vi) Sensitivity analysis of defined benefit obligations

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Increase by 0.5%	¥(12,980)	¥(10,669)	$(71,350)
Decrease by 0.5%	14,352	11,752	78,593

(3) Defined contribution plans

The pension expenses related to defined contribution plans for the previous consolidated fiscal year and the current consolidated fiscal year were ¥3,394 million and ¥3,815 million ($25,513 thousand), respectively.

(4) Employee benefit expenses

Total amounts of employee benefit expenses recognized for the previous consolidated fiscal year and the current consolidated fiscal year were ¥299,711 million and ¥398,883 million ($2,667,578 thousand), respectively.

18. Provisions

(1) Statements of changes

Changes in provisions are as follows:

	Millions of yen			
	Provision for construction warranties	Provision for loss on construction contracts	Other	Total
April 1, 2024	¥ 21,315	¥ 5,675	¥8,209	¥ 35,200
Increase	17,961	2,302	385	20,650
Utilization	(15,214)	(2,696)	(28)	(17,939)
Reversal	(988)	(180)	(62)	(1,231)
Unwinding of provisions due to passage of time	—	—	13	13
Other	39	—	36	76
March 31, 2025	23,113	5,101	8,554	36,769
Current liabilities	23,113	5,101	7,516	35,731
Non-current liabilities	—	—	1,038	1,038
Total	¥ 23,113	¥ 5,101	¥8,554	¥ 36,769

	Thousands of U.S. dollars			
	Provision for construction warranties	Provision for loss on construction contracts	Other	Total
April 1, 2024	$ 142,547	$ 37,952	$54,899	$ 235,404
Increase	120,116	15,395	2,575	138,099
Utilization	(101,745)	(18,030)	(187)	(119,969)
Reversal	(6,607)	(1,204)	(415)	(8,232)
Unwinding of provisions due to passage of time	—	—	87	87
Other	261	—	241	508
March 31, 2025	154,571	34,114	57,206	245,897
Current liabilities	154,571	34,114	50,264	238,955
Non-current liabilities	—	—	6,942	6,942
Total	$ 154,571	$ 34,114	$57,206	$ 245,897

(2) Details of provisions

(i) Provision for construction warranties

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

(ii) Provision for loss on construction contracts

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

(iii) Other

Other includes asset retirement obligations, provision for environmental measures, provision for penalties, etc.

19. Paid-in capital and other equity

(1) Capital Management

The Group's basic management policy is to stably generate profits that exceed the cost of capital into the future in order to sustainably improve corporate value and strengthen the Group's financial base.

In order to do so, the Group believes that it is important to maintain an appropriate balance between continuously conducting advanced research and development and innovative capital investment to improve long-term shareholder value and returns to shareholders by distribution of dividends while maintaining financial soundness.

In this pursuit, the Group places after-tax ROIC and net D/E ratio as significant monitoring targets.

	%	
	2024	2025
After-tax ROIC	2.8	8.0
Net D/E ratio	88.6	78.4

The Group is not subject to any significant capital regulations.

(2) Share capital and treasury shares

Changes in authorized shares and issued shares are as follows:

	Thousands of shares	
	2024	2025
Type of shares	Common shares	Common shares
Number of authorized shares	336,000	336,000
Number of issued shares		
Beginning of the year	167,921	167,921
Change during the year	—	—
End of the year	167,921	167,921
Treasury shares		
Beginning of the year	440	420
End of the year	420	785

All common shares have no par value, and all issued shares are fully paid up.

In addition, the number of treasury shares includes shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees. Such shares were 376 thousand shares and 738 thousand shares as of March 31, 2024 and March 31, 2025, respectively.

(3) Surplus

(i) Capital surplus

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

(ii) Retained earnings

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

(4) Other components of equity

(i) Remeasurements of defined benefit plans

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

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

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

(iii) Cash flow hedges

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

(iv) Exchange differences on translation of foreign operations

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

(5) Dividends

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(i) Total dividends and dividends per share

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 28, 2023 General Meeting of Shareholders	Common shares	¥10,072 million	Retained earnings	¥60.0	March 31, 2023	June 29, 2023
November 8, 2023 Board of Directors Meeting	Common shares	¥3,357 million	Retained earnings	¥20.0	September 30, 2023	December 4, 2023

The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 28, 2023 includes dividends of ¥23 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

The total amount of dividends declared based on the resolution of the Board of Directors Meeting on November 8, 2023 includes dividends of ¥7 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

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

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2024 General Meeting of Shareholders	Common shares	¥5,036 million	Retained earnings	¥30.0	March 31, 2024	June 27, 2024

The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2024 includes dividends of ¥11 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

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

(i) Total dividends and dividends per share

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2024 General Meeting of Shareholders	Common shares	¥5,036 million ($33,679 thousand)	Retained earnings	¥30.0 ($0.20)	March 31, 2024	June 27, 2024
November 8, 2024 Board of Directors Meeting	Common shares	¥11,751 million ($78,586 thousand)	Retained earnings	¥70.0 ($0.47)	September 30, 2024	December 3, 2024

The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2024 includes dividends of ¥11 million ($74 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

The total amount of dividends declared based on the resolution of the Board of Directors Meeting on November 8, 2024 includes dividends of ¥25 million ($167 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

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

Planned Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2025 General Meeting of Shareholders	Common shares	¥13,430 million ($89,815 thousand)	Retained earnings	¥80.0 ($0.54)	March 31, 2025	June 27, 2025

The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2025 includes dividends of ¥59 million ($395 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.

20. Other comprehensive income

Changes in other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	¥ 6,597	¥ (3,337)	$(22,317)
Before tax effects	6,597	(3,337)	(22,317)
Tax effects	(2,383)	1,060	7,089
After tax effects	4,214	(2,277)	(15,228)
Remeasurements of defined benefit plans			
Amount arising during the year	21,670	11,318	75,690
Before tax effects	21,670	11,318	75,690
Tax effects	(6,653)	(3,545)	(23,708)
After tax effects	15,017	7,773	51,983
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	1	1	7
Before tax effects	1	1	7
Tax effects	—	—	—
After tax effects	1	1	7
Items that may be reclassified to profit or loss			
Cash flow hedges			
Amount arising during the year	(23,759)	(2,343)	(15,669)
Reclassification adjustments	23,703	2,841	19,000
Before tax effects	(56)	498	3,330
Tax effects	160	(240)	(1,605)
After tax effects	103	257	1,719
Exchange differences on translation of foreign operations			
Amount arising during the year	23,302	(4,120)	(27,553)
Reclassification adjustments	—	—	—
Before tax effects	23,302	(4,120)	(27,553)
Tax effects	—	—	—
After tax effects	23,302	(4,120)	(27,553)
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	5,434	(100)	(669)
Reclassification adjustments	—	—	—
Before tax effects	5,434	(100)	(669)
Tax effects	(1,639)	(463)	(3,096)
After tax effects	3,795	(563)	(3,765)
Total other comprehensive income	¥ 46,435	¥ 1,071	$ 7,162

21. Financial instruments

(1) Financial risk management

The Group is exposed to the following risks on financial instruments.

- Credit risk (see (2))
- Liquidity risk (see (3))
- Market risk (see (4))

(2) Credit risk

(i) Details of credit risk and risk management policy

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

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

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

(ii) Credit risk exposure

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

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

Measurement method of credit losses	Classification	Millions of yen		Thousands of U.S. dollars
		2024	2025	2025
Simplified approach	—	¥776,790	¥890,716	$5,956,771
General approach	Measured at an amount equal to the 12-month expected credit losses	91,712	90,657	606,280
	Measured at an amount equal to the lifetime expected credit losses	1,137	511	3,417
	Measured at an amount equal to the lifetime expected credit losses (credit impaired)	1,460	1,346	9,002
	Total	¥871,100	¥983,231	$6,575,476

(b) Debt guarantees

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Equity-method entities	¥ 9,974	¥2,392	$15,997
Third parties	6,021	5,618	37,571
Employees	3	1	7
Total	15,999	8,012	53,581

(iii) Changes in allowance for doubtful accounts

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

- Trade receivables, contract assets and lease receivables

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

- Receivables, etc., other than trade receivables, contract assets and lease receivables

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

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

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen		
		Financial assets applied by the general approach	
	Financial assets applied by the simplified approach	Credit-impaired financial assets	Other than credit-impaired financial assets*
Balance at the beginning of the year	¥4,821	¥1,288	¥676
Increase during period	334	205	26
Utilization	(5)	(35)	(0)
Other	(155)	1	47
Balance at the end of the year	4,994	1,460	750

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

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

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

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

	Thousands of U.S. dollars		
		Financial assets applied by the general approach	
	Financial assets applied by the simplified approach	Credit-impaired financial assets	Other than credit-impaired financial assets*
Balance at the beginning of the year	$33,398	$ 9,764	$5,016
Increase during period	24,042	247	(408)
Utilization	(2,000)	(94)	—
Other	1,478	(1,391)	(241)
Balance at the end of the year	56,925	8,520	4,360

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

(3) Liquidity risk

(i) Details and management policy of liquidity risk

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

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

In addition, the Group maintains flexible funding capabilities using a cash management system among the group companies, diversifying financing methods, adjusting the balance between long-term and short-term financing with consideration for the financing environment, securing commitment lines, etc.

(ii) Maturity analysis

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

(a) As of March 31, 2024

	Millions of yen				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	¥ 522,186	¥ 540,492	¥209,234	¥228,034	¥103,223
Commercial paper	60,000	60,000	60,000	—	—
Payables associated with receivables securitization	168,270	168,270	159,896	8,374	—
Trade and other payables	521,734	521,734	519,313	2,420	—
Lease liabilities	71,730	77,390	19,308	34,661	23,420
Other financial liabilities	14,295	14,295	9,494	3,753	1,047
Total	¥1,358,217	¥1,382,183	¥977,247	¥277,244	¥127,692
Derivative liabilities	¥ 8,751	¥ 8,751	¥ 8,485	¥ 265	¥ —

(b) As of March 31, 2025

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

	Thousands of U.S. dollars				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	$3,591,052	$ 3,729,894	$1,699,893	$1,271,591	$758,396
Commercial paper	595,198	595,198	595,198	—	—
Payables associated with receivables securitization	1,224,537	1,224,537	1,127,894	96,636	—
Trade and other payables	3,971,631	3,971,631	3,955,434	16,191	—
Lease liabilities	445,101	476,212	109,175	250,364	116,672
Other financial liabilities	64,636	64,636	45,536	12,626	6,467
Total	$9,892,169	$10,062,115	$7,533,144	$1,647,422	$881,542
Derivative liabilities	$ 28,175	$ 28,175	$ 24,717	$ 3,458	$ —

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Total amount of maximum overdraft limit and commitment line agreements	¥583,376	¥615,091	$4,113,496
Balance of executed loans	66,239	91,155	609,610
Net amount	517,137	523,936	3,503,886

(iv) Supplier finance arrangements

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

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

	Millions of yen	
	As of April 1, 2024	As of March 31, 2025
Carrying amount of financial liabilities that are part of supplier finance arrangements		
Trade and other payables	¥86,847	¥121,437
- for which suppliers have received payment	*	108,494
Other current liabilities	—	1,121
- for which suppliers have received payment	—	561

Notes: The Group has applied a transitional provision under "Supplier finance arrangements" (amendments to IAS 7 and IFRS 7) and information as of the beginning of the first year of adoption is not disclosed.

	Thousands of U.S. dollars	
	As of April 1, 2024	As of March 31, 2025
Carrying amount of financial liabilities that are part of supplier finance arrangements		
Trade and other payables	$580,800	$812,125
- for which suppliers have received payment	*	725,567
Other current liabilities	—	7,497
- for which suppliers have received payment	—	3,752

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

	As of April 1, 2024	As of March 31,2025
Trade and other payables under supplier finance agreements	*	60-335 days after invoice date
Comparable trade and other payables that are not part of supplier finance arrangements	*	0-150 days after invoice date
Other current liabilities under supplier finance arrangements	Not applicable	200-210 days after invoice date
Comparable other current liabilities that are not part of supplier finance arrangements	Not applicable	20-30 days after invoice date

Notes: The Group has applied a transitional provision under "Supplier finance arrangements" (amendments to IAS 7 and IFRS 7) and information as of the beginning of the first year of adoption is not disclosed.

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

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

(4) Market risk

(i) Foreign currency risk

(a) Details and management policy of foreign currency risk

The Group operates internationally and has significant exposure to the foreign currency risk on receivables and payables denominated in foreign currencies. The Company and certain of its consolidated subsidiaries hedge

foreign currency fluctuation risk on receivables and payables in foreign currencies using mainly forward exchange contracts, which are categorized by the type of currency and the monthly due date. In principle, the net position of trade receivables less trade payables in a foreign currency that are expected to arise reliably from anticipated export-related transactions is hedged mainly with forward exchange contracts.

(b) Exposures to foreign currency risk

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
U.S. dollar	¥43,831	¥82,067	$548,833
Euro	501	2,298	15,368

(c) Foreign currency sensitivity analysis

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
U.S. dollar	¥(438)	¥(820)	$(5,484)
Euro	(5)	(22)	(147)

(ii) Interest rate risk

Details and management policy of interest rate risk

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

(5) Hedge accounting

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

(i) Significant derivatives designated as hedges

(a) As of March 31, 2024

	Millions of yen				
				Carrying amount of hedging instruments	
Hedging instruments	Notional amount	Of which, over 1 year	Average rate	Derivative Assets	Derivative Liabilities
Interest rate risk					
Interest rate swap	¥13,500	¥ 9,000	0.46%	¥ 53	¥ —
Foreign currency risk					
Exchange contracts	¥77,800	¥22,556	JPY138.75/USD JPY149.75/EUR	¥1,114	¥1,168

(b) As of March 31, 2025

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

	Thousands of U.S. dollars				
				Carrying amount of hedging instruments	
Hedging instruments	Notional amount	Of which, over 1 year	Average rate	Derivative Assets	Derivative Liabilities
Interest rate risk					
Interest rate swap	$120,183	$ 96,777	1.94%	$ 602	$ 916
Foreign currency risk					
Exchange contracts	$773,350	$343,770	JPY 143.08/USD JPY 155.57/EUR	$6,654	$8,868

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

(ii) Cash flow hedge reserve

The balance of cash flow hedge reserve is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Interest rate risk	¥ 37	¥ (73)	$ (488)
Foreign currency risk	318	(997)	(6,668)

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

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

(a) Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	¥ 43	¥ (20)	Finance income, Finance costs
Foreign currency risk	(23,802)	23,724	Finance income, Finance costs

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

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

	Thousands of U.S. dollars		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	$ (60)	$ (328)	Finance income, Finance costs
Foreign currency risk	(15,602)	19,327	Finance income, Finance costs

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

(6) Fair values of financial instruments

(i) Fair value hierarchy

The respective levels are defined as follows:

Level 1: Fair value measured at the quoted price (unadjusted) in an active market for identical assets or liabilities

Level 2: Fair value measured using directly or indirectly observable inputs that are other than those in Level 1

Level 3: Fair value measured using significant unobservable inputs

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

(ii) Method of fair value measurement

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

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

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

(b) Derivatives

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

(c) Shares and investments in capital

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

(d) Long-term borrowings

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

(e) Bonds

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

(iii) Financial instruments measured at fair value

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

(a) As of March 31, 2024

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	¥5,326	¥ —	¥27,174	¥32,500
Financial assets measured at fair value through profit or loss				
Derivative assets	—	1,661	—	1,661
Other	—	—	185	185
Total assets	¥5,326	¥1,661	¥27,359	¥34,347
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	8,751	—	8,751
Total liabilities	¥ —	¥8,751	¥ —	¥ 8,751

(b) As of March 31, 2025

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

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	$29,466	$ —	$179,115	$208,587
Financial assets measured at fair value through profit or loss				
Derivative assets	—	13,241	—	13,241
Other	—	—	1,371	1,371
Total assets	$29,466	$13,241	$180,486	$223,206
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	28,175	—	28,175
Total liabilities	$ —	$28,175	$ —	$ 28,175

a) Valuation techniques and significant unobservable inputs

The fair value of shares with no active market classified as Level 3 is calculated by using valuation techniques based on the market prices of comparable companies and others. The significant unobservable inputs used to calculate fair value are the price book-value ratio (0.5 to 2.4 times) and the illiquidity discount (30%). The estimate of fair value is increased (decreased) by an increase (decrease) in the price book-value ratio and decreased (increased) by an increase (decrease) in the illiquidity discount.

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

b) Valuation process

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Balance at the beginning of the year	¥22,527	¥27,359	$182,967
Purchases	86	2,362	15,796
Gains and losses			
Other comprehensive income*1	4,926	(2,629)	(17,582)
Profit or loss*2	(55)	(79)	(528)
Sales	(40)	(23)	(154)
Transfer from Level 3*3	(86)	—	—
Other	0	(0)	(0)
Balance at the end of the year	27,359	26,988	180,486
Changes in unrealized gains and losses recorded in profit or loss on assets held at the end of the reporting period*2	(55)	(79)	(528)

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

(iv) Financial instruments not measured at fair value

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

	Millions of yen	
	2024	
	Carrying amount	Fair value
Long-term borrowings	¥220,194	¥218,009
Bonds	158,968	153,253
Total financial liabilities	¥379,162	¥371,262

	Millions of yen		Thousands of U.S. dollars	
	2025		2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	¥230,030	¥222,673	$1,538,354	$1,489,153
Bonds	128,994	118,788	862,663	794,409
Total financial liabilities	¥359,025	¥341,461	$2,401,023	$2,283,562

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

22. Consolidation

(1) Composition of the Group

Major subsidiaries at the end of the current consolidated fiscal year are as follows.

There was no significant change in principal subsidiaries and ownership percentages of voting rights during the previous consolidated fiscal year and the current consolidated fiscal year.

Name	Address	Reportable segment	Ownership percentage of voting rights	
			As of March 31, 2024	As of March 31, 2025
NIPPI Corporation	Kanazawa-ku, Yokohama City	Aerospace Systems	100%	100%
Kawasaki Railcar Manufacturing Co., Ltd.	Hyogo-ku, Kobe City	Rolling Stock	100%	100%
Kawasaki Rail Car Lincoln, Inc.	Delaware, U.S.A.	Rolling Stock		100%
		Aerospace Systems	—	(100%)
Kawasaki Rail Car, Inc.	New York, U.S.A.	Rolling Stock	100%	100%
			(100%)	(100%)
Kawasaki Thermal Engineering Co., Ltd.	Kusatsu City, Shiga	Energy Solution & Marine Engineering	100%	100%
Kawasaki Machine Systems, Ltd.	Kita-ku, Osaka City	Energy Solution & Marine Engineering	100%	100%
EarthTechnica Co., Ltd.	Chiyoda-ku, Tokyo	Energy Solution & Marine Engineering	100%	100%
Wuhan Kawasaki Marine Machinery Co., Ltd.	Wuhan, China	Energy Solution & Marine Engineering	55%	55%
Kawasaki Precision Machinery (Suzhou) Ltd.	Suzhou, China	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery (U.S.A.), Inc.	Michigan, U.S.A.	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd.	Shanghai, China	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery (UK) Ltd.	Plymouth, United Kingdom	Precision Machinery & Robot	100%	100%
Wipro Kawasaki Precision Machinery Private Limited	Bangalore, India	Precision Machinery & Robot	51%	51%
Flutek, Ltd.	Kyungnam, Korea	Precision Machinery & Robot	50.38%	50.38%
Kawasaki Robotics (Tianjin) Co., Ltd.	Tianjin Economic-Technological Development Area, China	Precision Machinery & Robot	100%	100%
Kawasaki Robotics (Kunshan) Co., Ltd.	Kunshan, China	Precision Machinery & Robot	100%	100%

Name	Address	Reportable segment	Ownership percentage of voting rights	
			As of March 31, 2024	As of March 31, 2025
Kawasaki Robotics (U.S.A.), Inc.	Delaware, U.S.A.	Precision Machinery & Robot	100% (100%)	100%
Kawasaki Motors, Ltd.	Akashi City, Hyogo	Powersports & Engine	100%	100%
Kawasaki Motors Corporation Japan	Akashi City, Hyogo	Powersports & Engine	100% (100%)	100% (100%)
India Kawasaki Motors Pvt. Ltd.	Maharashtra, India	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Corp., U.S.A.	Delaware, U.S.A.	Powersports & Engine	100% (100%)	100% (100%)
PT. Kawasaki Motor Indonesia	Bekasi, Indonesia	Powersports & Engine	90% (90%)	90% (90%)
Kawasaki Motores do Brasil Ltda.	Sao Paulo, Brasil	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Europe N.V.	Hoofddorp, The Netherlands	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors (Phils.) Corporation	Metro Manila, Philippines	Powersports & Engine	50% (50%)	50% (50%)
Kawasaki Motors Manufacturing Corp., U.S.A.	Nebraska, U.S.A.	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Rayong, Thailand	Powersports & Engine, Precision Machinery & Robot	100% (100%)	100% (100%)
Kawasaki Motores de Mexico S.A. de C.V.	Nuevo Leon, Mexico	Powersports & Engine	100% (100%)	100% (100%)
Japan Suiso Energy, Ltd.	Minato-ku, Tokyo	Other	66.6%	66.6%
Kawasaki Trading Co., Ltd.	Chuo-ku, Kobe City	Other	77.78%	77.78%
Kawasaki Life Corporation	Chuo-ku, Kobe City	Other	100%	100%
Other subsidiaries			75 companies	76 companies

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

(2) Subsidiaries with material non-controlling interests

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

(3) Significant restrictions

Not applicable.

23. Investments accounted for using equity method

(1) Information about interest

(i) Material associates

The Group does not have any material associates.

(ii) Material joint ventures

The Group does not have any material joint ventures.

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

(a) Financial information

	Total amount of immaterial associates			Total amount of immaterial joint ventures		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025	2024	2025	2025
Profit or loss	¥ 8,810	¥ 13,114	$ 87,701	¥ 2,547	¥ 10,059	$ 67,271
Other comprehensive income	4,125	429	2,869	(328)	(991)	(6,627)
Comprehensive income	12,936	13,543	90,570	2,218	9,068	60,643

(b) Carrying amount of the equity method affiliates

The carrying amount of equity in affiliates accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥47,907 million and ¥63,373 million ($423,815 thousand), respectively. The carrying amount of the equity in joint venture accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥43,047 million and ¥44,898 million ($300,261 thousand), respectively.

(2) Significant restrictions

Not applicable.

(3) Contingent liabilities with associates and joint ventures

The Group maintains debt guarantees for certain associates' and joint ventures' borrowings from financial institutions, which amounted to ¥9,974 million and ¥2,392 million ($15,997 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

24. Revenue

(1) Disaggregation of revenue

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

(i) Breakdown by product type

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	¥307,433	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 307,433
Jet Engines	88,755	—	—	—	—	—	88,755
Rolling Stock	—	195,940	—	—	—	—	195,940
Energy & Plant & Marine Machinery	—	—	260,673	—	—	—	260,673
Ship & Offshore Structure	—	—	92,575	—	—	—	92,575
Precision Machinery	—	—	—	141,536	—	—	141,536
Robot	—	—	—	86,399	—	—	86,399
Powersports & Engine	—	—	—	—	592,421	—	592,421
Other	—	—	—	—	—	83,552	83,552
Revenue from contracts with customers	¥396,188	¥195,940	¥353,248	¥227,935	¥592,421	¥83,552	¥1,849,287

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

Millions of yen

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

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	$2,674,674	$ —	$ —	$ —	$ —	$ —	$ 2,674,674
Jet Engines	1,122,805	—	—	—	—	—	1,122,805
Rolling Stock	—	1,486,698	—	—	—	—	1,486,698
Energy & Plant & Marine Machinery	—	—	2,052,304	—	—	—	2,052,304
Ship & Offshore Structure	—	—	610,286	—	—	—	610,286
Precision Machinery	—	—	—	981,910	—	—	981,910
Robot	—	—	—	633,164	—	—	633,164
Powersports & Engine	—	—	—	—	4,075,149	—	4,075,149
Other	—	—	—	—	—	603,070	603,070
Revenue from contracts with customers	$3,797,485	$1,486,698	$2,662,596	$1,615,081	$4,075,149	$603,070	$14,240,092

(ii) Breakdown by region

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	¥228,251	¥ 69,460	¥253,477	¥ 67,299	¥ 41,023	¥72,359	¥ 731,872
United States	84,326	114,985	1,742	25,637	324,174	340	551,205
Europe	80,074	—	12,382	13,550	94,911	251	201,171
Asia	4	11,494	40,322	116,200	81,105	9,274	258,401
Other areas	3,531	—	45,324	5,247	51,206	1,325	106,636
Revenue from contracts with customers	¥396,188	¥195,940	¥353,248	¥227,935	¥592,421	¥83,552	¥1,849,287

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

Millions of yen

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

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	$2,219,013	$ 424,998	$1,966,803	$ 430,295	$ 223,300	$530,496	$ 5,794,917
United States	976,995	1,017,000	5,959	178,232	2,306,534	3,792	4,488,524
Europe	559,145	—	133,966	89,086	681,877	1,398	1,465,485
Asia	87	44,693	308,814	881,094	528,737	52,337	1,815,776
Other areas	42,232	—	247,041	36,361	334,695	15,034	675,376
Revenue from contracts with customers	$3,797,485	$1,486,698	$2,662,596	$1,615,081	$4,075,149	$603,070	$14,240,092

(iii) Refund liabilities

As of March 31, 2024

The PW1100G-JM Engine program (hereinafter referred to as "the program"), in which the Company participates through International Aero Engines, LLC (hereinafter referred to as "IAE"), a multinational collaboration on civil aero engines, has been impacted by the challenge of managing significant in-service issues, so the Company is currently working hard with IAE to remedy this situation. As a member of this program, the Company would cover its portion of the loss associated with in-service issues. As a result, ¥59,611 million has been recorded on "Refund liabilities" in the consolidated statement of financial position and ¥60,047 million has been deducted from "Revenue" in the consolidated statement of profit or loss as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections.

As of March 31, 2025

The PW1100G-JM Engine program (hereinafter referred to as "the program"), in which the Company participates through International Aero Engines, LLC (hereinafter referred to as "IAE"), a multinational collaboration on civil aero engines, has been impacted by the challenge of managing significant in-service issues, so the Company is currently working hard with IAE to remedy this situation. As a member of this program, the Company would cover its portion of the loss associated with in-service issues. As a result, ¥43,477 million ($290,758 thousand) has been recorded on "Refund liabilities" in the consolidated statement of financial position as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections.

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

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

In these segments, in addition to the sale of products such as component parts of airframes and jet engines for commercial aircraft, the Group executes construction contracts for the manufacture of rolling stock and construction of various plants, and provides services such as those related to maintenance contracts. For sales of products, the Group recognizes revenue on the date of delivery or acceptance of the goods in principle due to its performance obligations being mainly satisfied at that point in time. For the execution of construction contracts and the rendering of services, the Group recognizes revenues by measuring the progress of completion as

performance obligations are satisfied over a certain period. The progress is measured by using the input method, which is mainly based on costs incurred, while the output method is used for rendering of services such as those under maintenance contracts and some construction contracts such as with the manufacture of rolling stock.

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

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

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

(2) Contract balances

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Receivables from contracts with customers	¥ 627,506	¥ 709,131	$4,742,400
Contract assets	136,706	170,556	1,140,614
Contract liabilities	265,468	363,534	2,431,178

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

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

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

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

Of revenues recognized for the previous consolidated fiscal year and the current consolidated fiscal year, amounts included in the beginning balance of contract liabilities were ¥225,223 million and ¥240,243 million ($1,606,654 thousand), respectively.

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

(3) Transaction price allocated to the remaining performance obligations

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

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	¥1,024,984	¥490,028	¥685,477	¥83,632	¥—	¥38,834	¥2,322,955

Note: Since production in the Powersports & Engine segment is based mainly on estimated demand, the transaction price allocated to the remaining performance obligations is not presented.

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

Millions of yen

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

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	$8,706,861	$3,476,165	$5,519,668	$611,322	$15,007	$280,807	$18,609,831

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

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

(4) Assets recognized from contract costs

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Assets recognized from the costs incurred to fulfill a contract	¥2,818	¥6,519	$43,597

Costs incurred to fulfill a contract capitalized by the Group are the recoverable amounts of costs for fulfilling contracts with customers in the commercial aircraft jet engine business. These assets are recorded in "Inventories" in the consolidated statement of financial position and are amortized in accordance with the pattern in which the related services are transferred to customers. Amortization related to capitalized costs to fulfill a contract in the previous consolidated fiscal year and the current consolidated fiscal year was ¥12,867 million and ¥535 million ($3,578 thousand), respectively.

25. Other assets and other liabilities

(1) Other assets

The breakdown of other assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Advance payments	¥ 69,029	¥136,368	$ 911,978
Prepaid expenses	41,612	44,370	296,730
Retirement benefit asset	390	1,023	6,841
Other	23,920	20,997	140,420
Total	¥134,952	¥202,758	$1,355,969
Current assets	¥101,644	¥168,779	$1,128,730
Non-current assets	33,307	33,978	227,232
Total	¥134,952	¥202,758	$1,355,969

(2) Other liabilities

The breakdown of other liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Accrued expenses	¥103,364	¥105,445	$ 705,176
Deposits received	25,996	42,821	286,371
Accrued bonuses	31,177	46,240	309,236
Other	41,692	52,280	349,629
Total	¥202,230	¥246,787	$1,650,418
Current liabilities	¥185,902	¥233,675	$1,562,730
Non-current liabilities	16,327	13,112	87,688
Total	¥202,230	¥246,787	$1,650,418

26. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Salaries and allowances	¥ 74,256	¥ 81,407	$ 544,419
Research and development expenses	53,364	48,976	327,533
Advertising expenses	20,641	23,206	155,193
Other	127,782	153,372	1,025,694
Total	¥276,044	¥306,963	$2,052,852

27. Other income and expenses

(1) Other income

The breakdown of other income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Gain on sale of fixed assets	¥ 739	¥ 635	$ 4,247
Other	4,965	2,463	16,472
Total	¥5,704	¥3,098	$20,718

(2) Other expenses

The breakdown of other expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Loss on sale and disposal of fixed assets	¥2,789	¥1,583	$10,587
Other	4,264	6,138	41,049
Total	¥7,053	¥7,722	$51,642

28. Finance income and finance costs

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Interest income			
Financial assets measured at amortized cost	¥2,354	¥2,646	$17,695
Dividend income			
Financial assets measured at fair value through other comprehensive income	364	314	2,100
Foreign exchange gain	—	—	—
Others	322	462	3,090
Total	¥3,040	¥3,423	$22,892

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Interest expense			
Financial liabilities measured at amortized cost	¥ 7,390	¥12,907	$ 86,317
Lease liabilities	783	2,086	13,950
Foreign exchange loss	2,606	16,094	107,631
Others	6,481	7,941	53,106
Total	¥17,261	¥39,028	$261,004

29. Government grants

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

Government grants received in the previous consolidated fiscal year and the current consolidated fiscal year were ¥11,591 million and ¥10,606 million ($70,929 thousand), respectively. Of this amount, the grants related to revenue were deducted from research and development expenses, and the grants related to assets were deducted from the acquisition cost of acquired assets.

30. Earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Profit attributable to owners of parent	¥ 25,377	¥ 88,001	$ 588,517

	Thousands of shares	
	2024	2025
Average number of common shares	167,491	167,479

	yen		U.S. dollars
	2024	2025	2025
Basic earnings per share	¥ 151.51	¥ 525.44	$ 3.51

Notes: 1. Diluted earnings per share are not stated because there were no potential dilutive shares.

2. The Company's shares held by trusts whose beneficiaries are directors and others recorded as treasury shares under equity are included in the number of shares held in treasury to be deducted from the calculation of the average number of shares during respective periods in computing the earnings per share. (At the end of the previous consolidated fiscal year: 376,200 shares, at the end of the current consolidated fiscal year: 738,900 shares).

31. Related party

(1) Related party transactions

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

As of March 31, 2024

Type	Name	Details of transactions	Transaction amount	Line item	Outstanding balance	Allowance for credit loss outstanding balance
Associate	Commercial Airplane Co., Ltd.	Sales of Company products	¥69,712 million	Accounts receivable - trade	¥26,528 million	¥—
				Contract liabilities	¥ 6,212 million	¥—

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

As of March 31, 2025

Type	Name	Details of transactions	Transaction amount	Line item	Outstanding balance	Allowance for credit loss outstanding balance
Associate	Commercial Airplane Co., Ltd.	Sales of Company products	¥62,302 million ($416,652 thousand)	Accounts receivable - trade	¥38,733 million ($259,032 thousand)	¥—
				Contract liabilities	¥5,286 million ($ 35,351 thousand)	¥—

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

(2) Remuneration for key management personnel

Remuneration for directors is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Short-term remuneration	¥489	¥461	$3,083
Share-based remuneration	72	170	1,137

32. Subsequent events

(Partial sale of consolidated subsidiary shares)

(1) Details of the event

Based on the resolution of its 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 referred to as "Kawasaki Motors"), to Kawasaki Motors on April 1, 2025. Additionally, Kawasaki Motors conducted a third-party allotment to ITOCHU Corporation, allocating 20% of its outstanding shares to ITOCHU Corporation. Even after these transactions, Kawasaki Motors will remain a consolidated subsidiary of the Company.

Overview of the Share Transfer

(i) The number of shares retained by the Company prior to the Share Transfer	20,000 shares (100% voting rights ownership)
(ii) Number of shares to be transferred	4,000 shares
(iii) Transfer price	¥80.0 billion
(iv) Date of transfer	April 1, 2025

Overview of the Third-party Allotment

(i) Number of shares to be allotted	4,000 shares
(ii) Amount to be paid in	¥80.0 billion
(iii) Number of shares issued after the allotment	20,000 shares
(iv) Date of payment	April 1, 2025
(v) The number of shares retained by the Company following the Share Transfer and the Third-party Allotment	16,000 shares (80% voting rights ownership)

(2) Effect of the event on financial results

As Kawasaki Motors will remain a consolidated subsidiary of the Company even after this transaction, the impact on consolidated profit and loss for the fiscal year ending March 31, 2026 is expected to be minor.

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