UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K/A
(Amendment No. 1)

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2025
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________________________ to ________________________

001-40853
(Commission file number)

kyndryl

Kyndryl Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**86-1185492**
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)
One Vanderbilt Avenue, 15th Floor	
New York, New York	**10017**
(Address of principal executive offices)	(Zip Code)

855-596-3795
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	KD	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was $5.3 billion, based on the closing price on September 30, 2024, the last day of business of the registrant’s most recently completed second fiscal quarter, as reported on the New York Stock Exchange.

The number of shares of the registrant’s common stock, par value $0.01 per share, outstanding at May 23, 2025 was 229,944,566.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant’s Proxy Statement relating to the registrant’s 2025 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

Index

EXPLANATORY NOTE

In connection with the review by Kyndryl Holdings, Inc. (“we,” “Kyndryl” or the “Company”), through the Audit Committee of its Board of Directors (the “Board”), of its cash management practices, related disclosures, the efficacy of the Company’s internal control over financial reporting, and certain other matters, the Company re-assessed the effectiveness of its disclosure controls and procedures and internal control over financial reporting as of March 31, 2025. The Company determined that there were material weaknesses in the Company’s internal control over financial reporting as of March 31, 2025 and that the Company’s disclosure controls and procedures and internal control over financial reporting were ineffective as of such date.

As a result, the Company is filing this Amendment No. 1 (this “Amendment”) to the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2025, originally filed with the Securities and Exchange Commission (“SEC”) on May 30, 2025 (the “Original Form 10-K”), to:

- include in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” a new paragraph under the subheading “Financial Position—Cash Flow” regarding the Company’s cash management practices in the context of the Company’s cash flows;
- reflect in the report of PricewaterhouseCoopers LLP, the Company’s independent registered public accounting firm, in Item 8. “Financial Statements and Supplementary Data,” that the Company did not maintain, in all material respects, effective internal control over financial reporting as of March 31, 2025;
- reflect in Item 9A. “Controls and Procedures,” including “Management’s Report on Internal Control over Financial Reporting,” that the Company’s disclosure controls and procedures and internal control over financial reporting were not effective as of March 31, 2025 due to the material weaknesses in the Company’s internal control over financial reporting as of March 31, 2025; and
- reflect in Item 15. “Exhibits, Financial Statement Schedules” the new certifications and consent referenced below.

This Amendment also includes the following exhibits:

- new currently dated certifications (as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) by the Company’s principal executive officer and principal financial officer; and
- a new consent from PricewaterhouseCoopers LLP.

Notwithstanding the material weaknesses identified, the Company has concluded that the material weaknesses did not result in misstatements of previously issued historical consolidated financial statements and that such financial statements, which are also included in their entirety in this Amendment (without restatement or revision of such previously issued consolidated financial statements), continue to present fairly, in all material respects, the Company’s financial position, results of operations and cash flows as of and for the relevant periods presented in conformity with U.S. generally accepted accounting principles (“GAAP”).

Pursuant to Rule 12b-15 under the Exchange Act, this Amendment contains only the items of the Original Form 10-K that are being amended and restated and the newly dated certifications and new consent referenced above. Unaffected items are not included herein. Accordingly, except as set forth herein, this Amendment does not modify or update disclosures included in the Original Form 10-K, nor does it reflect events occurring after the filing of the Original Form 10-K. Among other things, the risk factors and the forward-looking statements included in the Original Form 10-K have not been revised to reflect events, facts or risks that occurred or became known to the Company after the filing of the Original Form 10-K, and any such sections and statements should be read in their historical context. Accordingly, this Amendment should be read in conjunction with the Company’s filings with the SEC that were made subsequent to the filing of the Original Form 10-K, including amendments to those filings.

PART II

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The only amendment to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Original Form 10-K is to include a new paragraph under the subheading "Financial Position—Cash Flow" regarding the Company's cash management practices in the context of the Company's cash flows, and no other changes, modifications or amendments to any other sections, numbers or tables within Item 7 have been made.

Overview

Included below are selected results and year-over-year comparisons for the years ended March 31, 2025, 2024 and 2023. The following discussion and analysis of our financial condition and results of operations should be read together with our audited consolidated financial statements and related notes included elsewhere in this report. For further information on the comparisons between the years ended March 31, 2024 and 2023 not covered in the "Segment Results" below, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024 (the "2024 Form 10-K").

	Year Ended March 31,		
(Dollars in millions)	**2025**	**2024**	**2023**
Revenue	$ 15,057	$ 16,052	$ 17,026
Revenue growth (GAAP)	(6)%	(6)%	(7)%[2]
Revenue growth in constant currency[1]	(4)%	(6)%	0 %[2]
Net income (loss)	$ 252	$ (340)	$ (1,374)
Adjusted EBITDA[1]	$ 2,516	$ 2,367	$ 1,975

(1) Revenue growth in constant currency and adjusted EBITDA are non-GAAP financial metrics. For definitions of these metrics and a reconciliation of adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, see "—Segment Results."

(2) In January 2022, the Company changed its fiscal year-end to March 31 from December 31. The year-over-year comparison for the year ended March 31, 2023 and the results of operations for the twelve months ended March 31, 2022 were derived from our unaudited quarterly consolidated financial statements as previously reported.

(Dollars in millions)	**March 31, 2025**	**March 31, 2024**
Assets	$ 10,452	$ 10,590
Liabilities	9,121	9,468
Equity	1,331	1,122

Organization of Information

Kyndryl Holdings, Inc. was formed as a wholly-owned subsidiary of IBM in September 2021 to hold the operations of the infrastructure services unit of IBM's Global Technology Services segment. On November 3, 2021, Kyndryl separated from IBM through a spin-off that was tax-free for U.S. federal tax purposes. Following the Separation, Kyndryl became an independent, publicly-traded company and the world's leading IT infrastructure services provider.

Financial Performance Summary

Macro Dynamics

In fiscal year 2025, we saw continuing demand for information technology services, despite concerns about economic growth, geopolitical tensions and inflationary pressures. Most economists, including the International Monetary Fund, expect positive global macroeconomic growth to continue in calendar year 2025. Global markets have experienced increased volatility in recent months, driven by geopolitical developments, concerns over the imposition of import tariffs by the United States, reactions from other nations and proposed U.S. government spending reductions. Increased economic uncertainty may impact the level of global macroeconomic activity.

Fiscal 2025 Financial Performance

For the year ended March 31, 2025, we reported $15.1 billion in revenue, a decline of 6 percent compared to the year ended March 31, 2024. The revenue decline was largely attributable to actions the Company has taken to reduce low-margin components of its customer relationships, as well as currency effects. United States revenue declined 10 percent, Japan revenue increased 1 percent, Principal Markets revenue declined 5 percent and Strategic Markets revenue decreased 8 percent, compared to the year ended March 31, 2024. Net income of $252 million improved by $592 million versus the prior year driven by progress on our key initiatives to drive operating efficiencies and increased margins, lower depreciation expense and a $138 million after-tax gain from the sale of our SIS platform in Canada.

Fiscal 2024 Financial Performance

For the year ended March 31, 2024, we reported $16.1 billion in revenue, a decline of 6 percent compared to the year ended March 31, 2023. The revenue decline was largely attributable to actions the Company has taken to reduce unprofitable and low-margin components of its customer relationships. United States revenue declined 9 percent, Japan revenue declined 6 percent, Principal Markets revenue declined 2 percent and Strategic Markets revenue decreased 7 percent, compared to the year ended March 31, 2023. Net loss of $340 million improved by $1.0 billion versus the prior-year period driven by progress on our key initiatives to drive operating efficiencies, increased margins and reduced transaction-related costs tied to our Separation.

Basis of Presentation

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates and assumptions that impact the amounts reported and disclosed in our consolidated financial statements and the accompanying notes. We prepared these estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions. All significant transactions and accounts between Kyndryl entities were eliminated. Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages presented are calculated from the underlying whole-dollar amounts.

Segment Results

The following table presents our reportable segments' revenue and adjusted EBITDA for the years ended March 31, 2025, 2024 and 2023. Segment revenue and revenue growth in constant currency exclude any transactions between the segments.

	Year Ended March 31,			Year-over-Year Change	
(Dollars in millions)	**2025**	**2024**	**2023**	**2025 vs. 2024**	**2024 vs. 2023**
Revenue					
United States	$ 3,876	$ 4,295	$ 4,726	(10)%	(9)%
Japan	2,358	2,344	2,502	1 %	(6)%
Principal Markets	5,206	5,479	5,556	(5)%	(1)%
Strategic Markets	3,617	3,934	4,241	(8)%	(7)%
Total revenue	$ 15,057	$ 16,052	$ 17,026	(6)%	(6)%
Revenue growth in constant currency(1)	(4)%	(6)%	0 %		
Adjusted EBITDA(1)					
United States	$ 725	$ 781	$ 839	(7)%	(7)%
Japan	390	361	407	8 %	(11)%
Principal Markets	886	677	323	31 %	110 %
Strategic Markets	606	642	484	(6)%	33 %
Corporate and other(2)	(90)	(95)	(77)	NM	NM
Total adjusted EBITDA(1)	$ 2,516	$ 2,367	$ 1,975	6 %	20 %

NM - not meaningful
(1) Revenue growth in constant currency and adjusted EBITDA are non-GAAP financial metrics. See the information below for definitions of these metrics and a reconciliation of adjusted EBITDA to net income (loss).
(2) Represents net amounts not allocated to segments

The Company made a minor change to its geographic reportable segments effective June 1, 2024 to reflect how the Company manages its operations and measures business performance, transitioning the reporting and management of its operations in Australia/New Zealand from the Principal Markets segment to the Strategic Markets segment. All historical segment information has been recast to reflect this change.

We report our financial results in accordance with U.S. GAAP. We also present certain non-GAAP financial measures to provide useful supplemental information to investors. We provide these non-GAAP financial measures as we believe they enhance visibility to underlying results and the impact of management decisions on operational performance, enable better comparison to peer companies and allow us to provide a long-term strategic view of the business going forward.

Revenue growth in constant currency is a non-GAAP measure that eliminates the effects of exchange rate fluctuations when translating from foreign currencies to the United States dollar. It is calculated by using the average exchange rates that existed for the same period of the prior year. Constant-currency measures are provided so that revenue can be viewed without the effect of fluctuations in currency exchange rates, which is consistent with how management evaluates our revenue results and trends.

Additionally, management uses adjusted EBITDA to evaluate our performance. Adjusted EBITDA is a non-GAAP measure and defined as net income (loss) excluding income taxes, interest expense, depreciation and amortization (excluding depreciation of right-of-use assets and amortization of capitalized contract costs), charges related to ceasing to use leased/fixed assets, charges related to lease terminations, transaction-related costs and benefits, pension expenses other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges incurred prior to March 31, 2024, impairment expense, significant litigation costs and benefits, and currency impacts of highly inflationary countries. We believe that adjusted EBITDA is a helpful supplemental measure to assist investors in evaluating our operating results as it excludes certain items whose fluctuation from period to period does not necessarily correspond to changes in the operations of our business.

These disclosures are provided in addition to and not as a substitute for the percentage change in revenue and profit or loss measures on a U.S. GAAP basis compared to the corresponding period in the prior year. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

The following table provides a reconciliation of U.S. GAAP net income (loss) to adjusted EBITDA:

	Year Ended March 31,		
(Dollars in millions)	**2025**	**2024**	**2023**
Net income (loss)	$ 252	$ (340)	$ (1,374)
Provision for income taxes	184	172	524
Interest expense	100	122	94
Depreciation of property, equipment and capitalized software	660	834	900
Amortization expense	1,308	1,287	1,245
Workforce rebalancing charges incurred prior to March 31, 2024	—	138	71
Charges related to ceasing to use leased/fixed assets and lease terminations	48	39	80
Transaction-related costs (benefits)	(125)	(46)	264
Stock-based compensation expense	100	95	113
Other adjustments*	(10)	68	59
Adjusted EBITDA (non-GAAP)	$ 2,516	$ 2,367	$ 1,975

* Other adjustments represent pension expenses other than pension servicing costs and multi-employer plan costs, significant litigation costs and benefits, and currency impacts of highly inflationary countries. For the year ended March 31, 2024, other adjustments also included an adjustment to reduce amortization expense for the amount already included in transaction-related costs (benefits) above.

United States

(Dollars in millions)	Year Ended March 31, 2025	2024
Revenue	$ 3,876	$ 4,295
Revenue year-over-year change	(10)%	(9)%
Adjusted EBITDA	725	781
Adjusted EBITDA year-over-year change	(7)%	

For the year ended March 31, 2025, United States revenue of $3.9 billion decreased 10 percent compared to the year ended March 31, 2024, reflecting the Company's efforts to reduce certain low-margin revenues and the expiration of other low-margin contracts entered into before the Spin-off. Adjusted EBITDA decreased $56 million from the prior year, primarily driven by lower revenue and the impact of the inclusion of workforce rebalancing charges in adjusted EBITDA in fiscal 2025.

For the year ended March 31, 2024, United States revenue of $4.3 billion decreased 9 percent compared to the year ended March 31, 2023, driven by the Company's efforts to reduce certain low-margin revenues. Adjusted EBITDA decreased $58 million from the prior year, primarily driven by an increase in software costs of $67 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments, partially offset by increased operating efficiencies and higher margins on recent signings.

Japan

(Dollars in millions)	Year Ended March 31, 2025	2024
Revenue	$ 2,358	$ 2,344
Revenue year-over-year change	1 %	(6)%
Revenue growth in constant currency	6 %	0 %
Adjusted EBITDA	390	361
Adjusted EBITDA year-over-year change	8 %	

For the year ended March 31, 2025, Japan revenue of $2.4 billion increased 1 percent, and increased 6 percent in constant currency, compared to the year ended March 31, 2024, primarily driven by expanding the scope of services we provide to our customers. Adjusted EBITDA increased $29 million from the prior year, primarily driven by progress on our key initiatives.

For the year ended March 31, 2024, Japan revenue of $2.3 billion decreased 6 percent compared to the year ended March 31, 2023, driven primarily by an unfavorable currency exchange rate impact of six points. Adjusted EBITDA decreased $46 million from the prior year, primarily driven by unfavorable currency movements that impacted both non-yen-denominated costs and the translation of earnings into U.S. dollars.

Principal Markets

(Dollars in millions)	Year Ended March 31, 2025	2024
Revenue	$ 5,206	$ 5,479
Revenue year-over-year change	(5)%	(1)%
Revenue growth in constant currency	(4)%	(4)%
Adjusted EBITDA	886	677
Adjusted EBITDA year-over-year change	31 %	

For the year ended March 31, 2025, Principal Markets revenue of $5.2 billion decreased 5 percent compared to the year ended March 31, 2024, driven by actions the Company has taken to reduce low-margin components of its customer relationships. Adjusted EBITDA increased $209 million from the prior year, primarily due to increased operating efficiencies and higher margins on recent signings, as well as a vendor credit.

For the year ended March 31, 2024, Principal Markets revenue of $5.5 billion decreased 1 percent compared to the year ended March 31, 2023, including a favorable currency exchange rate impact of three points. The revenue decline was largely attributable to actions the Company has taken to reduce low-margin components of its customer relationships. Adjusted EBITDA increased $354 million from the prior year, primarily due to increased operating efficiencies, higher margins on recent signings and a decrease in software costs of $86 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments.

Strategic Markets

(Dollars in millions)	Year Ended March 31, 2025	2024
Revenue	$ 3,617	$ 3,934
Revenue year-over-year change	(8)%	(7)%
Revenue growth in constant currency	(5)%	(10)%
Adjusted EBITDA	606	642
Adjusted EBITDA year-over-year change	(6)%	

For the year ended March 31, 2025, Strategic Markets revenue of $3.6 billion decreased 8 percent compared to the year ended March 31, 2024. The revenue decline was largely attributable to actions the Company has taken to reduce low-margin components of its customer relationships, as well as an unfavorable currency exchange rate impact of three points. Adjusted EBITDA decreased $36 million from the prior year, primarily driven by the impact of the inclusion of workforce rebalancing charges in adjusted EBITDA in fiscal 2025, partially offset by progress on our key initiatives.

For the year ended March 31, 2024, Strategic Markets revenue of $3.9 billion decreased 7 percent compared to the year ended March 31, 2023, including a favorable currency exchange rate impact of three points. The revenue decline was largely attributable to actions the Company has taken to reduce low-margin components of its customer relationships. Adjusted EBITDA increased $158 million from the prior year, primarily due to increased operating efficiencies and higher margins on recent signings, partially offset by an increase in software costs of $29 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments.

Corporate and Other

Corporate and other generated an adjusted EBITDA loss of $90 million in the year ended March 31, 2025, compared to a loss of $95 million in the year ended March 31, 2024, and a loss of $77 million in the year ended March 31, 2023.

Costs and Expenses

	Year Ended March 31,		Percent of Revenue		Change
(Dollars in millions)	2025	2024	2025	2024	2025 vs. 2024
Revenue	$ 15,057	$ 16,052	100.0 %	100.0 %	(6)%
Cost of services	11,914	13,189	79.1 %	82.2 %	(10)%
Selling, general and administrative expenses	2,591	2,773	17.2 %	17.3 %	(7)%
Workforce rebalancing charges	114	138	0.8 %	0.9 %	(18)%
Transaction-related costs (benefits)	(125)	(46)	(0.8)%	(0.3)%	NM
Interest expense	100	122	0.7 %	0.8 %	(18)%
Other expense	27	45	0.2 %	0.3 %	(39)%
Income (loss) before income taxes	$ 435	$ (168)			

NM – not meaningful

Cost of services was 79.1% of revenue in the year ended March 31, 2025, compared to 82.2% in the year ended March 31, 2024, driven by lower depreciation expense, increased operating efficiencies, higher margins on recent signings, and a vendor credit. Selling, general and administrative expenses were 17.2% of revenue in the year ended March 31, 2025, compared to 17.3% in the year ended March 31, 2024. Transaction-related costs (benefits) were (0.8)% of revenue in the year ended March 31, 2025, primarily due to a $145 million pretax gain from the sale of the SIS platform in Canada, compared to transaction-related costs (benefits) of (0.3)% of revenue in the year ended March 31, 2024, which reflected an agreement that allowed us to collect previously reserved receivables from our former Parent. Interest expense was 0.7% of revenue in the year ended March 31, 2025 compared to 0.8% in the year ended March 31, 2024. Other expense was 0.2% of revenue in the year ended March 31, 2025, compared to 0.3% in the year ended March 31, 2024, driven by currency-related hedging gains recorded this year.

(Dollars in millions)	Year Ended March 31, 2024	Year Ended March 31, 2023	Percent of Revenue 2024	Percent of Revenue 2023	Change 2024 vs. 2023
Revenue	$ 16,052	$ 17,026	100.0 %	100.0 %	(6)%
Cost of services	13,189	14,498	82.2 %	85.2 %	(9)%
Selling, general and administrative expenses	2,773	2,914	17.3 %	17.1 %	(5)%
Workforce rebalancing charges	138	71	0.9 %	0.4 %	95 %
Transaction-related costs (benefits)	(46)	264	(0.3)%	1.5 %	NM
Interest expense	122	94	0.8 %	0.5 %	30 %
Other expense	45	35	0.3 %	0.2 %	27 %
Income (loss) before income taxes	$ (168)	$ (851)			

NM – not meaningful

Cost of services was 82.2% of revenue in the year ended March 31, 2024, compared to 85.2% in the year ended March 31, 2023, driven by increased operating efficiencies, higher margins on recent signings and actions the Company has taken to reduce low-margin components of its customer relationships. Selling, general and administrative expenses were 17.3% of revenue in the year ended March 31, 2024 compared to 17.1% in the year ended March 31, 2023, driven by lower revenue, partially offset by reduced expenses. Workforce rebalancing charges were 0.9% of revenue in the year ended March 31, 2024 versus 0.4% of revenue in the prior-year period, due to increased workforce rebalancing actions taken in fiscal 2024. Transaction-related costs (benefits) were (0.3)% of revenue in the year ended March 31, 2024 compared to 1.5% in the prior-year, driven by reduced rebranding and employee-retention costs and the favorable resolution of certain pre-Separation and Separation-related matters with our former Parent. Interest expense was 0.8% of revenue in the year ended March 31, 2024 compared to 0.5% in the prior year due to higher interest rates in fiscal 2024.

Transaction-Related Costs

The Company classifies certain expenses and benefits related to the Separation, acquisitions and divestitures as “transaction-related costs (benefits)” in the Consolidated Income Statement. Transaction-related costs include gains or losses, employee retention expenses, information technology costs, marketing expenses to establish the Kyndryl brand, legal, accounting, consulting and other professional service costs, costs and benefits resulting from settlements with our former Parent associated with pre-Separation and Separation-related matters, and other costs related to contract and supplier novation and integration, associated with acquisitions, divestitures or the Separation.

Workforce Rebalancing and Site-Rationalization Charges

Fiscal 2025 Program

During the year ended March 31, 2025, management initiated actions to reduce the Company’s overall cost structure and increase our operating efficiency. These actions resulted in workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets, and charges related to lease terminations. During the year ended March 31, 2025, the Company recorded $114 million in workforce rebalancing charges and $48 million in charges related to ceasing to use leased and owned fixed assets, including lease termination charges.

Total cash outlays for this program are expected to be approximately $150 million, of which approximately $110 million has been paid through March 31, 2025, and the remainder is expected to be paid thereafter. Management expects that these workforce rebalancing and site-rationalization activities will reduce payroll costs, rent expenses and depreciation of property and equipment by more than $200 million in fiscal year 2026. There can be no guarantee that we will achieve our expected cost savings.

The Company will continue to seek opportunities to improve operational efficiency and reduce costs, which may result in additional charges in future periods. For additional information, see Note 19 - Workforce Rebalancing and Site-Rationalization Charges in the accompanying Consolidated Financial Statements.

Fiscal 2024 Program

During the year ended March 31, 2023, management initiated certain actions to reduce the Company's overall cost structure and increase our operating efficiency, which continued through the year ended March 31, 2024. These actions resulted in workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets, and charges related to lease terminations. Workforce rebalancing charges arise from cost-reduction actions to enhance productivity and cost-competitiveness and to rebalance skills that result in payments to the terminated employees. In addition, we identified certain leased and owned assets that were inherited from IBM as a result of the Separation that we determined will no longer provide any economic benefit to Kyndryl. During the year ended March 31, 2024, the Company recognized $135 million in workforce rebalancing charges (excluding individual terminations outside of this Company-wide workforce rebalancing program) and $39 million in charges related to ceasing to use leased and owned fixed assets, including lease termination charges.

Total cash outlays for this program are expected to be $300 million, of which approximately $270 million has been paid through March 31, 2025 (including approximately $70 million of contractual payments toward leased assets we have ceased to use), and the remainder is expected to be paid thereafter. Management estimates that these workforce rebalancing and site-rationalization activities reduced payroll costs, rent expenses and depreciation of property and equipment by approximately $400 million in fiscal year 2025.

Income Taxes

The Company's consolidated provision for income taxes and effective tax rate were as follows:

	Year Ended March 31,		
(Dollars in millions)	**2025**	**2024**	**2023**
Provision for income taxes	$ 184	$ 172	$ 524
Effective tax rate	41.9 %	(102.2)%	(61.6)%

In the year ended March 31, 2025, we recorded income tax expense of $184 million. In the years ended March 31, 2024 and 2023, we recorded income tax expense of $172 million and $524 million, respectively, on pretax losses, which resulted in negative effective tax rates. Our income tax expense for the year ended March 31, 2025, was primarily related to taxes on foreign operations and uncertain tax positions. Our income tax expense for the year ended March 31, 2024 was primarily related to taxes on foreign operations and uncertain tax positions. Our income tax expense for the year ended March 31, 2023 was primarily related to the increases in valuation allowances in certain jurisdictions against deferred tax assets that are not more likely than not to be realized, taxes on foreign operations and uncertain tax positions.

The effective tax rate for the year ended March 31, 2025 was higher compared to the year ended March 31, 2024, primarily due to the Company's pretax income in fiscal year 2025, compared to a pretax loss in 2024. The effective tax rate for the year ended March 31, 2024 was lower (more negative) compared to the year ended March 31, 2023 primarily due to the Company's pretax loss being significantly lower in fiscal year 2024. For more information, see Note 5 - Taxes in the accompanying Consolidated Financial Statements.

Financial Position

Dynamics

Total assets of $10.5 billion at March 31, 2025 decreased by $138 million (and decreased by $52 million adjusted for currency) from March 31, 2024, primarily driven by: a decrease of $254 million in accounts receivable primarily due to lower past-due receivables; a reduction in operating right-of-use assets, net, of $133 million due to amortization outpacing additions; and a decrease in property and equipment, net, of $104 million due to depreciation outpacing net additions; partially offset by an increase in cash and cash equivalents of $234 million mainly due to our net income in the period; and an increase in other non-current assets of $95 million due to an increase in long-term prepaid assets.

Total liabilities of $9.1 billion at March 31, 2025 decreased by $347 million (and decreased by $305 million adjusted for currency) from March 31, 2024, primarily as a result of: a decrease in operating lease liabilities of $121 million due to a reduction in right-of-use assets; a decrease in long-term debt of $70 million due to lower finance lease obligations; a decrease in accounts payable of $57 million due to lower costs; and a decrease in accrued contract costs of $51 million due to lower volumes.

Total equity of $1.3 billion at March 31, 2025 increased by $209 million from March 31, 2024, principally due to our net income in the period, partially offset by $94 million of share repurchases under our Share Repurchase Program.

Overall pension funded status as of March 31, 2025 was 77% of estimated pension benefit obligation, an increase from 75% at March 31, 2024. Among our funded pension plans, our funded status as of March 31, 2025 was 103%, an increase from 99% at March 31, 2024.

Cash Flow

Our cash flows from operating, investing and financing activities are summarized in the table below.

	Year Ended March 31,	
(Dollars in millions)	**2025**	**2024**
Net cash provided by (used in):		
Operating activities	$ 942	$ 454
Investing activities	(404)	(553)
Financing activities	(286)	(170)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(16)	(37)
Net change in cash, cash equivalents and restricted cash	$ 235	$ (306)

Net cash provided by operating activities was $942 million for the year ended March 31, 2025, compared to net cash provided by operating activities of $454 million for the year ended March 31, 2024, mainly due to higher earnings.

Net cash used in investing activities was $404 million for the year ended March 31, 2025, compared to a net cash use of $553 million for the year ended March 31, 2024, due to the sale of our SIS platform in Canada partially offset by our acquisition of Skytap.

Net cash used in financing activities totaled $286 million for the year ended March 31, 2025, compared to net cash used by financing activities of $170 million for the year ended March 31, 2024, mainly due to share repurchases of $94 million under the Company's share repurchase program.

As part of our ongoing cash and commercial management strategy with customers and suppliers and as previously disclosed, our standard practice since the time of our spin-off from IBM is to actively manage our working capital, including accounts receivables and accounts payables. This includes optimizing payment terms and conditions, accelerating certain cash receipts (including through the sale of trade receivables to third-party financial institutions) and delaying certain cash payments (including deferring vendor payments quarter to quarter, in certain cases beyond vendor payment terms), and undertaking other discretionary cash and working capital management initiatives. The magnitude of these practices (including deferrals) has exceeded $100 million in current or prior periods but varied from quarter to quarter. The effects of these practices, including any impacts on our cash flows, have been and are reflected in our accounts payable, accounts receivable and our operating cash flows, which are accounted for in accordance with U.S. GAAP. Our working capital and cash flows have also reflected the impact of accrued contract costs in certain periods due to the timing of vendor billings. We may, from time to time, revise or adapt our cash and working capital management practices as we deem appropriate.

Liquidity and Capital Resources

We believe that our existing cash and cash equivalents and our revolving credit agreement will be sufficient to meet our anticipated cash needs for at least the next twelve months.

Senior Unsecured Notes

In October 2021, in preparation for our Spin-off, we completed the offering of $2.4 billion in aggregate principal amount of senior unsecured fixed-rate notes as follows: $700 million aggregate principal amount of 2.05% Senior Notes due 2026, $500 million aggregate principal amount of 2.70% Senior Notes due 2028, $650 million aggregate principal amount of 3.15% Senior Notes due 2031 and $550 million aggregate principal amount of 4.10% Senior Notes due 2041 (the "Initial Notes"). The Initial Notes were offered and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in reliance on Regulation S of the Securities Act. In connection with the issuance of the Initial Notes, we entered into a registration rights agreement with the purchasers of the Initial Notes, pursuant to which we completed a registered offering to exchange each series of Initial Notes for new notes with substantially identical terms during the quarter ended September 30, 2022.

In February 2024, we completed a registered offering of $500 million in aggregate principal amount of 6.35% senior unsecured notes due 2034 (the "2034 Notes"). We received proceeds of $494 million, net of debt issuance costs and discounts. The 2034 Notes are the Company's senior unsecured obligations and rank equally in right of payment with all of the Company's other existing and future senior unsecured indebtedness.

The Initial Notes and the 2034 Notes are subject to customary affirmative covenants, negative covenants and events of default for financings of this type and are redeemable at our option in a customary manner.

Revolving Credit Agreement

In October 2021, we entered into a $3.15 billion multi-currency revolving credit agreement (the "Revolving Credit Agreement"), which expires, unless extended, in October 2026. The Revolving Credit Agreement was amended in June 2023, replacing the London Interbank Offered Rate ("LIBOR") with the Secured Overnight Financing Rate ("SOFR"). In March 2025, we further amended the agreement, extending the maturity to March 2030. Interest rates on borrowings under the Revolving Credit Agreement will be based on prevailing market interest rates, plus a margin, as further described in the Revolving Credit Agreement.

The total facility fees recorded by the Company for the Revolving Credit Agreement were $5 million and $5 million for the years ended March 31, 2025 and 2024, respectively. As of March 31, 2025, there has been no drawdown on the Revolving Credit Agreement.

The Revolving Credit Agreement includes certain customary mandatory prepayment provisions. In addition, it includes customary events of default and affirmative and negative covenants as well as a maintenance covenant that will require that the ratio of our indebtedness for borrowed money to consolidated EBITDA (as defined in the Revolving Credit Agreement) for any period of four consecutive fiscal quarters be no greater than 3.50 to 1.00. The Company is in compliance with its debt covenants.

Transfers of Financial Assets

The Company has entered into arrangements with third-party financial institutions to sell certain financial assets (primarily trade receivables) without recourse. The Company has determined these are true sales. The carrying value of the financial asset sold is derecognized, and a net gain or loss on the sale is recognized, at the time of the transfer. The first agreement, which was executed in November 2021 and subsequently amended, enabled us to sell certain of our trade receivables to the counterparty. The initial term of this agreement was 18 months, and the agreement automatically resets to a term of 18 months after every six months, unless either party elects not to extend. This agreement was further amended during the quarter ended September 30, 2024 to reduce the committed facility limit from $1 billion to $600 million and to add an incremental uncommitted facility limit of $200 million that is subject to the counterparty's sole discretion to purchase such incremental amounts. The second agreement was executed in June 2022 with a separate third-party financial institution and renews automatically on its anniversary date, unless either party elects not to extend.

The net proceeds from these arrangements are reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. Gross proceeds from receivables sold to third parties under the aforementioned programs were $3.2 billion for the year ended March 31, 2025 and $3.6 billion for the year ended March 31, 2024. The fees associated with the transfers of receivables were $38 million for the year ended March 31, 2025 and $49 million for the year ended March 31, 2024.

Supplier Financing Program

In the year ended March 31, 2024, the Company initiated a supplier financing program with a third-party financial institution under which the Company agrees to pay the financial institution the stated amounts of invoices from participating suppliers on the originally invoiced due date, which have an average term of 90 to 120 days. The financial institution offers earlier payment of the invoices at the sole discretion of the supplier for a discounted amount. The Company does not provide secured legal assets or other forms of guarantees under the arrangements. The Company is not a party to the arrangement between its suppliers and the financial institution. The Company or the financial institution may terminate the agreement upon at least 180 days notice. The Company's obligations under this program continue to be recognized as accounts payable in the Consolidated Balance Sheet. The obligations outstanding under this program at March 31, 2025 and 2024 were immaterial.

Share Repurchase Program

In November 2024, the Company's Board of Directors authorized a share repurchase program of up to $300 million of the Company's common stock. Under the Share Repurchase Program, the Company may repurchase shares of its common stock from time to time in open market transactions and may also repurchase shares in accelerated share buyback programs, tender offers, privately negotiated transactions or by other means. Repurchases may also be made under a Rule 10b5-1 trading plan. The timing and amount of repurchase transactions will be determined by the Company's management based on its evaluation of market conditions, share price, legal requirements and other factors. The program does not have a set expiration date and may be suspended, modified or discontinued at any time without prior notice.

During the year ended March 31, 2025, the Company repurchased 2.6 million shares of its common stock at an aggregate cost of $94 million under the Share Repurchase Program. As of March 31, 2025, $206 million remained of our $300 million Share Repurchase Program authorization.

Off-Balance Sheet Arrangements and Contractual Obligations

From time to time, we may enter into (i) off-balance sheet arrangements as defined by SEC Financial Reporting Release 67 (FRR-67), "Disclosure in Management's Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations" or (ii) purchase commitments, which we expect to use in the ordinary course of business.

At March 31, 2025 and March 31, 2024, we had no such off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We do not have retained interests in assets transferred to unconsolidated entities or other material off-balance sheet interests or instruments.

At March 31, 2025, the Company's material future contractual obligations were primarily related to leases, debt and pension liabilities. See Note 9 - Leases, Note 12 - Borrowings, Note 13 - Other Liabilities and Note 17 - Retirement-Related Benefits of Notes to the Company's consolidated financial statements. Additionally, the Company has contractual commitments that are noncancellable with certain software, hardware and cloud partners used in the delivery of services to customers. The Company has determined that these commitments may exceed the Company's needs over the next two to three years. If the Company is unable to satisfy, reduce or amend its contractual commitments, it will record the future charges for any payments related to excess commitments as cost of services. At March 31, 2025, we had short-term (April 2025 through March 2026), mid-term (April 2026 through March 2028) and long-term (April 2028 onward) purchase commitments in the amount of $0.2 billion, $0.6 billion and $0.1 billion, respectively.

Other Information

Signings

The following table presents the Company's signings for the years ended March 31, 2025, 2024 and 2023.

	Year Ended March 31,		
(Dollars in billions)	**2025**	**2024**	**2023**
Total signings	$ 18.2	$ 12.5	$ 12.2

Signings increased $5.7 billion, or 46%, in the year ended March 31, 2025 compared to the year ended March 31, 2024, driven by growth in each of our four operating segments. The Company's global signings growth spanned a broad range of industries and included a record 55 contracts valued in excess of $50 million. Signings increased by $332 million, or 3%, in the year ended March 31, 2024 compared to the year ended March 31, 2023.

Management uses signings as a tool to monitor the performance of the business including the business' ability to attract new customers and sell additional scope into our existing customer base. There are no third-party standards or requirements governing the calculation of signings. We define signings as an initial estimate of the value of a customer's commitment under a contract. The calculation involves estimates and judgments to gauge the extent of a customer's commitment, including the type and duration of the agreement and the presence of termination charges or wind-down costs. Contract extensions and increases in scope are treated as signings only to the extent of the incremental new value. Signings can vary over time due to a variety of factors including, but not limited to, the timing of signing a small number of larger outsourcing contracts as well as the length of those contracts. The conversion of signings into revenue may vary based on the types of services and solutions, customer decisions and other factors, which may include, but are not limited to, the macroeconomic environment or external events.

Critical Accounting Estimates

The application of U.S. GAAP requires us to make estimates and assumptions about certain items and future events that directly affect our reported financial condition. The accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to our financial statements. Our significant accounting policies are described in Note 1 - Significant Accounting Policies to our consolidated financial statements.

A quantitative sensitivity analysis is provided where that information is reasonably available, can be reliably estimated and provides material information to investors. The amounts used to assess sensitivity (e.g., 10 percent, 25 basis points, etc.) are included to allow users of this report to understand a general effect of changes in the estimates and do not represent management's predictions of variability. For all of these estimates, it should be noted that future events rarely develop exactly as forecasted and estimates require regular review and adjustment.

Revenue Recognition

Application of GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Specifically, complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether promised goods and services specified in an arrangement are separate performance obligations. In certain arrangements, revenue is recognized based on progress toward completion of the performance obligation using a cost-to-cost measure of progress. The estimation of future costs, which is updated as the project progresses, is complex and requires us to make judgments. Other significant judgments include determining whether we are acting as the principal in a transaction and whether separate contracts should be combined and considered part of one arrangement.

Revenue recognition is also impacted by our ability to determine when a contract is probable of collection and to estimate variable consideration, including, for example, rebates, price concessions, service-level penalties and performance bonuses. We consider various factors when making these judgments, including a review of specific transactions, historical experience and market and economic conditions. Evaluations are conducted each quarter to assess the adequacy of the estimates.

Costs to Complete Service Contracts

During the contractual period, revenue, cost and profits may be impacted by estimates of the ultimate profitability of each contract, especially contracts for which we use cost-to-cost method to measure progress. The Company performs ongoing profitability analyses of its design-and-build services contracts accounted for using a cost-to-cost measure of progress to determine whether the latest estimates of revenues, costs and profits require updating. If at any time these estimates indicate that the contract will be unprofitable on a gross-margin basis, the entire estimated loss for the remainder of the contract is recorded immediately. For other types of services contracts, any losses are recorded as incurred. Key factors reviewed to estimate the future costs to complete each contract are future labor costs, product costs and expected productivity efficiencies.

Capitalization of Contract Costs

In connection with services arrangements, we incur and capitalize direct costs for transition and setup activities performed at the inception of these long-term contracts that are necessary to enable us to perform under the terms of the arrangement. These costs are capitalized and are amortized on a straight-line basis over the expected period of benefit. We perform periodic reviews to assess the recoverability of deferred contract transition and setup costs. To assess recoverability, undiscounted estimated cash flows of the contract are projected over its remaining life and compared to the carrying amount of contract-related assets, including the unamortized deferred cost balance. Such estimates require judgment and assumptions, and actual future cash flows could differ from these estimates. A significant change in an estimate or assumption on one or more contracts could have a material effect on our results of operations.

Retirement-related Benefit Plan Assumptions

For Company-sponsored and co-sponsored defined benefit pension plans, the measurement of the benefit obligation to plan participants and net periodic benefit cost requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets.

Changes in the discount rate assumptions would impact the actuarial (gain)/loss amortization, service cost and interest cost components of the net periodic benefit cost calculation and the projected benefit obligation (PBO). If the average discount rate assumption for the non-U.S. defined benefit pension plans had increased or decreased by 25-basis-points from 3.68% on March 31, 2025, this would not result in a material change to pretax net periodic benefit cost recognized in fiscal 2026. Further changes in the discount rate assumptions would impact the PBO which, in turn, may impact our funding decisions if the PBO exceeds plan assets. A 25-basis-point increase or decrease in the discount rate would result in an approximate corresponding decrease or increase, respectively, of approximately $38 million in the Plans' estimated PBO based upon March 31, 2025 data.

The expected long-term return on plan assets assumption is used in calculating the net periodic benefit cost. Expected returns on plan assets are calculated based on the market-related value of plan assets, which recognizes changes in the fair value of plan assets systematically over a five-year period in the expected return on plan assets line in net periodic benefit cost. The differences between the actual return on plan assets and the expected long-term return on plan assets are recognized over five years in the expected return on plan assets line in net periodic benefit cost and also as a component of actuarial (gains)/losses, which are recognized over the service lives or life expectancy of the participants, depending on the plan, provided such amounts exceed thresholds which are based upon the benefit obligation or the value of plan assets, as provided by accounting standards.

To the extent the outlook for long-term returns changes such that management changes its expected long-term return on plan assets assumption, a 25-basis-point increase or decrease in the expected long-term return on plan assets assumption would not have a material estimated decrease or increase on the following year's pretax net periodic benefit cost (based upon plan assets at March 31, 2025 and expected contributions and benefit payments for fiscal 2026).

We may voluntarily make contributions or be required, by law, to make contributions to our pension plans. Actual results that differ from the estimates may result in more or less future funding into the pension plans than is planned by management. Impacts of these types of changes on our pension plans would vary depending upon the status of each respective plan.

In addition to the above, we evaluate other pension assumptions involving demographic factors, such as retirement age and mortality and update these assumptions to reflect experience and expectations for the future. Actual results in any given year can differ from actuarial assumptions because of economic and other factors.

For additional information on our pension plans and the development of these assumptions, see Note 17 - Retirement-Related Benefits to our consolidated financial statements.

Income Taxes

Our income tax provisions are calculated based on Kyndryl's operating footprint, as well as our tax return elections and assertions. Liabilities related to unrecognized tax benefits for which the Company is liable are reported within the Consolidated Balance Sheet based upon tax authorities' ability to assert the Company may be the primary obligor for historical taxes, among other factors. Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, management considers all available evidence for each jurisdiction including past operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies and actions. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust the valuation allowance with a corresponding impact to income tax expense in the period in which such determination is made.

Valuation of Assets

The application of valuation and impairment accounting requires the use of significant estimates and assumptions. Impairment testing for assets, other than goodwill, requires the allocation of cash flows to those assets or group of assets and if required, an estimate of fair value for the assets or group of assets. Our estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management’s assumptions, which would not reflect unanticipated events and circumstances that may occur. Assumptions used to perform a recoverability test are consistent with those used for goodwill impairment; see “Valuation of Goodwill” for further detail.

Valuation of Goodwill

We review goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable by first assessing qualitative factors to determine if it is more likely than not that fair value is less than carrying value.

We assess qualitative factors in each of our reporting units that carry goodwill including relevant events and circumstances that affect the fair value of reporting units. Examples include, but are not limited to, macroeconomic, industry and market conditions, as well as other individual factors such as:

- A significant adverse shift in the operating environment of the reporting unit such as unanticipated competition;
- Significant pending litigation;
- A more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of; and
- A significant adverse action or assessment by a regulator.

We assess these qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. This quantitative test is required only if we conclude that it is more likely than not that a reporting unit’s fair value is less than its carrying amount.

In conjunction with our annual review of goodwill for impairment, we prepared qualitative analysis as of January 1, 2025. Based on this analysis of the qualitative factors, quantitative tests were not required. See Note 11 - Intangible Assets Including Goodwill for further discussion.

Loss Contingencies

We are currently involved in various claims and legal proceedings. At least quarterly, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. These revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

Change in Accounting Estimate

In March 2024, the Company completed its assessment of the useful lives of its information technology equipment. Based on our usage experience and data analysis, the Company determined it should increase the estimated useful lives of its information technology equipment from five to six years. This change in accounting estimate became effective on April 1, 2024. Based on the carrying amount of information technology equipment included in property and equipment, net as of March 31, 2024, the effect of this change in estimate was a reduction in depreciation expense and an improvement of income before income taxes of approximately $180 million, or $0.80 before income taxes per basic share and $0.77 before income taxes per diluted share, for the year ended March 31, 2025.

Cautionary Note Regarding Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report, including statements concerning the Company’s plans, objectives, goals, beliefs, business strategies, future events, business condition, results of operations, financial position, business outlook and business trends and other non-historical statements in this report are forward-looking statements. Such forward-looking statements often contain words such as “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “objectives,” “opportunity,” “plan,” “position,” “predict,” “project,” “should,” “seek,” “target,” “will,” “would,” and other similar words or expressions or the negative thereof or other variations thereon. Forward-looking statements are based on the Company’s current assumptions and beliefs regarding future business and financial performance. The Company’s actual business, financial condition or results of operations may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others:

- failure to attract new customers, retain existing customers or sell additional services to customers;
- failure to meet growth and productivity objectives and maintain our capital allocation strategy;
- competition;
- impacts of relationships with critical suppliers and partners;
- failure to address and adapt to technological developments and trends;
- inability to attract and retain key personnel and other skilled employees;
- impact of economic, geopolitical, public health and other conditions;
- damage to the Company’s reputation;
- inability to accurately estimate the cost of services and the timeline for completion of contracts;
- service delivery issues;
- the Company’s ability to successfully manage acquisitions and dispositions, including integration challenges, failure to achieve objectives, the assumption of liabilities and higher debt levels;
- the impact of our business with foreign, state and local government customers;
- failure of the Company’s intellectual property rights to prevent competitive offerings and the failure of the Company to obtain, retain and extend necessary licenses;
- the impairment of our goodwill or long-lived assets;
- risks relating to cybersecurity, data governance and privacy;
- risks relating to non-compliance with legal and regulatory requirements;
- adverse effects from tax matters and environmental matters;

- legal proceedings and investigatory risks and potential indemnification obligations;
- impact of changes in market liquidity conditions and customer credit risk on receivables;
- the Company’s pension plans;
- the impact of currency fluctuations; and
- risks related to the Company’s common stock and the securities market.

Additional risks and uncertainties include, among others, those risks and uncertainties described in the “Risk Factors” section of this report, as such factors may be updated from time to time in the Company’s subsequent filings with the SEC. Any forward-looking statement in this report speaks only as of the date on which it is made. Except as required by law, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 8. Financial Statements and Supplementary Data

The only amendment to Item 8. “Financial Statements and Supplementary Data” included in the Original Form 10-K is to the Report of Independent Registered Public Accounting Firm only with respect to the effectiveness of the Company’s internal control over financial reporting as of March 31, 2025 due to the subsequent determination that the Company’s internal control over financial reporting was ineffective as of March 31, 2025, as a result of the material weaknesses disclosed in this Amendment.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Kyndryl Holdings, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Kyndryl Holdings, Inc. and its subsidiaries (the "Company") as of March 31, 2025 and 2024, and the related consolidated statements of income, of comprehensive income (loss), of equity and of cash flows for each of the three years in the period ended March 31, 2025, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2025 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of March 31, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date related to (i) the Company's senior finance executives failing to set an appropriate tone at the top within the control environment component of the COSO framework, including a lack of transparency such that disclosure processes were impacted and lacked an appropriate complement of finance personnel with sufficient understanding of their responsibilities as disclosure committee members; (ii) the Company not designing and maintaining effective controls to ensure appropriate communication pertaining to the disclosure process between certain functions within the Company; and (iii) the Company not designing and maintaining effective controls regarding the internal investigation, escalation, and documentation of complaints made through the Company's reporting hotline and certain other available reporting channels.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2025 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Restatement of Management's Conclusion Regarding Internal Control over Financial Reporting

Management and we previously concluded that the Company maintained effective internal control over financial reporting as of March 31, 2025. However, management has subsequently determined that material weaknesses in internal control over financial reporting existed as of that date related to (i) the Company's senior finance executives failing to set an appropriate tone at the top within the control environment component of the COSO framework, including a lack of transparency such that disclosure processes were impacted and lacked an appropriate complement of finance personnel with sufficient understanding of their responsibilities as disclosure committee members; (ii) the Company not designing and maintaining effective controls to ensure appropriate communication pertaining to the disclosure process between certain functions within the Company; and (iii) the Company not designing and maintaining effective controls regarding the internal investigation, escalation, and documentation of complaints made through the Company's reporting hotline and certain other available reporting channels. Accordingly, management's report has been restated and our present opinion on internal control over financial reporting, as presented herein, is different from that expressed in our previous report.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition for Certain Services

As described in Notes 1 and 3 to the consolidated financial statements, the Company recorded total revenues of $15,057 million for the year ended March 31, 2025, of which a majority relates to services that are single performance obligations comprised of a series of distinct services. The Company offers services such as cloud managed services, application hosting and modernization, security and resiliency services, enterprise infrastructure services, digital workplace services, network services and distributed cloud services to support its customers through technological change. Revenue is recognized when, or as, control of a promised service transfers to a client, in an amount that reflects the consideration to which management expects to be entitled in exchange for transferring those services. If the consideration promised in a contract includes a variable amount, management estimates the amount to which it expects to be entitled using either the expected value or most likely amount method.

The principal consideration for our determination that performing procedures relating to revenue recognition for certain services is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company's revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process. These procedures also included, among others (i) evaluating the Company's accounting policies related to the recognition of revenue for services; (ii) testing revenue recognized for a sample of certain services revenue transactions by obtaining and inspecting source documents such as master services agreements, individual statements of work, invoices, and cash receipts; and (iii) confirming, on a sample basis, outstanding customer invoice balances as of year-end and, for confirmations not returned, obtaining and inspecting source documents, such as invoices and subsequent cash receipts, where applicable.

/s/ PricewaterhouseCoopers LLP
New York, New York
May 30, 2025, except with respect to our opinion on internal control over financial reporting insofar as it relates to the effects of the matter discussed in the third paragraph of Management's Report on Internal Control over Financial Reporting, as to which the date is February 17, 2026

We have served as the Company's auditor since 2020.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED INCOME STATEMENT
(In millions, except per share amounts)

	Notes	Year Ended March 31, 2025	2024	2023
Revenues *	3	$ 15,057	$ 16,052	$ 17,026
Cost of services †	3	$ 11,914	$ 13,189	$ 14,498
Selling, general and administrative expenses		2,591	2,773	2,914
Workforce rebalancing charges	19	114	138	71
Transaction-related costs (benefits)		(125)	(46)	264
Interest expense	12	100	122	94
Other expense		27	45	35
Total costs and expenses		$ 14,622	$ 16,221	$ 17,876
Income (loss) before income taxes		$ 435	$ (168)	$ (851)
Provision for income taxes	5	$ 184	$ 172	$ 524
Net income (loss)		$ 252	$ (340)	$ (1,374)
Basic earnings (loss) per share	6	$ 1.09	$ (1.48)	$ (6.06)
Diluted earnings (loss) per share		1.05	(1.48)	(6.06)
Weighted-average basic shares outstanding	6	231.5	229.2	226.7
Weighted-average diluted shares outstanding		239.1	229.2	226.7

* Including related-party revenue of $287 for the year ended March 31, 2023
† Including related-party cost of service of $1,382 for the year ended March 31, 2023

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

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)

	Year Ended March 31,		
	2025	**2024**	**2023**
Net income (loss)	$ 252	$ (340)	$ (1,374)
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments	(50)	(36)	(186)
Unrealized gains (losses) on net investment hedges	4	(11)	—
Total foreign currency translation adjustments	(46)	(47)	(186)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	(14)	22	(4)
Reclassification of (gains) losses to net income	11	(21)	2
Total unrealized gains (losses) on cash flow hedges	(2)	1	(3)
Retirement-related benefit plans:			
Prior service costs (credits)	2	(3)	4
Net gains (losses) arising during the period	17	(56)	175
Curtailments and settlements	7	10	10
Amortization of prior service (credits) costs	—	1	1
Amortization of net (gains) losses	16	5	40
Total retirement-related benefit plans	42	(42)	229
Other comprehensive income (loss), before tax	(6)	(88)	40
Income tax (expense) benefit related to items of other comprehensive income (loss)	(10)	6	(14)
Other comprehensive income (loss), net of tax	(16)	(82)	27
Total comprehensive income (loss)	$ 236	$ (423)	$ (1,347)

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

KYNDRYL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET
(In millions, except per share amounts)

	Notes	March 31, 2025		March 31, 2024	
Assets:					
Current assets:					
Cash and cash equivalents		$	1,786	$	1,553
Restricted cash			3		1
Accounts receivable (net of allowances for credit losses of $13 at March 31, 2025 and $22 at March 31, 2024)			1,345		1,599
Deferred costs (current portion)	3		1,009		1,081
Prepaid expenses and other current assets			446		514
Total current assets		$	4,589	$	4,747
Property and equipment, net	8	$	2,570	$	2,674
Operating right-of-use assets, net	9		731		864
Deferred costs (noncurrent portion)	3		1,040		920
Deferred taxes	5		204		220
Goodwill	11		790		805
Intangible assets, net	11		218		188
Pension assets	17		148		105
Other noncurrent assets			162		67
Total assets		$	10,452	$	10,590
Liabilities:					
Current liabilities:					
Accounts payable		$	1,351	$	1,408
Value-added tax and income tax liabilities			256		327
Current portion of long-term debt	12		129		126
Accrued compensation and benefits			652		609
Deferred income (current portion)	3		746		825
Operating lease liabilities (current portion)	9		274		285
Accrued contract costs			437		487
Other accrued expenses and liabilities	13		454		521
Total current liabilities		$	4,300	$	4,589
Long-term debt	12	$	3,042	$	3,112
Retirement and nonpension postretirement benefit obligations	17		483		500
Deferred income (noncurrent portion)	3		341		314
Operating lease liabilities (noncurrent portion)	9		511		622
Other noncurrent liabilities	13		443		332
Total liabilities		$	9,121	$	9,468
Commitments and contingencies	14				
Equity:					
Stockholders' equity	15				
Common stock, par value $0.01 per share, and additional paid-in capital (shares authorized: 1,000.0; shares issued: March 31, 2025 – 238.2, March 31, 2024 – 233.7)		$	4,631	$	4,524
Accumulated deficit			(2,067)		(2,319)
Treasury stock, at cost (shares: March 31, 2025 – 7.5, March 31, 2024 – 3.3)			(184)		(45)
Accumulated other comprehensive income (loss)			(1,160)		(1,145)
Total stockholders' equity before non-controlling interests		$	1,219	$	1,015
Non-controlling interests			113		107
Total equity		$	1,331	$	1,122
Total liabilities and equity		$	10,452	$	10,590

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

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)

	Year Ended March 31, 2025	2024	2023
Cash flows from operating activities:			
Net income (loss)	$ 252	$ (340)	$ (1,374)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization:			
Depreciation of property, equipment and capitalized software	660	834	900
Depreciation of right-of-use assets	327	319	428
Amortization of transition costs and prepaid software	1,278	1,256	1,199
Amortization of capitalized contract costs	420	531	472
Amortization of acquisition-related intangible assets	30	30	46
Stock-based compensation	100	95	113
Deferred taxes	(1)	(13)	285
Net (gain) loss on asset sales and other	(152)	43	6
Change in operating assets and liabilities:			
Deferred costs (excluding amortization)	(1,762)	(1,569)	(1,592)
Right-of-use assets and liabilities (excluding depreciation)	(314)	(335)	(361)
Workforce rebalancing liabilities	(25)	(38)	41
Receivables	289	11	664
Accounts payable	(89)	(305)	282
Taxes	(1)	(2)	90
Other assets and other liabilities	(71)	(63)	(415)
Net cash provided by operating activities	$ 942	$ 454	$ 781
Cash flows from investing activities:			
Capital expenditures	$ (605)	$ (651)	$ (865)
Proceeds from disposition of property and equipment	83	138	23
Acquisitions and divestitures, net of cash acquired	139	—	—
Other investing activities, net	(20)	(40)	7
Net cash used in investing activities	$ (404)	$ (553)	$ (835)
Cash flows from financing activities:			
Debt repayments	$ (148)	$ (644)	$ (118)
Proceeds from issuance of debt, net of debt issuance costs	—	494	—
Common stock repurchases	(93)	—	—
Common stock repurchases for tax withholdings	(45)	(22)	(19)
Other financing activities, net	—	2	(4)
Net cash used in financing activities	$ (286)	$ (170)	$ (141)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	$ (16)	$ (37)	$ (100)
Net change in cash, cash equivalents and restricted cash	$ 235	$ (306)	$ (294)
Cash, cash equivalents and restricted cash at beginning of period	$ 1,554	$ 1,860	$ 2,154
Cash, cash equivalents and restricted cash at end of period	$ 1,789	$ 1,554	$ 1,860
Supplemental data			
Income taxes paid, net of refunds received	$ 149	$ 191	$ 167
Interest paid on debt	$ 119	$ 118	$ 98

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

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF EQUITY
(In millions)

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount					
Equity - March 31, 2022	224.5	$ 4,315	$ (1,089)	$ (4)	$ (605)	$ 94	$ 2,711
Net income (loss)					(1,374)		(1,374)
Other comprehensive income (loss), net of tax			27				27
Activity related to employee stock plans	4.8	113					113
Purchases of treasury stock	(1.7)			(19)			(19)
Changes in non-controlling interests						4	4
Equity – March 31, 2023	227.7	$ 4,428	$ (1,062)	$ (23)	$ (1,978)	$ 97	$ 1,462
Net income (loss)					(340)		(340)
Other comprehensive income (loss), net of tax			(82)				(82)
Activity related to employee stock plans	4.1	95					95
Purchases of treasury stock	(1.4)			(22)			(22)
Changes in non-controlling interests						10	10
Equity – March 31, 2024	230.4	$ 4,524	$ (1,145)	$ (45)	$ (2,319)	$ 107	$ 1,122
Net income (loss)					252		252
Other comprehensive income (loss), net of tax			(16)				(16)
Activity related to employee stock plans	4.5	107					107
Purchases of treasury stock	(4.2)			(139)			(139)
Changes in non-controlling interests						6	6
Equity – March 31, 2025	230.6	$ 4,631	$ (1,160)	$ (184)	$ (2,067)	$ 113	$ 1,331

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Kyndryl Holdings, Inc. (“we”, “the Company” or “Kyndryl”) is a leading provider of mission-critical enterprise technology services, offering advisory, implementation and managed service capabilities to thousands of customers in more than 60 countries. As the world’s largest IT infrastructure services provider, the Company designs, builds, manages and modernizes the complex information systems that the world depends on every day.

Description of Business

Our purpose is to design, build and manage secure and responsive private, public and multi-cloud environments to serve our customers’ needs and accelerate their digital transformations. We have a long track record of helping enterprises navigate major technological changes, particularly by enabling our customers to focus on the core aspects of their businesses during these shifts while trusting us with their most critical systems.

We provide engineering talent, operating solutions and insights derived from our knowledge and data around IT systems. This enables us to deliver advisory, implementation and managed services at scale across technology infrastructures that allow our customers to de-risk and realize the full value of their digital transformations. We do this while embracing new technologies and solutions and continually expanding our skills and capabilities, as we help advance the vital systems that power progress for our customers. We deliver technology services capabilities, insights and depth of expertise to modernize and manage IT environments based on our customers’ unique needs. We offer services across domains such as cloud services, core enterprise and zCloud services, applications, data and artificial intelligence services, digital workplace services, security and resiliency services and network and edge services as we continue to support our customers through technological change. Our services enable us to modernize and manage cloud and on-premises environments as “one” for our customers, enabling them to scale seamlessly. To deliver these services, we rely on our global team of skilled practitioners.

Kyndryl’s History

Prior to November 3, 2021, the Company was wholly owned by International Business Machines Corporation (“IBM” or “former Parent”). In November 2021, our former Parent effected the spin-off (the “Separation” or the “Spin-off”) of the infrastructure services unit of its Global Technology Services segment through the distribution to IBM stockholders of shares of Kyndryl’s common stock representing 80.1% of total shares outstanding. Kyndryl’s stock began trading as an independent company on November 4, 2021, and IBM disposed of its 19.9% retained interest in Kyndryl common stock in the year following the Spin-off. In connection with the Separation, the Company entered into several agreements with IBM governing the relationship of the parties following the Separation.

Basis of Presentation

We prepare our consolidated financial statements in accordance with Generally Accepted Accounting Principles in the United States (“U.S. GAAP”), which requires us to make estimates and assumptions that impact the amounts reported and disclosed in our consolidated financial statements and the accompanying notes. We prepared these estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions.

Principles of Consolidation

All significant transactions and intercompany accounts between Kyndryl entities were eliminated. Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages presented are calculated from the underlying whole-dollar amounts. Certain items have been recast to conform to current-period presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts that are reported in the consolidated financial statements and accompanying disclosures. Estimates are used in determining the following, among others: revenue, costs to complete service contracts, income taxes, pension assumptions, valuation of assets including goodwill and intangible assets, the depreciable and amortizable lives of long-lived assets, loss contingencies, allowance for credit losses, deferred transition costs and other matters. Actual results may be different from these estimates.

Revenue

The Company accounts for a contract with a client when it has written approval, the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection.

Revenue is recognized when, or as, control of a promised service or product transfers to a client, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. If the consideration promised in a contract includes a variable amount, the Company estimates the amount to which it expects to be entitled using either the expected value or most likely amount method. The Company's contracts may include terms that could cause variability in the transaction price, including, for example, rebates, volume discounts, service-level penalties and performance bonuses or other forms of variable consideration. In certain rare circumstances, if we grant the customer the right to return a product and receive a full or partial credit or refund of any consideration paid, the Company (i) recognizes revenue for the transferred products in the amount of consideration to which it expects to be entitled, (ii) records a refund liability and (iii) recognizes an asset for its right to recover products from customers on settling the refund liability.

The Company only includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company may not be able to reliably estimate variable consideration in certain long-term arrangements due to uncertainties that are not expected to be resolved for a long period of time or when the Company's experience with similar types of contracts is limited. Changes in estimates of variable consideration are included in Note 3 – Revenue Recognition.

The Company's standard billing terms are that payment is due upon receipt of invoice, payable within 30 days. Invoices are generally issued as services are rendered and/or as control transfers, either at monthly or quarterly intervals or upon achievement of contractual milestones. In some services contracts, the Company bills the client prior to recognizing revenue from performing the services. In these cases, deferred income is presented in the Consolidated Balance Sheet. In other services contracts, the Company performs the services prior to billing the client. When the Company performs services prior to billing the client, the right to consideration is typically subject to milestone completion or client acceptance, and the amount is recorded as a contract asset. Contract assets are generally classified as current and are recorded on a net basis with deferred income (i.e., contract liabilities) at the contract level. The Company's rights to consideration are presented separately depending on whether those rights are conditional or unconditional. Conditional contract assets are included in prepaid expenses and other current assets in the Consolidated Balance Sheet. Unconditional contract assets ("unbilled accounts receivable") are included in accounts receivable in the Consolidated Balance Sheet. Refer to Note 3 – Revenue Recognition for contract assets for the periods presented.

Additionally, in determining the transaction price, the Company would adjust the promised amount of consideration for the effects of the time value of money if the billing terms are not standard and the timing of payments agreed to by the parties to the contract provide the client or the Company with a significant benefit of financing, in which case the contract contains a significant financing component. As a practical expedient, the Company does not account for significant financing components if the period between when the Company transfers the promised product or service to the client and when the client pays for that product or service will be one year or less.

The Company may include subcontractor services or original equipment manufacturer (OEM) hardware and/or OEM software components in certain integrated services arrangements. In these types of arrangements, revenue from sales of OEM hardware and/or OEM software components or services is recorded net of costs when the Company is acting as an agent between the client and the vendor and gross when the Company is the principal for the transaction. To determine whether the Company is an agent or principal, the Company considers whether it obtains control of the products or services before they are transferred to the customer. In making this evaluation, several factors are considered, most notably whether the Company has primary responsibility for fulfillment to the client, as well as inventory risk and pricing discretion.

The Company reports revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Performance Obligations

The Company's capabilities as an infrastructure services company include offerings that often encompass multiple types of services and may integrate various OEM hardware and/or OEM software components. When an arrangement contains multiple separate performance obligations, revenue follows the specific revenue recognition policies for each performance obligation, depending on the type of offering. The Company determines if the products or services are distinct and allocates the consideration to each separate performance obligation on a relative standalone selling price basis. When products and services are not distinct, the Company determines an appropriate measure of progress based on the nature of its overall promise for the single performance obligation.

The revenue policies below are applied to each performance obligation, as applicable.

Standalone Selling Price

The Company allocates the transaction price to each performance obligation on a relative standalone selling price basis. The standalone selling price (SSP) is the price at which the Company would sell a promised product or service separately to a client. The Company establishes SSP based on management's estimated selling price or observable prices of products or services sold separately in comparable circumstances to similar clients. For OEM hardware and/or OEM software components, the Company is able to establish SSP based on the cost from the vendor. The Company reassesses SSP ranges on a periodic basis or when facts and circumstances change.

In certain instances, the Company may not be able to establish an SSP range based on observable prices and the Company estimates SSP. The Company estimates SSP by considering multiple factors including, but not limited to, overall market conditions, including geographic or regional specific factors, competitive positioning, competitor actions, internal costs, profit objectives and pricing practices. Estimating SSP is a formal process that includes review and approval by the Company's management.

Nature of Products and Services

The Company delivers transformation and secure cloud services capabilities, insights and depth of expertise to modernize and manage IT environments based on its customers' needs. The Company offers services such as cloud managed services, application hosting and modernization, security and resiliency services, enterprise infrastructure services, digital workplace services, network services and distributed cloud services to support its customers through technological change. Many of these services can be delivered entirely or partially through cloud or as-a-service delivery models. The Company's services are provided on a time-and-material basis, as a fixed-price contract or as a fixed-price-per-measure-of-output contract, and the contract terms range from less than one year to over 10 years. The Company typically satisfies the performance obligation and recognizes revenue over time in services arrangements because the client simultaneously receives and consumes the benefits provided as the Company performs the services.

In outsourcing, other managed services, application management and other cloud-based services arrangements, the Company determines whether the services performed during the initial phases of the arrangement, such as setup activities, are distinct. In most cases, the arrangement is a single performance obligation comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e., distinct days of service). The Company applies a measure of progress (typically time-based) to any fixed consideration and allocates variable consideration to the distinct periods of service based on usage. As a result, revenue is generally recognized over the period the services are provided on a usage basis. This results in revenue recognition that corresponds with the value to the client of the services transferred to date relative to the remaining services promised.

Revenue from time-and-material contracts is recognized on an output basis as labor hours are delivered and/or direct expenses are incurred. Revenue from as-a-service type contracts is recognized either on a straight-line basis or on a usage basis, depending on the terms of the arrangement (such as whether the Company is standing ready to perform or whether the contract has usage-based metrics). If an as-a-service contract includes setup activities, those promises in the arrangement are evaluated to determine if they are distinct.

In design and build arrangements, revenue is recognized based on progress toward completion of the performance obligation using a cost-to-cost measure of progress (e.g., labor costs incurred to date as a percentage of the total estimated labor costs to fulfill the contract). The estimation of cost at completion is complex, subject to many variables and requires significant judgment. Changes in original estimates are reflected in revenue on a cumulative catch-up basis in the period in which the circumstances that gave rise to the revision become known by the Company. Refer to Note 3 – Revenue Recognition for the amount of revenue recognized in the reporting period on a cumulative catch-up basis (i.e., from performance obligations satisfied, or partially satisfied, in previous periods).

The Company performs ongoing profitability analyses of its design and build services contracts accounted for using a cost-to-cost measure of progress to determine whether the latest estimates of revenues, costs and profits require updating. If at any time these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately. For other types of services contracts, any losses are recorded as incurred.

The Company's services offerings may include the integration and/or sale of OEM hardware and/or software components. Contracts that include hardware and/or software components are evaluated to determine if they are separate performance obligations as discussed in "Performance Obligations" above. For distinct OEM hardware sales, revenue is recognized when control has transferred to the customer, which typically occurs when the hardware has been shipped to the client, risk of loss has transferred to the client and the Company has a present right to payment for the hardware.

Cost of Services

Recurring operating costs for services contracts are recognized as incurred. Certain eligible, nonrecurring costs (i.e., setup costs) incurred in the initial phases of outsourcing contracts and other cloud-based services contracts, are capitalized when the costs relate directly to the contract, the costs generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future and the costs are expected to be recovered. These costs consist of transition and setup costs related to the installation of systems and processes and other deferred fulfillment costs, including, for example, prepaid assets used in services contracts (i.e., prepaid software or prepaid maintenance). Capitalized costs are amortized on a straight-line basis over the expected period of benefit, which approximates the pattern of transfer to the client of the services to which the asset relates and includes anticipated contract renewals or extensions. Additionally, fixed assets associated with these contracts are capitalized and depreciated on a straight-line basis over the expected useful life of the asset and recorded in cost of sales. If an asset is contract-specific and cannot be repurposed, then the depreciation period is the shorter of the useful life of the asset or the contract term. The Company performs periodic reviews to assess the recoverability of deferred contract transition and setup costs. If the carrying amount is deemed not recoverable, an impairment loss is recognized. Refer to Note 3 – Revenue Recognition for the deferred costs to fulfill contracts for the periods presented.

In situations in which an outsourcing contract is terminated, the terms of the contract may require the client to reimburse the Company for the recovery of unbilled accounts receivable, unamortized deferred contract costs and additional costs incurred by the Company to transition the services.

Incremental Costs of Obtaining a Contract

Incremental costs of obtaining a contract (e.g., sales commissions) are capitalized and amortized on a straight-line basis, which approximates the pattern that the assets' economic benefits are expected to be consumed, over the expected customer relationship period if the Company expects to recover those costs. The expected customer relationship period is determined based on the average customer relationship period, including expected renewals, for each offering type and ranges from three to six years. Expected renewal periods are only included in the expected customer relationship period if commission amounts paid upon renewal are not commensurate with amounts paid on the initial contract. Incremental costs of obtaining a contract include only those costs the Company incurs to obtain a contract that it would not have incurred if the contract had not been obtained. The Company has determined that certain commissions programs meet the requirements to be capitalized. For contracts shorter than one year, the Company has elected the practical expedient to recognize sales commissions as incurred. Additionally, some commission programs are not subject to capitalization as the revenue for services is received over time and the commission expense is paid and recognized as the related revenue is recognized. Refer to Note 3 – Revenue Recognition for capitalized costs to obtain contracts for the periods presented.

Expense and Other (Income)

Selling, General and Administrative Expenses

Selling, general and administrative expense ("SG&A") is charged to income as incurred, except for certain sales commissions, which are capitalized and amortized. For further information regarding capitalizing sales commissions, see "Incremental Costs of Obtaining a Contract" above. Expenses of promoting and selling services are classified as selling expense and, in addition to sales commissions, include such items as compensation, advertising and travel. General and administrative expense includes such items as compensation, legal costs, office supplies, non-income taxes, insurance and office rental. In addition, general and administrative expense includes other operating items such as allowance for credit losses, amortization of certain intangible assets and research, development and engineering ("RD&E") costs. Total RD&E costs were $49 million, $58 million, and $79 million for the years ended March 31, 2025, 2024 and 2023, respectively.

Advertising and promotional costs are expensed as incurred. Advertising and promotional expense, which includes media, agency and promotional expense directly incurred by the Company was $83 million, $115 million, and $136 million for the years ended March 31, 2025, 2024 and 2023, respectively. Costs related to the initial establishment of the Kyndryl brand are recorded in Transaction-related costs in the Consolidated Income Statement. All other advertising and promotional costs are recorded in SG&A in the Consolidated Income Statement.

Other Expense

Other expense primarily consists of (income) and expense related to certain components of retirement-related costs, including interest costs, expected return on plan assets, amortization of prior service costs (credits), curtailments and settlements and other net periodic benefit costs. Also included are gains and losses from foreign currency transactions.

Defined Benefit Pension and Nonpension Postretirement Benefit Plans

For defined benefit pension plans, the benefit obligation is the projected benefit obligation (PBO), which represents the actuarial present value of benefits expected to be paid upon retirement based on employee services already rendered and estimated future compensation levels. For nonpension postretirement benefit plans, the benefit obligation is the accumulated postretirement benefit obligation (APBO), which represents the actuarial present value of postretirement benefits attributed to employee services already rendered. The fair value of plan assets represents the current market value of assets held for the benefit of participants. For co-sponsored plans, the fair value of plan assets based on Company contributions, distributions and market returns and the benefit obligation attributed to employees of the Company are allocated to Kyndryl.

Overfunded plans, in which the fair value of plan assets exceeds the benefit obligation, are aggregated, and recorded in pension assets in the Consolidated Balance Sheet. Underfunded plans, in which the benefit obligation exceeds the fair value of plan assets, are aggregated and the noncurrent portion of this excess is recorded in retirement and nonpension postretirement benefit obligations in the Consolidated Balance Sheet. The current portion of the benefit obligation in excess of the fair value of plan assets represents the actuarial present value of benefits payable in the next twelve months, measured on a plan-by-plan basis. The current portion of this obligation is recorded in accrued compensation and benefits in the Consolidated Balance Sheet.

Net periodic benefit cost of defined benefit pension and nonpension postretirement benefit plans is recorded in the Consolidated Income Statement and includes service cost, interest cost, expected return on plan assets, amortization of prior service costs (credits) and actuarial (gains) losses previously recognized as a component of other comprehensive income (loss) ("OCI"). The service cost component of net benefit cost is recorded in Cost of services and SG&A in the Consolidated Income Statement (unless eligible for capitalization) based on the employees' respective functions. The other components of net benefit cost are presented separately from service cost within other expense in the Consolidated Income Statement.

Actuarial (gains) losses and prior service costs (credits) are recognized as a component of OCI in the Consolidated Statement of Comprehensive Income (Loss) as they arise. Those actuarial (gains) losses and prior service costs (credits) are subsequently recognized as a component of net periodic benefit cost pursuant to the recognition and amortization provisions of applicable accounting guidance. Actuarial (gains) losses arise as a result of differences between actual experience and assumptions or as a result of changes in actuarial assumptions. Prior service costs (credits) represent the cost of benefit changes attributable to prior service granted in plan amendments.

The measurement of benefit obligations and net periodic benefit cost is based on estimates and assumptions approved by the Company's management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, interest crediting rates and mortality rates.

The Company participates in non-U.S. multi-employer pension plans and makes required contributions to those plans, which are recorded in Cost of services and SG&A in the Consolidated Income Statement based on the employees' respective functions.

Defined Contribution Plans

Prior to the Separation, the former Parent offered various defined contribution plans for U.S. and non-U.S. employees. In September 2021, in preparation for the Separation, Kyndryl established standalone defined contribution plans, and employees identified as Kyndryl employees were enrolled into these plans. Contribution expense associated with employer matching benefits is recorded when the employee renders service to the Company. The charge is recorded in Cost of services and SG&A in the Consolidated Income Statement based on the employees' respective functions.

Stock-Based Compensation

Stock-based compensation expense represents the cost related to stock-based awards granted to employees under Kyndryl's stock-based compensation plan (the "Kyndryl Plan"). The Company establishes stock-based compensation values at the grant date, based on the estimated fair value of the award and recognizes the cost on a straight-line basis (net of actual forfeitures) over the requisite employee service period. Kyndryl grants the Company's employees Restricted Stock Units (RSUs), market-conditioned stock units, performance-conditioned stock units and stock options. RSUs are stock units granted to employees that entitle the holder to shares of Kyndryl common stock as the award vests, typically over a one- to four-year period. Market-conditioned stock units are granted to employees with vesting conditions based on the Company's achievement of a market condition and are cliff vested at the end of the three-year service period. Performance-conditioned stock units are granted to employees with vesting conditions based on the attainment of operational targets (e.g., signings and free cash flows) and are cliff vested at the end of the three-year performance period. Stock options are vested over a one- to four-year period and have a ten-year contractual term. As of March 31, 2025, 47.9 million shares of common stock have been approved to be granted to employees under the Kyndryl Plan. Dividend equivalents are not paid on the stock-based awards described above.

The fair value of the RSUs is determined on the grant date based on Kyndryl's stock price, adjusted for the exclusion of dividend equivalents where applicable. The fair value of market-conditioned stock units is determined on the date of grant using a Monte Carlo simulation model which estimates the probability of satisfying market conditions. The fair value of the performance-conditioned stock units is determined on the grant date based on Kyndryl's stock price and subsequently adjusted based upon the probability of attainment. The fair value of stock options is determined on the grant date using a Black-Scholes model. Stock-based compensation cost is recorded in Cost of services and SG&A in the Consolidated Income Statement based upon the employees' respective functions.

The Company records deferred tax assets for awards that result in tax deductions in the consolidated financial statements calculated based on the amount of compensation cost recognized and the relevant statutory tax rates. The differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the income tax return are recorded as a benefit or expense to the provision for income taxes in the Consolidated Income Statement.

Derivative Financial Instruments

Derivative financial instruments that qualify for hedge accounting are designated as either cash flow hedges or net investment hedges. The Company may enter into derivative contracts that economically hedge certain risks, even when hedge accounting does not apply, or the Company elects not to apply hedge accounting. The Company does not use derivative financial instruments for trading or speculative purposes.

Derivatives are recognized in the Consolidated Balance Sheet at fair value on a gross basis as either assets or liabilities and classified as current or noncurrent based upon the timing of the instrument's expected cash flows.

Changes in the fair value of derivatives designated as cash flow hedges are recorded, net of applicable taxes, in OCI and subsequently reclassified into the same income statement line item as the hedged exposure when the underlying hedged item is recognized in earnings. Derivatives designated as net investment hedges are accounted for using the spot method, with changes in the fair value of the derivatives attributable to changes in spot rates recorded within foreign currency translation adjustments ("CTA") as a component of other comprehensive income (loss) and remaining there until the hedged net investments are sold or substantially liquidated. The changes in the fair value of the derivatives that are attributable to changes in the difference between the forward rate and spot rate are excluded from the assessment of hedge effectiveness. The changes in fair value that are attributable to the excluded components are initially recorded in CTA and then recognized in interest expense on the Consolidated Income Statement over the life of the derivative instruments. Changes in fair value of derivatives not designated as hedges are reported in other expense in the Consolidated Income Statement. See Note 7 – Financial Assets and Liabilities for further information.

The cash flows associated with derivatives designated as cash flow hedges are reported as cash flows from operating activities in the Consolidated Statement of Cash Flows. Cash flows from derivatives designated as net investment hedges are reported as cash flows from investing activities in the Consolidated Statement of Cash Flows, except for cash flows from the periodic interest settlements of cross-currency interest rate swaps designated as net investment hedges, which are reported as cash flows from operating activities in the Consolidated Statement of Cash Flows. Cash flows from derivatives not designated as hedges are reported as cash flows from investing activities in the Consolidated Statement of Cash Flows.

Translation of Non-U.S. Currency Amounts

Assets and liabilities of non-U.S. subsidiaries that have a local functional currency are translated to U.S. dollars at year-end exchange rates. Translation adjustments are recorded in OCI. Income and expense items are translated at weighted-average rates of exchange prevailing during the year.

Property and equipment, deferred income and other non-monetary assets and liabilities of non-U.S. subsidiaries and branches that operate in U.S. dollars are translated at the approximate exchange rates prevailing when the Company acquired the assets or liabilities. All other assets and liabilities denominated in a currency other than U.S. dollars are translated at year-end exchange rates with the transaction gain or loss recognized in other expense. Income and expense items are translated at the weighted-average rates of exchange prevailing during the year. These translation gains and losses are included in net income for the period in which exchange rates change.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less on the date of purchase are considered to be cash equivalents.

Accounts Receivable and Allowance for Current Expected Credit Losses

The Company classifies the right to consideration in exchange for products or services transferred to a client as a receivable. Receivables are recorded concurrent with billing and delivery of a service to customers. An allowance for uncollectible receivables and contract assets, if needed, is estimated based on specific customer situations, current and future expected economic conditions and past experiences of losses, as well as an assessment of potential recoverability of the balance due.

Receivable losses are charged against the allowance in the period in which the receivable is deemed uncollectible. Subsequent recoveries, if any, are credited to the allowance. Write-offs of receivables and associated reserves occur to the extent that the customer is no longer in operation and/or there is no reasonable expectation of additional collections or repossession.

Transfers of Financial Assets

The Company has entered into arrangements with third-party financial institutions to sell certain financial assets (primarily trade receivables) without recourse. The Company has determined these are true sales. The carrying value of the financial asset sold is derecognized, and a net gain or loss on the sale is recognized, at the time of the transfer. The first agreement, which was executed in November 2021 and subsequently amended, enabled us to sell certain of our trade receivables to the counterparty. The initial term of this agreement was 18 months, and the agreement automatically resets to a term of 18 months after every six months, unless either party elects not to extend. This agreement was further amended during the quarter ended September 30, 2024 to reduce the committed facility limit from $1 billion to $600 million and to add an incremental uncommitted facility limit of $200 million that is subject to the counterparty's sole discretion to purchase such incremental amounts. The second agreement was executed in June 2022 with a separate third-party financial institution and renews automatically on its anniversary date, unless either party elects not to extend.

The net proceeds from these arrangements are reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. Gross proceeds from receivables sold to third parties were $3.2 billion, $3.6 billion, and $3.1 billion for the years ended March 31, 2025, 2024 and 2023, respectively. The fees associated with the transfers of receivables were $38 million, $49 million, and $47 million for the years ended March 31, 2025, 2024 and 2023, respectively.

Fair Value Measurement

In determining the fair value of its financial instruments, the Company uses methods and assumptions that are based on market conditions and risks existing at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies certain assets and liabilities based on the following fair value hierarchy:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;

- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 — Unobservable inputs for the asset or liability.

The level of an asset or liability within the fair value hierarchy is determined based on the lowest level of any input that is significant to the fair value measurement. The determination of fair value considers various factors including yield curves and time value underlying the financial instruments. For derivatives and debt securities, the Company uses a discounted cash flow analysis using discount rates commensurate with the duration of the instrument.

In determining the fair value of financial instruments, the Company considers certain market valuation adjustments to the "base valuations" using the methodologies described below for several parameters that market participants would consider in determining fair value:

- Counterparty credit risk adjustments are applied to financial instruments, taking into account the actual credit risk of a counterparty as observed in the credit default swap market to determine the true fair value of such an instrument.

- Credit risk adjustments are applied to reflect the Company's own credit risk when valuing liabilities measured at fair value. The methodology is consistent with that applied in developing counterparty credit risk adjustments, but incorporates the Company's credit risk as observed in the credit default swap market.

Certain non-financial assets such as property, plant and equipment, operating right-of-use assets, land, goodwill and intangible assets are recorded at fair value or at cost, as appropriate, in the period they are initially recognized, and such balances may be adjusted in subsequent periods if an event occurs or circumstances change that indicate that the asset may be impaired. The impairment models used for non-financial assets depend on the type of asset. The fair value measurements, in such instances, would be classified in Level 3 of the fair value hierarchy.

Supplier Financing Program

In the year ended March 31, 2024, the Company initiated a supplier financing program with a third-party financial institution under which the Company agrees to pay the financial institution the stated amounts of invoices from participating suppliers on the originally invoiced due date, which have an average term of 90 to 120 days. The financial institution offers earlier payment of the invoices at the sole discretion of the supplier for a discounted amount. The Company does not provide secured legal assets or other forms of guarantees under the arrangements. The Company is not a party to the arrangement between its suppliers and the financial institution. The Company or the financial institution may terminate the agreement upon at least 180 days' notice. The Company's obligations under this program continue to be recognized as accounts payable in the Consolidated Balance Sheet. The obligations outstanding under this program at March 31, 2025 and March 31, 2024 were immaterial.

Leases

When procuring goods or services, the Company determines whether an arrangement contains a lease at its inception. As part of that evaluation, the Company considers whether there is an implicitly or explicitly identified asset in the arrangement and whether the Company, as the lessee, has the right to control the use of that asset. Leases are classified as either finance leases or operating leases.

The Company recognized right-of-use ("ROU") assets and associated lease liabilities in the Consolidated Balance Sheet for leases with a term of more than twelve months when a majority percentage of utilization was attributed to the Company. As an implicit rate of return is not readily determinable in transactions where the Company is the lessee, an incremental borrowing rate is used in determining the present value of lease payments, calculated based on information available at the lease commencement date. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid rent and lease incentives. The Company's variable lease payments generally relate to payments tied to various indexes, non-lease components and payments above a contractual minimum fixed amount.

Operating leases are included in operating right-of-use assets net, operating lease liabilities (current and non-current) in the Consolidated Balance Sheet. Finance leases are included in property and equipment, current portion of long-term debt and long-term debt in the Consolidated Balance Sheet. The lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The Company made a policy election to not recognize leases with a lease term of twelve months or less in the Consolidated Balance Sheet.

For all asset classes, the Company has elected the lessee practical expedient to combine lease and non-lease components (e.g., maintenance services) and account for the combined unit as a single lease component. A significant portion of the Company's lease portfolio is real estate leases, which are mainly accounted for as operating leases and are primarily used for corporate offices and data centers. The average term of the real estate leases is approximately five years. The Company also has equipment leases, such as for IT equipment and vehicles, which have lease terms that range from two to five years. For certain of these operating and finance leases, the Company applies a portfolio approach to account for the lease assets and lease liabilities.

Intangible Assets Including Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. The primary drivers that generate goodwill are the value of synergies between the acquired entities and the Company and the acquired assembled workforce, neither of which qualifies as a separately identifiable intangible asset. Goodwill recorded in an acquisition is assigned to applicable reporting units based on expected revenues or expected cash flows. Goodwill inherited from the former Parent pre-Separation represents the historical goodwill balances in the former Parent's managed infrastructure services business arising from acquisitions specific to the Company. Identifiable intangible assets with finite lives are amortized on a straight-line basis over their useful lives, which approximates the pattern that the assets' economic benefits are expected to be consumed over time. Amortization of completed technology is recorded in cost of services, and amortization of all other intangible assets is recorded in SG&A in the Consolidated Income Statement. All costs related to internally developed computer software during the preliminary project stage and post-implementation operation stage are expensed as incurred. Costs incurred during application development stage are capitalized and included in intangibles and amortized over the estimated useful life of the software.

Impairment

Long-lived assets, other than goodwill, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment test is based on undiscounted cash flows and, if impaired, the asset is written down to fair value based on either discounted cash flows or appraised values. Goodwill is tested for impairment at least annually and whenever changes in circumstances indicate an impairment may exist. The goodwill impairment test is performed at the reporting unit level, which aligns with our operating segments. Impairment charges related to long-lived assets, intangible assets and goodwill, if any, are recorded as impairment expense in the Consolidated Income Statement.

Transaction-Related Costs

The Company classifies certain expenses and benefits related to the Separation, acquisitions and divestitures as “transaction-related costs (benefits)” in the Consolidated Income Statement. Transaction-related costs include gains or losses, employee retention expenses, information technology costs, marketing expenses to establish the Kyndryl brand, legal, accounting, consulting and other professional service costs, costs and benefits resulting from settlements with our former Parent associated with pre-Separation and Separation-related matters, and other costs related to contract and supplier novation and integration, associated with acquisitions, divestitures or the Separation.

Workforce Rebalancing and Site-Rationalization Charges

The Company has incurred workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets and charges related to lease terminations. We record a liability for employee termination benefits either when it is probable that an employee is entitled to it and the amount of the benefits can be reasonably estimated or when management has communicated the termination plan to employees. Workforce rebalancing charges are recorded as a separate line on the Consolidated Income Statement. Charges related to ceasing to use leased assets and owned fixed assets and charges related to lease terminations are recognized as cost of services or selling, general and administrative expenses based on our classification policy for each category. Refer to Note 19 – Workforce Rebalancing and Site-Rationalization Charges for details of this program.

Property and Equipment

Property and equipment are recorded at cost, or in the case of acquired property and equipment, at fair value at the date of the acquisition. Expenditures for repairs and maintenance costs are expensed as incurred, whereas expenditures that extend the life or increase the functionality of the asset are capitalized as additions to property and equipment. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the determination of net income or loss.

In March 2024, the Company completed its assessment of the useful lives of its information technology equipment. Based on our usage experience and data analysis, the Company determined it should increase the estimated useful lives of its information technology equipment from five to six years. This change in accounting estimate became effective on April 1, 2024. Based on the carrying amount of information technology equipment included in property and equipment, net as of March 31, 2024, the effect of this change in estimate was a reduction in depreciation expense and an improvement of income before income taxes of approximately $180 million, or $0.80 before income taxes per basic share and $0.77 before income taxes per diluted share, for the year ended March 31, 2025.

We compute depreciation expense on a straight-line method over the estimated useful lives of the assets as follows:

Classification	Estimated Useful Life
Buildings	30 to 50 years
Land improvements	20 years
Leasehold improvements*	Estimated useful life or term of lease
Office and other equipment	2 to 20 years
Information technology equipment (acquired as used)	1.5 to 3 years
Information technology equipment (acquired as new)†	6 years

* Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease term, rarely exceeding 10 years.

† Extended from five to six years effective April 1, 2024.

Environmental

The costs of internal environmental protection programs that are preventative in nature are expensed as incurred. When a cleanup program becomes likely and it is probable that the Company will incur cleanup costs and those costs can be reasonably estimated, the Company accrues remediation costs for known environmental liabilities.

Income Taxes

Income tax provisions are calculated based on Kyndryl's operating footprint, as well as tax return elections and assertions. Liabilities related to unrecognized tax benefits for which the Company is liable are reported within the Consolidated Balance Sheet based upon tax authorities' ability to assert the Company may be the primary obligor for historical taxes, among other factors.

Income tax expense is based on reported income before income taxes. Deferred income taxes reflect the tax effect of temporary differences between asset and liability amounts that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. These deferred taxes are measured by applying currently enacted tax laws. U.S. tax reform introduced Global Intangible Low-Taxed Income ("GILTI"), which subjects a U.S. shareholder to current tax on income earned by certain foreign subsidiaries. GAAP allows companies to either (i) recognize deferred taxes for temporary differences that are expected to reverse as GILTI in future years or (ii) account for taxes on GILTI as period costs in the year the tax is incurred. The Company has elected to recognize GILTI impact in the specific period in which it occurs.

Valuation allowances are recognized to reduce deferred tax assets to the amount that will more likely than not be realized. In assessing the need for a valuation allowance, management considers all available evidence for each jurisdiction including past operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies and actions. When there is a change in the determination as to the amount of deferred tax assets that can be realized, the valuation allowance is adjusted with a corresponding impact to provision for income taxes in the period in which such determination is made.

The Company recognizes additional tax liabilities when the Company believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. The noncurrent portion of tax liabilities is included in other noncurrent liabilities in the Consolidated Balance Sheet. To the extent that new information becomes available which causes the Company to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense.

Earnings per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average shares of common stock outstanding during the period and potentially dilutive securities, including restricted stock units, performance-conditioned awards, market-conditioned awards, and stock options using the treasury stock method. Refer to Note 6 – Earnings per Share for a reconciliation as well as Note 16 – Stock-based Compensation for further discussion on awards.

NOTE 2. ACCOUNTING PRONOUNCEMENTS

Standards Implemented

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. The guidance should be applied retrospectively, effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted the guidance for the fiscal year ended March 31, 2025. For additional information, see Note 4 – Segments.

Recent Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) – Improvements to Income Tax Disclosures*, which is intended to enhance the transparency and usefulness of income tax disclosures through improved reporting related to the rate reconciliation and income taxes paid. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company has elected not to early adopt this ASU and is currently evaluating the impact of this guidance on the disclosures in its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses*, which is intended to improve the usefulness of expense information contained in public entity income statements through the disaggregation of relevant expense captions in the notes to the financial statements. The guidance should be applied prospectively, effective for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures in its consolidated financial statements.

In May 2025, the FASB issued ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*, which amends the guidance for determining the accounting acquirer in certain transactions. The guidance should be applied prospectively, effective for the fiscal years beginning after December 15, 2026 and interim reporting periods within fiscal years beginning after December 15, 2026, with early adoption permitted. The Company has evaluated the impact of the guidance and does not expect it to have a material impact on the Company's consolidated financial statements.

NOTE 3. REVENUE RECOGNITION

Disaggregation of Revenue

The Company views its segment results to be the best view of disaggregated revenue. Refer to Note 4 – Segments.

Remaining Performance Obligations

The remaining performance obligation ("RPO") represents the aggregate amount of contractual deliverables yet to be recognized as revenue at the end of the reporting period. It is intended to be a statement of overall work under contract that has not yet been performed and does not include contracts in which the customer is not committed. The customer is not considered committed when it is able to terminate for convenience without payment of a substantive penalty. The RPO also includes estimates of variable consideration. RPO estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustments for revenue that has not materialized and adjustments for currency.

At March 31, 2025, the aggregate amount of RPO related to customer contracts that are unsatisfied or partially unsatisfied was $34.7 billion. Approximately 57 percent of the amount is expected to be recognized as revenue in the next two years, approximately 37 percent in the subsequent three years, and the balance thereafter.

Revenue Recognized for Performance Obligations Satisfied (or Partially Satisfied) in Prior Periods

For the year ended March 31, 2025, revenue increased by $59 million for performance obligations satisfied (or partially satisfied) in previous periods, mainly due to changes in estimates.

Contract Balances

The following table provides information about accounts receivable, contract assets and deferred income balances:

(Dollars in millions)	At March 31, 2025	At March 31, 2024
Accounts receivable (net of allowances for credit losses of $13 at March 31, 2025 and $22 at March 31, 2024) *	$ 1,345	$ 1,599
Contract assets †	50	30
Deferred income (current)	746	825
Deferred income (noncurrent)	341	314

* Including unbilled receivable balances of $425 million at March 31, 2025 and $377 million at March 31, 2024.

† Contract assets represent services performed by the Company prior to billing the client, which give the Company the right to consideration that is typically subject to milestone completion or client acceptance. They are included within prepaid expenses and other current assets in the Consolidated Balance Sheet.

The amount of revenue recognized during the year ended March 31, 2025 that was included within the deferred income balance at March 31, 2024 was $754 million.

The following table provides roll-forwards of the accounts receivable allowance for expected credit losses for the years ended March 31, 2025, 2024 and 2023:

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
Beginning balance	$ 22	$ 32	$ 44
Additions (releases)	(7)	4	6
Write-offs	(1)	(4)	(13)
Other *	(1)	(9)	(5)
Ending balance	$ 13	$ 22	$ 32

* Primarily represents translation adjustments.

The contract assets allowance for expected credit losses was not material in any of the periods presented.

Major Clients

No single client represented more than 10 percent of the Company's total revenue during the years ended March 31, 2025, 2024 and 2023. No single client represented more than 10 percent of the Company's total accounts receivable balance as of March 31, 2025. Other than receivables with the former Parent, no single client represented more than 10 percent of the Company's total accounts receivable balance as of March 31, 2024.

Deferred Costs

The following table provides amounts of capitalized costs to acquire and fulfill customer contracts at March 31, 2025 and 2024:

(Dollars in millions)	At March 31, 2025	At March 31, 2024
Deferred transition costs	$ 697	$ 753
Prepaid software costs	876	770
Capitalized costs to fulfill contracts	195	212
Capitalized costs to obtain contracts	281	265
Total deferred costs *	$ 2,049	$ 2,000

* Of the total deferred costs, $1,009 million was current and $1,040 million was noncurrent at March 31, 2025, and $1,081 million was current and $920 million was noncurrent at March 31, 2024.

The amount of total deferred costs amortized during the year ended March 31, 2025 was $1.7 billion, composed of $291 million of amortization of deferred transition costs, $986 million of amortization of prepaid software and $420 million of amortization of capitalized contract costs. The amount of total deferred costs amortized during the year ended March 31, 2024 was $1.8 billion, composed of $335 million of amortization of deferred transition costs, $921 million of amortization of prepaid software and $531 million of amortization of capitalized contract costs. The amount of total deferred costs amortized during the year ended March 31, 2023 was $1.7 billion, composed of $342 million of amortization of deferred transition costs, $857 million of amortization of prepaid software and $472 million of amortization of capitalized contract costs. There were no material impairment losses incurred in any period. Refer to Note 1 – Significant Accounting Policies for additional information on deferred costs to fulfill a contract and capitalized costs of obtaining a contract.

NOTE 4. SEGMENTS

Our reportable segments correspond to how the chief operating decision maker ("CODM"), our chief executive officer, reviews performance and allocates resources. Our four reportable segments consist of the following:

United States: This reportable segment is comprised of Kyndryl's operations in the United States.

Japan: This reportable segment is comprised of Kyndryl's operations in Japan.

Principal Markets: This reportable segment represents the aggregation of our operations in Canada, France, Germany, India, Italy, Spain / Portugal, and the United Kingdom / Ireland.

Strategic Markets: This reportable segment is comprised of our operations in all other countries in which we operate.

The Company made a minor change to its geographic reportable segments effective June 1, 2024 to reflect how the Company manages its operations and measures business performance, transitioning the reporting and management of its operations in Australia/New Zealand from the Principal Markets segment to the Strategic Markets segment. All historical segment information has been recast to reflect this change.

The measure of segment operating performance used by Kyndryl's CODM is adjusted EBITDA, which allows our CODM to evaluate operating results excluding certain items whose fluctuation from period to period do not necessarily correspond to changes in the operations of our business. Adjusted EBITDA is defined as net income (loss) excluding income taxes, interest expense, depreciation and amortization (excluding depreciation of right-of-use assets and amortization of capitalized contract costs), charges related to ceasing to use leased and owned fixed assets, charges related to lease terminations, transaction-related costs and benefits, pension expenses other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges incurred prior to March 31, 2024, impairment expense, significant litigation costs and benefits, and currency impacts of highly inflationary countries. The CODM reviews budget-to-actual variances of revenue and adjusted EBITDA to assess performance and allocate resources to the segments.

Our geographic markets frequently work together to sell and implement certain contracts. The resulting revenues and costs from these contracts may be apportioned among the participating geographic markets. The economic environment and its effects on the industries served by our geographic markets affect revenues and operating expenses within our geographic markets to differing degrees. Currency fluctuations also tend to affect our geographic markets differently, depending on the geographic concentrations and locations of their businesses.

The following tables reflect the results of the Company's segments:

(Dollars in millions)	Year Ended March 31, 2025 United States	Japan	Principal Markets	Strategic Markets	Total Segments
Revenue	$ 3,876	$ 2,358	$ 5,206	$ 3,617	$ 15,057
Cost of service, excluding depreciation and amortization *	(2,476)	(1,613)	(3,471)	(2,405)	(9,964)
Selling, general and administrative expenses, excluding depreciation and amortization *	(638)	(343)	(831)	(561)	(2,372)
Other items†	(37)	(13)	(19)	(46)	(115)
Segment adjusted EBITDA	$ 725	$ 390	$ 886	$ 606	$ 2,606

(Dollars in millions)	Year Ended March 31, 2024 United States	Japan	Principal Markets	Strategic Markets	Total Segments
Revenue	$ 4,295	$ $2,344	$ 5,479	$ $3,934	$ 16,052
Cost of service, excluding depreciation and amortization *	(2,778)	(1,651)	(3,957)	(2,720)	(11,106)
Selling, general and administrative expenses, excluding depreciation and amortization *	(735)	(322)	(847)	(577)	(2,480)
Other items†	(2)	(9)	2	4	(5)
Segment adjusted EBITDA	$ 781	$ 361	$ 677	$ 642	$ 2,461

(Dollars in millions)	Year Ended March 31, 2023 United States	Japan	Principal Markets	Strategic Markets	Total Segments
Revenue	$ 4,726	$ 2,502	$ 5,556	$ 4,241	$ 17,026
Cost of service, excluding depreciation and amortization *	(3,072)	(1,747)	(4,430)	(3,063)	(12,312)
Selling, general and administrative expenses, excluding depreciation and amortization *	(812)	(340)	(810)	(696)	(2,657)
Other items†	(4)	(9)	7	2	(3)
Segment adjusted EBITDA	$ 839	$ 407	$ 323	$ 484	$ 2,052

* Cost of service, excluding depreciation and amortization and selling, general and administrative expenses, excluding depreciation and amortization are both used in calculating segment adjusted EBITDA and exclude depreciation of property, equipment and capitalized software and amortization of transition costs and prepaid software.

† Other items include workforce rebalancing charges incurred subsequent to March 31, 2024 and other expense.

The following table reconciles segment adjusted EBITDA to consolidated pretax income (loss):

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
Segment adjusted EBITDA	$ 2,606	$ 2,461	$ 2,052
Workforce rebalancing charges incurred prior to March 31, 2024	—	(138)	(71)
Charges related to ceasing to use leased/fixed assets and lease terminations	(48)	(39)	(80)
Transaction-related (costs) benefits	125	46	(264)
Stock-based compensation expense	(100)	(95)	(113)
Interest expense	(100)	(122)	(94)
Depreciation of property, equipment and capitalized software	(660)	(834)	(900)
Amortization expense	(1,308)	(1,287)	(1,245)
Corporate expense not allocated to the segments	(90)	(95)	(77)
Other adjustments*	10	(68)	(59)
Pretax income (loss)	$ 435	$ (168)	$ (851)

* Other adjustments represent pension expenses other than pension servicing costs and multi-employer plan costs, significant litigation costs and benefits, and currency impacts of highly inflationary countries. For the year ended March 31, 2024, other adjustments also included an adjustment to reduce amortization expense for the amount already included in transaction-related (costs) benefits above.

Segment Assets and Other Items

The Company does not allocate assets to the above reportable segments for our CODM's review.

Geographic Information

The following tables provide information for those countries that represent 10 percent or more of the specific category. Refer to Note 8 – Property and Equipment and Note 9 – Leases for more information on allocation methodologies.

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
Revenue*			
United States	$ 3,876	$ 4,295	$ 4,726
Japan	2,358	2,344	2,502
Other countries	8,823	9,413	9,797
Total revenue	$ 15,057	$ 16,052	$ 17,026

* Revenues are attributed to countries based on the location of the client and exclude certain allocations.

(Dollars in millions)	At March 31, 2025	2024
Property and equipment, net		
United States *	$ 883	$ 951
Other countries	1,687	1,724
Total property and equipment, net	$ 2,570	$ 2,674
Operating right-of-use assets, net		
United States *	$ 134	$ 113
Belgium	92	135
France	81	68
Italy	76	95
Other countries	349	453
Total operating right-of-use assets, net	$ 731	$ 864

* Includes corporate and other.

NOTE 5. TAXES

Income (loss) before income taxes by geography was as follows:

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
Income (loss) before income taxes:			
U.S. operations	$ (158)	$ (678)	$ (1,543)
Non-U.S. operations	593	510	692
Total income (loss) before income taxes	$ 435	$ (168)	$ (851)

The components of the provision for income taxes by taxing jurisdiction were as follows:

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
U.S. federal:			
Current	$ 1	$ 39	$ —
Deferred	(18)	(10)	(19)
	$ (17)	$ 29	$ (19)
U.S. state and local:			
Current	$ 4	$ 2	$ 2
Deferred	2	1	(4)
	$ 6	$ 3	$ (2)
Non-U.S.:			
Current	$ 177	$ 142	$ 236
Deferred	18	(2)	308
	$ 195	$ 140	$ 545
Total provision for income taxes	$ 184	$ 172	$ 524

A reconciliation of the statutory U.S. federal tax rate to the Company's effective tax rate from continuing operations was as follows:

	Year Ended March 31, 2025	2024	2023
Statutory rate	21.0 %	21.0 %	21.0 %
Tax differential on foreign income	4.5 %	(17.4)%	(3.9)%
State and local taxes	0.7 %	17.8 %	5.7 %
Valuation allowances	(4.1)%	(67.7)%	(72.0)%
Reserves for uncertain tax positions	14.2 %	(7.8)%	(6.5)%
Global Intangible Low-Taxed Income (GILTI)	1.5 %	— %	(2.0)%
Undistributed foreign earnings	(2.5)%	2.2 %	1.5 %
Impact of foreign operations	20.9 %	(43.6)%	(8.6)%
Basis adjustment	— %	(6.2)%	— %
Tax credits	(13.1)%	28.7 %	4.7 %
Return to provision	(3.1)%	(19.3)%	0.3 %
Nondeductible items	1.9 %	(8.6)%	(2.0)%
Other	— %	(1.4)%	— %
Effective tax rate	41.9 %	(102.2)%	(61.6)%

The provision for income taxes for the year ended March 31, 2025 was $184 million as compared to $172 million for the year ended March 31, 2024. The increase in income tax expense was primarily driven by an increase in pretax book income. The provision for income taxes for the year ended March 31, 2024 was $172 million as compared to $524 million for the year ended March 31, 2023. The decrease in income tax expense was primarily driven by valuation allowances established in fiscal year 2023, changes in uncertain tax positions during fiscal year 2024 as a result of audit settlements and statutes of limitations lapsing, offset by increases in taxes on foreign operations.

The Company's effective tax rate for the year ended March 31, 2025 was higher than the Company's statutory tax rate primarily due to the Company's pretax income in fiscal year 2025, compared to a pretax loss in fiscal year 2024. The Company's effective tax rate for the year ended March 31, 2024 was lower (more negative) than the Company's statutory tax rate primarily due to the Company's pretax loss being significantly lower in fiscal year 2024 and current year losses not benefitted due to the existing valuation allowances. The Company's effective tax rate for the year ended March 31, 2023 was lower than the Company's statutory tax rate primarily due to changes in valuation allowances, taxes on foreign operations and uncertain tax positions. The Organization for Economic Cooperation and Development's Pillar Two rules, effective beginning in fiscal year 2025, did not significantly affect the Company's tax rate or cash flows for the year ending March 31, 2025.

The tax effects of temporary differences that give rise to significant portions of the deferred taxes were as follows:

(Dollars in millions)	March 31, 2025	March 31, 2024
Deferred tax assets		
Retirement benefits	$ 106	$ 121
Leases	253	308
Stock-based and other compensation	75	90
U.S. tax loss/credit carryforwards	520	441
Deferred income	38	65
Foreign tax loss/credit carryforwards	75	66
Allowance for credit losses	9	12
Goodwill and intangible assets	61	59
Workforce rebalancing charges	8	15
Limitation on deductibility of interest	88	79
Accruals	99	94
Other	52	57
Gross deferred tax assets	$ 1,384	$ 1,406
Less: valuation allowance	(749)	(748)
Net deferred tax assets	$ 634	$ 657
Deferred tax liabilities		
Fixed assets and depreciation	$ 97	$ 34
Leases and right-of-use assets	242	294
Undistributed foreign earnings	5	16
Deferred transition costs	121	131
Prepaids	2	4
Other	15	16
Gross deferred tax liabilities	$ 482	$ 494

As of March 31, 2025, the Company had tax-affected U.S. and foreign net operating loss/credit carryforwards deferred tax assets of $520 million and $75 million, respectively. As of March 31, 2024, the Company had tax-affected U.S. and foreign net operating loss/credit carryforwards deferred tax assets of $441 million and $66 million, respectively. If not utilized, the U.S. state and foreign net operating loss carryforwards will begin to expire in 2026. The U.S. federal net operating losses incurred post 2017 can be carried forward indefinitely. Certain of our acquired U.S. net operating losses and general business credits are subject to limitations under IRC Section 382 and will begin to expire in 2029.

The valuation allowances as of March 31, 2025 and 2024 were $749 million and $748 million, respectively. The increase in valuation allowances from March 31, 2024 to March 31, 2025 was $1 million. The change in valuation allowances primarily reflects an increase in the U.S. due to current-year tax credit carryforwards generated and the impact of purchase accounting related to acquired net operating losses, which are not more likely than not to be realized. This increase was partially offset by the release and reduction in the valuation allowance for certain foreign jurisdictions resulting from the reversal of deductible temporary differences. Estimates of future taxable income could change, perhaps materially, which may require us to revise our assessment of the recoverability of the deferred tax asset at that time.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
Balance at beginning of period	$ 108	$ 104	$ 55
Additions based on tax positions related to the current year	35	36	46
Additions for tax positions of prior years	28	—	3
Reductions for tax positions of prior years (including impacts due to a lapse of statute)	(3)	(32)	—
Balance at end of period	$ 168	$ 108	$ 104

Liabilities related to unrecognized tax benefits for which the Company is liable are reported within the Consolidated Balance Sheet based upon tax authorities' ability to assert the Company may be the primary obligor for historical taxes, among other factors.

With limited exceptions, the Company is generally subject to income tax audits for tax years subsequent to September 1, 2021, or post-Separation, including in the U.S., Germany, Japan and Spain. Pursuant to the terms of the Separation, any tax liabilities attributable to the tax period (or portion thereof) ending on or before November 3, 2021, are generally not the Company's liability. As of March 31, 2025, the Company is not aware of any material open income tax audits that would result in a liability owed by the Company. The Company does not expect a significant increase or decrease in unrecognized tax benefits within the next twelve months. The net amount of $168 million unrecognized tax benefits, if recognized, would favorably affect the Company's effective tax rate. Interest and penalties related to income tax liabilities are included in income tax expense. During the year ended March 31, 2025, the Company recognized $12.5 million in interest expense and penalties. The Company had $4 million for interest and penalties accrued at March 31, 2024.

Pursuant to the terms of the Separation, there were certain tax refunds related to estimated tax payments and refundable value-added taxes for which we would have been required to reimburse our former Parent as the refunds were received, as well as certain tax benefits related to net operating losses that were transferred to the Company for which we would have been required to pay to our former Parent as the tax benefits were realized. In addition, our former Parent had obligations to indemnify the Company for tax liabilities attributable to tax periods (or portions thereof) ending on or before November 3, 2021. During fiscal year 2025, an agreement was executed with our former Parent that resolved both parties' obligations related to the Separation. The agreement did not have a material impact on the Company's financial statements.

As of March 31, 2025, the Company's undistributed earnings from certain non-U.S. subsidiaries were not indefinitely reinvested. Accordingly, the Company recorded a deferred tax liability of $4 million for the estimated taxes associated with the repatriation of these earnings. The Company intends to repatriate certain foreign earnings that have been taxed in the U.S. and undistributed earnings to the extent the foreign earnings are not restricted by local laws and can be accessed in a cost-effective manner.

NOTE 6. EARNINGS PER SHARE

We did not declare any stock dividends in the periods presented. The following table provides the computation of basic and diluted earnings per share of common stock for the years ended March 31, 2025, 2024 and 2023.

(In millions, except per share amounts)	Year Ended March 31, 2025	2024	2023
Net income (loss) on which basic and diluted earnings per share is calculated	$ 252	$ (340)	$ (1,374)
Number of shares on which basic earnings (loss) per share is calculated	231.5	229.2	226.7
Dilutive effect of stock options and equity awards	7.7	—	—
Number of shares on which diluted earnings (loss) per share is calculated	239.1	229.2	226.7
Basic earnings (loss) per share	$ 1.09	$ (1.48)	$ (6.06)
Diluted earnings (loss) per share	1.05	(1.48)	(6.06)

For the years ended March 31, 2024 and 2023, the number of shares on which basic and diluted earnings (loss) per share is calculated was the same as a result of the net loss incurred in the period. The following securities were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive:

(In millions)	Year Ended March 31, 2025	2024	2023
Nonvested restricted stock units	0.6	8.8	9.4
Nonvested performance-conditioned stock units	4.2	3.0	2.3
Nonvested market-conditioned stock units	0.7	2.7	2.3
Stock options issued and outstanding	—	3.6	3.7
Total	5.5	18.1	17.7

NOTE 7. FINANCIAL ASSETS AND LIABILITIES

Financial Assets and Liabilities Measured at Fair Value

The following table presents the Company’s financial assets and financial liabilities that are measured at fair value on a recurring basis at March 31, 2025 and 2024.

(Dollars in millions)	Fair Value Hierarchy Level	At March 31, 2025 Assets	Liabilities	Fair Value	At March 31, 2024 Assets	Liabilities	Fair Value
Derivatives designated as hedging instruments:							
Foreign exchange contracts	2	$ 6	$ 29	$ (23)	$ 2	$ 1	$ 1
Cross-currency swap contracts	2	12	11	—	1	11	(9)
Derivatives not designated as hedging instruments:							
Foreign exchange contracts	2	27	2	25	2	6	(4)
Total		$ 45	$ 43	$ 2	$ 5	$ 18	$ (13)

The gross balances of derivative assets, including accrued interest, are contained within prepaid expenses and other current assets and other noncurrent assets, and the gross balances of derivative liabilities are contained within other accrued expenses and liabilities, or other noncurrent liabilities in the Consolidated Balance Sheet. The Company may enter into master netting agreements with certain counterparties that allow for netting of exposures. There was no netting of derivative assets against liabilities in the Consolidated Balance Sheet at March 31, 2025 and 2024. The Company manages counterparty risk by seeking counterparties of high credit quality and by monitoring credit ratings, credit spreads and other relevant public information about its counterparties. The Company does not anticipate nonperformance by any of the counterparties.

Financial Assets and Liabilities Not Measured at Fair Value

Accounts receivable are financial assets with carrying values that approximate fair value. Accounts payable, other accrued expenses and short-term debt are financial liabilities with carrying values that approximate fair value. If measured at fair value in the consolidated financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy, except for short-term debt, which would be classified as Level 2.

The Company also has time deposits that have maturities of 90 days or less, and their carrying values approximate fair value. They are measured for impairment on a recurring basis by comparing their fair value with their amortized cost basis. There were no impairments of financial assets recognized for any of the periods presented. The balance of these time deposits with maturities of 90 days or less contained within cash and cash equivalents in the Consolidated Balance Sheet at March 31, 2025 and 2024 was $765 million and $828 million, respectively. If measured at fair value in the consolidated financial statements, time deposits with maturities of 90 days or less would be categorized as Level 2 in the fair value hierarchy.

The fair value of our outstanding debt (excluding finance lease obligations) is based on various methodologies, including quoted prices in active markets for identical debt instruments, which is a Level 1 measurement, or calculated fair value using an expected present value technique that uses rates currently available to the Company for debt in active markets with similar terms and remaining maturities, which is a Level 2 measurement. See Note 12 – Borrowings for additional information. Our outstanding debt (excluding finance lease obligations) had a carrying value of $2.9 billion and $2.9 billion as of March 31, 2025 and 2024, respectively. The debt had an estimated fair value of $2.7 billion and $2.6 billion as of March 31, 2025 and 2024, respectively.

Derivative Financial Instruments

The following table summarizes the notional amounts of the Company's outstanding derivatives:

	At March 31, 2025			At March 31, 2024		
(Dollars in millions)	**Foreign Exchange Contracts**	**Cross-currency Swap Contracts**	**Total Notional Amount**	**Foreign Exchange Contracts**	**Cross-currency Swap Contracts**	**Total Notional Amount**
Derivatives designated as hedging instruments						
Cash flow hedges	$ 357	$ —	$ 357	$ 281	$ —	$ 281
Net investment hedges	1,485	500	1,985	—	500	500
Derivatives not designated as hedging instruments	$ 1,148	$ —	$ 1,148	$ 1,624	$ —	$ 1,624

The notional amounts of derivative instruments do not necessarily represent the amounts exchanged by the Company with third parties and are not necessarily a direct measure of the financial exposure.

Derivatives Designated as Hedging Instruments

Cash Flow Hedges

The Company has foreign exchange derivative financial instruments designated as cash flow hedges to manage the volatility of cash flows that relate to operating expenses denominated in certain currencies. At March 31, 2025, the maximum remaining length of time over which the Company has hedged its exposures is approximately one year. At March 31, 2025 and 2024, the weighted-average remaining maturity of these instruments was approximately 0.5 years. At March 31, 2025 and 2024, in connection with cash flow hedges of foreign currency cost transactions, the Company had unrealized losses of $1 million and unrealized gains of $2 million (each before taxes), respectively, in AOCI. The Company estimates that $1 million (before taxes) of deferred net losses on derivatives in AOCI at March 31, 2025 will be reclassified to net income within the next twelve months, providing an offsetting economic impact against the underlying anticipated transactions.

Net Investment Hedges

The Company has entered into and designated cross-currency interest rate swap contracts and currency forward contracts as net investment hedges to mitigate foreign exchange exposure related to net investments. Under the terms of the cross-currency swaps, the Company makes fixed-rate payments in foreign currencies and receives fixed-rate amounts in U.S. dollars, with the exchange of the underlying notional amounts at maturity whereby the Company will receive U.S. dollars and pay foreign currencies at exchange rates which are determined at contract inception. Under the terms of the currency forward contracts, the Company commits to sell the local currency of certain subsidiaries in exchange for U.S. dollars at specified forward rates. At March 31, 2025, the maximum remaining length of time over which the Company has hedged its exposure is approximately nine years. At March 31, 2025 and 2024, the weighted-average remaining maturity of these instruments was approximately three and ten years, respectively. At March 31, 2025 and 2024, the Company had unrealized losses of $6 million and unrealized losses of $11 million (each before taxes), respectively, in AOCI related to net investment hedges.

Derivatives Not Designated as Hedging Instruments

The Company enters into currency forward and swap contracts to hedge exposures related to assets and liabilities across its subsidiaries. The terms of these contracts are generally less than one year.

The Effect of Derivative Instruments in the Consolidated Income Statement

The effects of derivatives designated as hedging instruments on the Consolidated Income Statement and Other Comprehensive Income are as follows:

	Gain (Loss) Recognized in Consolidated Income Statement and Other Comprehensive Income		
	Year Ended March 31,		
(Dollars in millions)	2025	2024	2023
Derivative instruments in cash flow hedges:		Recognized in OCI	
Foreign exchange contracts	$ (14)	$ 22	$ (4)
Derivative instruments in net investment hedges:			
Cross-currency swaps	$ 10	$ (11)	$ —
Foreign exchange contracts	(5)	—	—
Total	$ (9)	$ 11	$ (4)

		Gain (Loss) Recognized in Consolidated Income Statement and Other Comprehensive Income					
		Reclassified from AOCI			Amounts Excluded from Effectiveness Testing		
	Consolidated Income Statement	Year Ended March 31,			Year Ended March 31,		
(Dollars in millions)	Line Item	2025	2024	2023	2025	2024	2023
Derivative instruments in cash flow hedges:							
Foreign exchange contracts	Cost of services	$ (11)	$ 21	$ (2)	$ —	$ —	$ —
Derivative instruments in net investment hedges:							
Cross-currency swaps	Interest expenses	—	—	—	12	1	—
Foreign exchange contracts	Interest expenses	—	—	—	10	—	—
Total	Total	$ (11)	$ 21	$ (2)	$ 22	$ 1	$ —

For the years ended March 31, 2025, 2024 and 2023, there were no gains or losses excluded from the assessment of hedge effectiveness for cash flow hedges, or associated with an underlying exposure that did not or was not expected to occur, nor are there any anticipated in the normal course of business. There were no net investment hedges in the year ended March 31, 2023.

The effects of derivatives not designated as hedging instruments on the Consolidated Income Statement are as follows:

(Dollars in millions)	Consolidated Income Statement Line Item	Gain (Loss) Recognized in Consolidated Income Statement Year Ended March 31, 2025	2024	2023
Derivative instruments not designated as hedging instruments:				
Foreign exchange contracts	Other expense (income)	$ (15)	$ (48)	$ 20
Total		$ (15)	$ (48)	$ 20

NOTE 8. PROPERTY AND EQUIPMENT

The following table presents the balances of property and equipment by type:

(Dollars in millions)	At March 31, 2025	2024
Information technology equipment	$ 5,858	$ 6,374
Buildings and leasehold improvements	2,402	2,502
Office and other equipment	268	354
Land and land improvements	68	70
Property and equipment, gross	$ 8,597	$ 9,300
Accumulated depreciation	(6,026)	(6,626)
Property and equipment, net	$ 2,570	$ 2,674

The unpaid property and equipment balance included in accounts payable and accrued expenses was $45 million and $29 million at March 31, 2025 and 2024, respectively. Depreciation of property and equipment was $618 million, $801 million, and $900 million for the years ended March 31, 2025, 2024 and 2023, respectively. Additionally, as part of the site-rationalization program, the Company recognized $8 million, $21 million and $7 million of accelerated depreciation related to ceasing to use certain owned fixed assets for the years ended March 31, 2025, 2024 and 2023, respectively. Refer to Note 19 – Workforce Rebalancing and Site-Rationalization Charges for additional details.

NOTE 9. LEASES

The following table presents the various components of lease costs:

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
Finance lease costs	$ 95	$ 112	$ 85
Operating lease costs	331	388	434
Short-term lease costs	1	4	7
Variable lease costs	154	135	108
Sublease income	(6)	(11)	(9)
Total lease costs	$ 576	$ 629	$ 625

During the fiscal years of 2025, 2024 and 2023, we identified and ceased use of certain operating right-of-use assets that were inherited from the former Parent at Separation. We determined that we will no longer receive economic benefits from these leased properties and do not have the intent or practical ability to sublease or sell them. Accordingly, we recorded accelerated depreciation in the amount of $39 million, $14 million and $69 million (representing the remaining carrying value of the identified right-of-use assets, not included in the operating lease costs in the table above) for the years ended March 31, 2025, 2024 and 2023, respectively. Refer to Note 19 – Workforce Rebalancing and Site-Rationalization Charges for details of this program.

The Company had no sale and leaseback transactions for the years ended March 31, 2025, 2024 and 2023.

The following table presents supplemental information relating to the cash flows arising from lease transactions. Cash payments related to variable lease costs and short-term leases are not included in the measurement of operating and finance lease liabilities and, as such, are excluded from the amounts below.

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash outflows for finance leases	$ 17	$ 14	$ 5
Financing cash outflows for finance leases	117	116	83
Operating cash outflows for operating leases	404	387	417
Right-of-use assets obtained in exchange for new finance lease liabilities	70	212	111
Right-of-use assets obtained in exchange for new operating lease liabilities	204	291	175

The following table presents the weighted-average lease term and discount rate for finance and operating leases:

	At March 31, 2025	2024
Finance leases		
Weighted-average remaining lease term	4.1 years	3.8 years
Weighted-average discount rate	5.74 %	5.58 %
Operating leases		
Weighted-average remaining lease term	4.4 years	4.8 years
Weighted-average discount rate	5.07 %	5.15 %

The following table presents a maturity analysis of expected undiscounted cash flows for operating and finance leases on an annual basis for the next five years and thereafter.

(Dollars in millions)	Year Ending March 31, 2026	2027	2028	2029	2030	Thereafter	Imputed Interest*	Total
Finance leases	$ 126	$ 97	$ 56	$ 19	$ 3	$ —	$ 52	$ 250
Operating leases	$ 346	$ 223	$ 142	$ 113	$ 60	$ 100	$ 198	$ 785

* Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

The following table presents the total amount of finance leases recognized in the Consolidated Balance Sheet:

(Dollars in millions)	At March 31, 2025	2024
Right-of-use assets – Property and equipment, net	$ 297	$ 309
Lease liabilities:		
Current – Current portion of long-term debt	100	95
Noncurrent – Long-term debt	150	193

NOTE 10. ACQUISITIONS AND DIVESTITURES

Acquisition of Skytap

In April 2024, the Company completed the acquisition of Skytap, Inc. (“Skytap”), a leading specialized workload services provider, by acquiring all outstanding equity interests of Skytap in exchange for cash consideration. The acquisition of Skytap was accounted for as a business combination in accordance with ASC 805, *Business Combinations*. Our financial statements for the year ended March 31, 2025 reflect the assets, liabilities, operating results and cash flows of Skytap, commencing from the acquisition date. The Company acquired Skytap for cash consideration of approximately $45 million, net of cash acquired of $4 million. Costs associated with this acquisition were immaterial. Pro forma financial information has not been presented, as revenue and expenses related to the acquisition do not have a material impact on the Company’s Consolidated Financial Statements.

The acquisition of Skytap expands the Company's hybrid cloud services portfolio. The final purchase price allocation resulted in approximately $43 million in intangible assets, primarily consisting of $13 million in completed technologies and $30 million in customer relationships with estimated useful lives of five and eight years, respectively, assets transferred of $24 million (inclusive of cash acquired of $4 million), liabilities assumed of $29 million, and goodwill of $11 million, primarily attributable to synergies expected to arise from this acquisition. We do not expect the goodwill to be deductible for income tax purposes.

Since the completion of the acquisition, the Company has made immaterial adjustments to the preliminary purchase price allocation impacting the valuation of goodwill and assets transferred.

Disposal of the Securities Industry Services ("SIS") Platform in Canada

During the three months ended December 31, 2024, the Company completed the sale of its transaction processing platform for securities brokerage industry services in Canada (which is a component of the Company's Principal Markets segment), for approximately $185 million in cash. In connection with the sale, the Company recognized a $145 million pretax gain, which was recorded within transaction-related costs (benefits) on the Consolidated Income Statement. This disposition is not accounted for as discontinued operations as it does not meet the relevant criteria. The carrying value of the net assets sold was not material.

NOTE 11. INTANGIBLE ASSETS INCLUDING GOODWILL

Intangible Assets

The following tables present the Company's intangible asset balances by major asset class:

	At March 31, 2025			At March 31, 2024		
(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized software	$ 216	$ (76)	$ 141	$ 172	$ (48)	$ 125
Customer relationships*	121	(60)	61	152	(96)	56
Completed technology	13	(2)	11	—	—	—
Patents and trademarks*	15	(10)	5	14	(6)	8
Total	$ 365	$ (148)	$ 218	$ 339	$ (150)	$ 188

* Amounts include effects from foreign currency translation.

There was no impairment of identifiable intangible assets recorded in the periods reported. The net carrying amount of intangible assets increased by $29 million during the year ended March 31, 2025, primarily due to additions of capitalized software, partially offset by amortization. The aggregate intangible asset amortization expense was $72 million, $63 million, and $46 million for the years ended March 31, 2025, 2024 and 2023, respectively. Aggregate amortization expense in fiscal year 2025 included amortization of capitalized software of $42 million, which was reported in "Depreciation of property, equipment and capitalized software" on the Consolidated Statement of Cash Flows. During the year ended March 31, 2025, the Company retired approximately $75 million of fully amortized intangible assets, primarily related to customer relationships.

The future amortization expense relating to intangible assets currently recorded in the Consolidated Balance Sheet was estimated to be the following at March 31, 2025:

(Dollars in millions)	Capitalized Software	Customer Relationships	Completed Technology	Patents and Trademarks	Total
Year ending March 31:					
2026	$ 47	$ 21	$ 3	$ 3	$ 74
2027	47	19	3	2	71
2028	23	5	3	—	31
2029	17	5	3	—	24
2030	6	4	—	—	10
Thereafter	—	8	—	—	8

Goodwill

The following table presents a roll-forward of goodwill balances by segment for the years ended March 31, 2025 and 2024:

(Dollars in millions)	United States	Japan	Principal Markets	Strategic Markets	Total
Balance as of March 31, 2023	$ —	$ 495	$ 142	$ 176	$ 812
Translation Adjustments	—	(7)	(1)	—	(7)
Balance as of March 31, 2024	$ —	$ 488	$ 141	$ 176	$ 805
Acquisitions and (Divestitures)*	$ 11	$ —	$ (27)	$ —	$ (15)
Translation Adjustments	—	1	—	—	1
Reallocation	—	—	(23)	23	—
Balance as of March 31, 2025	$ 11	$ 489	$ 92	$ 198	$ 790

* Represents the goodwill acquired as part of the purchase of Skytap and the removal of goodwill related to the divestiture of the SIS platform using the relative fair value approach. See Note 10 – Acquisitions and Divestitures for additional details.

As discussed in Note 4 – Segments, Kyndryl's operations in Australia/New Zealand transitioned from the Principal Markets segment to the Strategic Markets segment in the quarter ended June 30, 2024. As a result, the Company reallocated the goodwill associated with Australia/New Zealand from the Principal Markets segment to the Strategic Markets segment. The Company also performed a qualitative impairment test immediately before and after the change in reporting units and determined that it is not more likely than not that the fair value of the reporting units is less than their carrying amounts, including goodwill. Accordingly, the Company concluded that the goodwill related to those reporting units was not impaired.

Management reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable by first assessing qualitative factors to determine if it is more likely than not that fair value is less than carrying value.

We conducted an impairment assessment as of January 1, 2025. After evaluating and weighing all relevant qualitative factors, the Company concluded that it is unlikely that the fair value of any of its reporting units is less than its carrying amount as of the date of the assessment. Accordingly, there were no goodwill impairment losses recorded for the year ended March 31, 2025. Cumulatively, the Company has recorded $469 million in goodwill impairment charges within its former EMEA ($293 million) and current United States ($176 million) reporting units, all of which occurred immediately following the Separation.

NOTE 12. BORROWINGS

Debt

The following table presents the components of our debt:

(Dollars in millions)	Interest Rate	Maturity	March 31, 2025	March 31, 2024
Commercial loan agreement	3.00%	July 2026	$ 39	$ 68
Unsecured senior notes due 2026	2.05%	October 2026	700	700
Unsecured senior notes due 2028	2.70%	October 2028	500	500
Unsecured senior notes due 2031	3.15%	October 2031	650	650
Unsecured senior notes due 2034	6.35% *	February 2034	500	500
Unsecured senior notes due 2041	4.10%	October 2041	550	550
Finance lease obligations	5.74% †	2025-2031	250	291
			$ 3,190	$ 3,259
Less: Unamortized discount			4	5
Less: Unamortized debt issuance costs			14	16
Less: Current portion of long-term debt			129	126
Total long-term debt			$ 3,042	$ 3,112

* Including the cross-currency swaps that the Company entered into subsequent to the issuance of the unsecured senior notes due 2034, the effective interest rate on such notes was approximately 3.84% at the time of issuance. For more information, see Note 7 – Financial Assets and Liabilities.

† Weighted-average discount rate

Contractual obligations of long-term debt outstanding at March 31, 2025, exclusive of finance lease obligations, were as follows:

(Dollars in millions)*	Principal
Year ending March 31:	
2026	$ 29
2027	710
2028	—
2029	500
2030	—
Thereafter	1,700
Total	$ 2,939

* Contractual obligations approximate scheduled repayments.

Senior Unsecured Notes

In October 2021, in preparation for our Spin-off, we completed the offering of $2.4 billion in aggregate principal amount of senior unsecured fixed-rate notes as follows: $700 million aggregate principal amount of 2.05% Senior Notes due 2026, $500 million aggregate principal amount of 2.70% Senior Notes due 2028, $650 million aggregate principal amount of 3.15% Senior Notes due 2031 and $550 million aggregate principal amount of 4.10% Senior Notes due 2041 (the “Initial Notes”). The Initial Notes were offered and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in reliance on Regulation S of the Securities Act. In connection with the issuance of the Initial Notes, we entered into a registration rights agreement with the purchasers of the Initial Notes, pursuant to which we completed a registered offering to exchange each series of Initial Notes for new notes with substantially identical terms during the quarter ended September 30, 2022.

In February 2024, we completed a registered offering of $500 million in aggregate principal amount of 6.35% senior unsecured notes due 2034 (the “2034 Notes”). We received proceeds of $494 million, net of debt issuance costs and discounts. The 2034 Notes are the Company’s senior unsecured obligations and rank equally in right of payment with all of the Company’s other existing and future senior unsecured indebtedness. If measured at fair value in the consolidated financial statements, all of the Company’s senior unsecured notes would be classified as Level 1 in the fair value hierarchy.

The Initial Notes and the 2034 Notes are subject to customary affirmative covenants, negative covenants and events of default for financings of this type and are redeemable at our option in a customary manner.

Revolving Credit Agreement

In October 2021, we entered into a $3.15 billion multi-currency revolving credit agreement (the "Revolving Credit Agreement"), which expires, unless extended, in October 2026. The Revolving Credit Agreement was amended in June 2023, replacing the London Interbank Offered Rate ("LIBOR") with the Secured Overnight Financing Rate ("SOFR"). In March 2025, we further amended the agreement, extending the maturity to March 2030. Interest rates on borrowings under the Revolving Credit Agreement will be based on prevailing market interest rates, plus a margin, as further described in the Revolving Credit Agreement.

The total facility fees recorded by the Company for the Revolving Credit Agreement were $5 million and $5 million for the years ended March 31, 2025 and 2024, respectively. As of March 31, 2025, there has been no drawdown on the Revolving Credit Agreement.

The Revolving Credit Agreement includes certain customary mandatory prepayment provisions. In addition, it includes customary events of default and affirmative and negative covenants as well as a maintenance covenant that will require that the ratio of our indebtedness for borrowed money to consolidated EBITDA (as defined in the Revolving Credit Agreement) for any period of four consecutive fiscal quarters be no greater than 3.50 to 1.00. The Company is in compliance with its debt covenants.

Loan Agreement

The commercial loan agreement contains covenants, primarily for compliance with the scheduled payments in the loan agreement. Failure to comply with the loan covenants could constitute an event of default and result in the immediate repayment of the principal and interest on the loan. The Company is in compliance with all of the loan covenants and is expected to maintain a credit rating at or above the level outlined in the loan agreement. The carrying amount of the loan approximates fair value and is classified as Level 2 in the fair value hierarchy.

NOTE 13. OTHER LIABILITIES

The following table provides the components of other liabilities at March 31, 2025 and 2024.

	At March 31,	
(Dollars in millions)	**2025**	**2024**
Workforce rebalancing (current)	$ 29	$ 45
Other current accruals	426	476
Other accrued expenses and liabilities	$ 454	$ 521
Workforce rebalancing (noncurrent)	$ 3	$ 12
Deferred taxes	51	55
Income tax reserve	136	90
Other	253	174
Other noncurrent liabilities	$ 443	$ 332

In response to changing business needs, the Company has taken workforce rebalancing actions to increase productivity, enhance cost-competitiveness and rebalance skills. The workforce rebalancing liabilities at March 31, 2025 and 2024 include liabilities inherited from our former Parent plus new actions taken by Kyndryl during the fiscal year. Refer to Note 19 – Workforce Rebalancing and Site-Rationalization Charges for details.

Pursuant to the terms of the Separation, the Company may be required to reimburse our former Parent for certain tax refunds we receive and to indemnify our former Parent for certain tax payments. For more information, see Note 5 – Taxes.

NOTE 14. COMMITMENTS AND CONTINGENCIES

The Company guarantees certain loans and financial commitments. The maximum potential future payment under these financial guarantees and the fair value of these guarantees recognized in the Consolidated Balance Sheet at March 31, 2025 and 2024 were not material. Additionally, the Company has contractual commitments that are noncancellable with certain software, hardware and cloud partners used in the delivery of services to customers. The Company has determined that these commitments may exceed the Company's needs over the next two to three years. If the Company is unable to satisfy, reduce or amend its contractual commitments, it will record the future charges for any payments related to excess commitments as cost of services. At March 31, 2025, we had short-term (April 2025 through March 2026), mid-term (April 2026 through March 2028) and long-term (April 2028 onward) purchase commitments in the amount of $0.2 billion, $0.6 billion and $0.1 billion, respectively. During the year ended March 31, 2025, contractual commitments decreased due to satisfaction of existing commitments outpacing new additions.

As a Fortune 500 company with customers and employees around the world, Kyndryl is subject to, or could become subject to, either as plaintiff or defendant, a variety of contingencies, including claims, demands and suits, investigations, tax matters and proceedings that arise from time to time in the ordinary course of its business. Given the rapidly evolving external landscape of cybersecurity, privacy and data protection laws, regulations and threat actors, the Company or its clients could become subject to actions or proceedings in various jurisdictions. Also, as is typical for companies of Kyndryl's scope and scale, the Company is subject to, or could become subject to, actions and proceedings in various jurisdictions involving a wide range of labor and employment issues (including matters related to contested employment decisions, country-specific labor and employment laws, and the Company's benefit plans), as well as actions with respect to contracts, securities, foreign operations, competition law and environmental matters. These actions may be commenced by a number of different parties, including competitors, clients, employees, government and regulatory agencies, stockholders and representatives of the locations in which the Company does business. Some of the actions to which the Company is, or may become, party may involve particularly complex technical issues, and some actions may raise novel questions under the laws of the various jurisdictions in which these matters arise. Additionally, the Company is, or may be, a party to agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters.

The Company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In accordance with the relevant accounting guidance, the Company provides disclosures of matters for which the likelihood of material loss is at least reasonably possible. In addition, the Company may also disclose matters based on its consideration of other matters and qualitative factors.

The Company reviews claims, suits, investigations and proceedings at least quarterly, and decisions are made with respect to recording or adjusting provisions and disclosing reasonably possible losses or range of losses (individually or in the aggregate) to reflect the impact and status of settlement discussions, discovery, procedural and substantive rulings, reviews by counsel and other information pertinent to a particular matter.

Whether any losses, damages or remedies finally determined in any claim, suit, investigation or proceeding could reasonably have a material effect on the Company's business, financial condition, results of operations or cash flows will depend on a number of variables, including the timing and amount of such losses or damages; the structure and type of any such remedies; the significance of the impact any such losses, damages or remedies may have in the consolidated financial statements; and the unique facts and circumstances of the particular matter that may give rise to additional factors. While the Company will continue to defend itself vigorously, it is possible that the Company's business, financial condition, results of operations or cash flows could be affected in any particular period by the resolution of one or more of these matters.

In July 2017, BMC Software, Inc. ("BMC") filed suit against IBM in the U.S. Court for the Southern District of Texas in a dispute involving various aspects of IBM's business, including its managed infrastructure business. BMC alleged IBM's removal of BMC software from one of its client's sites at the client's request constituted breach of contract, fraudulent inducement and trade secret misappropriation. In May 2022, the trial court entered a judgment against IBM and awarded BMC $717 million in direct damages and $717 million in punitive damages, plus interest, for which IBM might have tried to seek an indemnity from the Company. However, IBM appealed the judgment, and in April 2024, the court of appeals overturned the judgment against IBM. In March 2025, the United States Supreme Court denied a request by BMC to review the court of appeals' ruling. Accordingly, we do not expect to have any liability related to this judgment.

Separately, certain contractual disputes have arisen between Kyndryl and IBM following the Separation. Over the course of this fiscal year, Kyndryl and IBM have resolved most of these matters, with certain of these matters resulting in a credit recorded in cost of services in the three months ended June 30, 2024, and other matters being resolved during the period largely in line with the Company's accruals with no net cash outlays required by Kyndryl.

NOTE 15. EQUITY

The following tables present reclassifications and taxes related to items of other comprehensive income (loss) for the years ended March 31, 2025, 2024 and 2023:

(Dollars in millions) **For the year ended March 31, 2025**	**Pretax Amount**	**Tax (Expense) Benefit**	**Net-of-Tax Amount**
Foreign currency translation adjustments:			
Foreign currency translation adjustments	$ (50)	$ —	$ (50)
Unrealized gains (losses) on net investment hedges	4	(2)	2
Total foreign currency translation adjustments	$ (46)	$ (2)	$ (48)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ (14)	$ 3	$ (11)
Reclassification of (gains) losses to net income	11	—	11
Total unrealized gains (losses) on cash flow hedges	$ (2)	$ 3	$ —
Retirement-related benefit plans:			
Prior service (credits) costs	$ 2	$ (1)	$ 1
Net gains (losses) arising during the period	17	(4)	13
Curtailments and settlements	7	(2)	5
Amortization of net (gains) losses	16	(4)	12
Total retirement-related benefit plans	$ 42	$ (10)	$ 32
Other comprehensive income (loss)	$ (6)	$ (10)	$ (16)

(Dollars in millions) **For the year ended March 31, 2024**	**Pretax Amount**	**Tax (Expense) Benefit**	**Net-of-Tax Amount**
Foreign currency translation adjustments:			
Foreign currency translation adjustments	$ (36)	$ —	$ (36)
Unrealized losses on net investment hedges	(11)	—	(11)
Total foreign currency translation adjustments	$ (47)	$ —	$ (47)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ 22	$ (1)	$ 21
Reclassification of (gains) losses to net income	(21)	—	(21)
Total unrealized gains (losses) on cash flow hedges	$ 1	$ (1)	$ —
Retirement-related benefit plans:			
Prior service (credits) costs	$ (3)	$ 1	$ (2)
Net gains (losses) arising during the period	(56)	10	(45)
Curtailments and settlements	10	(2)	8
Amortization of prior service (credits) costs	1	—	1
Amortization of net (gains) losses	5	(2)	3
Total retirement-related benefit plans	$ (42)	$ 7	$ (36)
Other comprehensive income (loss)	$ (88)	$ 6	$ (82)

(Dollars in millions) For the year ended March 31, 2023	Pretax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Foreign currency translation adjustments	$ (186)	$ —	$ (186)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ (4)	$ —	$ (4)
Reclassification of (gains) losses to net income	2	—	2
Total unrealized gains (losses) on cash flow hedges	$ (3)	$ —	$ (2)
Retirement-related benefit plans:			
Prior service (credits) costs	$ 4	$ —	$ 3
Net gains (losses) arising during the period	175	—	175
Curtailments and settlements	10	(2)	8
Amortization of prior service (credits) costs	1	—	1
Amortization of net (gains) losses	40	(11)	29
Total retirement-related benefit plans	$ 229	$ (14)	$ 215
Other comprehensive income (loss)	$ 40	$ (14)	$ 27

The following table presents the components of accumulated other comprehensive income (loss), net of taxes:

(Dollars in millions)	Net Unrealized Gains (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments*	Net Change in Retirement-Related Benefit Plans	Accumulated Other Comprehensive Income (Loss)
March 31, 2022	$ 3	$ (735)	$ (357)	$ (1,089)
Other comprehensive income (loss)	(2)	(186)	215	27
March 31, 2023	$ —	$ (921)	$ (142)	$ (1,062)
Other comprehensive income (loss)	—	(47)	(36)	(82)
March 31, 2024	$ —	$ (967)	$ (178)	$ (1,145)
Other comprehensive income (loss)	—	(48)	32	(16)
March 31, 2025	$ 1	$ (1,016)	$ (145)	$ (1,160)

* Foreign currency translation adjustments are presented gross except for any associated hedges, which are presented net of tax.

Share Repurchase Program

In November 2024, the Company's Board of Directors authorized a share repurchase program of up to $300 million of the Company's common stock (the "Share Repurchase Program"). Under the Share Repurchase Program, the Company may repurchase shares of its common stock from time to time in open market transactions and may also repurchase shares in accelerated share buyback programs, tender offers, privately negotiated transactions or by other means. Repurchases may also be made under a Rule 10b5-1 trading plan. The timing and amount of repurchase transactions will be determined by the Company's management based on its evaluation of market conditions, share price, legal requirements and other factors. The program does not have a set expiration date and may be suspended, modified or discontinued at any time without prior notice.

During the year ended March 31, 2025, the Company repurchased 2.6 million shares of its common stock at an aggregate cost of $94 million under the Share Repurchase Program.

NOTE 16. STOCK-BASED COMPENSATION

Stock-based incentive awards are granted to employees under the terms of Kyndryl's employment and the Kyndryl Plan (see Note 1 – Significant Accounting Policies). Awards under the Kyndryl Plan principally include Restricted Stock Units (RSUs), market-conditioned and performance-conditioned stock units and stock options. RSUs and stock options generally vest based on continued passage of time. Market-conditioned and performance-conditioned stock units are cliff-vested at the end of the performance period if the market or performance conditions have been satisfied.

The following table summarizes stock-based compensation cost, which is included in net income (loss).

(Dollars in millions)	Year Ended March 31, 2025	2024	2023
Cost of services	$ 12	$ 16	$ 21
Selling, general and administrative expense	89	78	92
Pretax stock-based compensation expense	$ 100	$ 95	$ 113
Income tax benefits	(7)	(5)	(5)
Stock-based compensation cost, net of tax	$ 93	$ 90	$ 108

The Company's total unrecognized compensation cost related to non-vested awards at March 31, 2025 was $123 million and is expected to be recognized over a weighted-average period of approximately 2.1 years. Capitalized stock-based compensation cost was not material during any period presented.

Stock Units

The following table summarizes the activity related to Kyndryl's RSUs, market-conditioned stock units and performance-conditioned stock units:

	RSUs		Market-Conditioned Stock Units		Performance-Conditioned Stock Units*	
	Number of Units (in millions)	Weighted-Average Grant-Date Fair Value (per share)	Number of Units (in millions)	Weighted-Average Grant-Date Fair Value (per share)	Number of Units (in millions)	Weighted-Average Grant-Date Fair Value (per share)
Nonvested balance at March 31, 2022	9.8	$ 26.36	1.8	$ 15.14	—	$ —
Awards granted	5.0	$ 10.80	0.7	$ 12.51	2.5	$ 10.62
Awards vested	(4.9)	26.09	—	—	—	—
Awards canceled/forfeited	(0.5)	23.09	(0.2)	14.46	(0.1)	10.62
Nonvested balance at March 31, 2023	9.4	$ 18.43	2.3	$ 14.40	2.3	$ 10.62
Awards granted	3.1	$ 13.52	0.6	$ 14.10	2.0	$ 13.37
Awards vested	(4.0)	21.92	—	—	—	—
Awards canceled/forfeited	(0.4)	17.43	(0.1)	14.43	(0.1)	11.85
Nonvested balance at March 31, 2024	8.0	$ 15.33	2.9	$ 14.32	4.3	$ 12.28
Awards granted	1.7	$ 26.65	0.4	$ 26.23	1.2	$ 26.47
Awards vested	(3.3)	17.14	(0.8)	15.14	—	—
Awards canceled/forfeited	(0.3)	16.58	(0.8)	15.12	(0.1)	12.13
Nonvested balance at March 31, 2025	6.1	$ 17.49	1.6	$ 16.33	5.4	$ 15.01

* The grant-date fair value of performance-conditioned stock units issued was determined using the stock price at the grant date.

The Company used the following assumptions in the Monte-Carlo simulation pricing model to estimate the grant-date fair values of the market-conditioned stock units granted within each of the following fiscal years.

Market-conditioned Stock Units:	Year Ended March 31, 2025	2024	2023
Share price	$26.51	$13.55	$10.89
Expected volatility*	43%	39%	39%
Risk-free interest rate	4.60%	4.57% - 5.38%	2.85%
Dividend yield	0%	0%	0%

* Based on the average three-year historic volatility across a group of peer companies.

Stock Options

The following table summarizes the activity related to Kyndryl's stock options:

	Stock Options				
	Number of Units (in millions)	Weighted-Average Exercise Price (per share)	Weighted-Average Grant Date Fair Value (per share)	Aggregate Intrinsic Value (in millions)	Weighted-Average Remaining Contractual Term (in years)
Outstanding balance at March 31, 2022	3.8	$ 17.76	$ 6.54	$ —	9.7
Awards exercised	—	—	—	—	
Awards canceled/forfeited	(0.2)	17.78	6.54		
Outstanding balance at March 31, 2023	3.7	$ 17.76	$ 6.54	$ —	8.7
Awards exercised	(0.0)	17.30	6.61	—	
Awards canceled/forfeited	(0.1)	17.78	6.54		
Outstanding balance at March 31, 2024	3.5	$ 17.77	$ 6.54	$ —	7.3
Awards exercised	(0.4)	17.69	6.56	4.7	
Awards canceled/forfeited	(0.0)	17.78	6.54		
Outstanding balance at March 31, 2025	3.1	$ 17.78	$ 6.54	$ 42.7	6.4
Options vested and exercisable at March 31, 2025	2.4	$ 17.78	$ 6.54	$ 32.1	6.3

NOTE 17. RETIREMENT-RELATED BENEFITS

Defined Benefit Pension Plans

The Company sponsors and co-sponsors defined benefit pension plans that cover certain non-U.S. employees and retirees. The defined benefit pension plan benefits are based principally on employees' years of service and/or compensation levels at or near retirement. These plans are accounted for as defined benefit pension plans for purposes of the consolidated financial statements. Accordingly, the net benefit obligations, plan assets and the related benefit plan expenses of those plans have been recorded in the Company's consolidated financial statements.

The following tables present the components of net periodic pension cost for the defined benefit pension plans recognized in the Consolidated Income Statement.

	Year Ended March 31,		
(Dollars in millions)	2025	2024	2023
Service cost	$ 34	$ 38	$ 44
Interest cost*	52	55	32
Expected return on plan assets*	(59)	(60)	(43)
Amortization of prior service costs (credits)*	1	1	1
Recognized actuarial losses*	16	4	40
Curtailments and settlements*	8	13	10
Total net periodic pension cost	$ 53	$ 51	$ 84

* These components of net periodic pension cost are included in other expense in the Consolidated Income Statement.

The following table presents the changes in net benefit obligation and plan assets for the defined benefit pension plans.

(Dollars in millions)	Year Ended March 31, 2025	2024
Change in benefit obligation		
Benefit obligation at beginning of period	$ 1,670	$ 1,659
Service cost	34	38
Interest cost	52	55
Plan participants' contributions	3	3
Actuarial losses (gains)*	(53)	83
Benefits paid from trust	(22)	(24)
Direct benefit payments	(39)	(38)
Business combination/divestiture	—	(23)
Foreign exchange impact	(2)	(23)
Amendments, curtailments, settlements and other	(80)	(61)
Benefit obligation at end of period	$ 1,563	$ 1,670
Accumulated benefit obligation	$ 1,484	$ 1,583
Change in plan assets		
Fair value of plan assets at beginning of period	$ 1,248	$ 1,226
Actual return on plan assets	15	87
Employer contributions	17	14
Fair value of plan assets assumed from former Parent†	—	27
Plan participants' contributions	3	3
Benefits paid from trust	(22)	(24)
Business combination/divestiture	—	(18)
Foreign exchange impact	3	(18)
Settlements	(65)	(49)
Fair value of plan assets at end of period	$ 1,199	$ 1,248
Funded status at end of period	$ (364)	$ (422)

* The year-over-year change was primarily driven by lower inflation rates and demographic factors.

† Due to the separation of a pension plan that used to be co-sponsored by Kyndryl and the former Parent.

The following table presents the amounts recorded in the Consolidated Balance Sheet for the defined benefit pension plans.

(Dollars in millions)	At March 31, 2025	2024
Noncurrent assets – pension assets	$ 148	$ 105
Current liabilities – accrued compensation and benefits	(40)	(40)
Noncurrent liabilities – retirement and nonpension postretirement benefit obligations	(471)	(487)
Funded status, net	$ (364)	$ (422)

The following table presents information for defined benefit pension plans with accumulated benefit obligations (ABO) or projected benefit obligations (PBO) in excess of plan assets.

(Dollars in millions)	At March 31, 2025 Benefit Obligation	At March 31, 2025 Plan Assets	At March 31, 2024 Benefit Obligation	At March 31, 2024 Plan Assets
Plans with PBO in excess of plan assets	$ 745	$ 233	$ 714	$ 187
Plans with ABO in excess of plan assets	605	157	712	186
Plans with plan assets in excess of PBO	818	966	957	1,061

The following table presents the pretax net loss and prior service costs (credits) recognized in OCI and the changes in pretax net loss and prior service costs (credits) recognized in AOCI for the defined benefit pension plans.

	Year Ended March 31,	
(Dollars in millions)	**2025**	**2024**
Net loss (gain) at beginning of period	$ 296	$ 253
Current period loss (gain)	(17)	57
Curtailments and settlements	(8)	(10)
Amortization of net loss included in net periodic benefit cost	(16)	(4)
Net loss (gain) at end of period	$ 256	$ 296
Prior service costs (credits) at beginning of period	4	8
Current period prior service costs (credits)	(2)	(2)
Amortization for prior service costs (credits) included in net periodic benefit cost	(1)	(1)
Prior service costs (credits) at end of period	$ 1	$ 4
Total amounts recognized in accumulated other comprehensive loss (income) *	$ 257	$ 301

* See Note 15 ─ Equity for the total change in AOCI and the Consolidated Statement of Comprehensive Income for the components of net periodic benefit cost, which includes components related to nonpension postretirement benefit plans as well as the related tax effects, recognized in OCI for the retirement-related benefit plans.

The following table presents the weighted-average assumptions used to measure the net periodic pension cost and the year-end benefit obligations for the defined benefit pension plans.

	Year Ended March 31,		
Weighted-average assumptions used to measure:	**2025**	**2024**	**2023**
Net periodic pension cost			
Discount rate	3.30 %	3.57 %	1.88 %
Expected long-term returns on plan assets	4.63 %	4.69 %	3.33 %
Rate of compensation increase	2.84 %	2.85 %	2.54 %
Benefit obligations			
Discount rate	3.68 %	3.30 %	3.57 %
Rate of compensation increase	2.80 %	2.84 %	2.85 %
Interest crediting rate – cash balance plans	1.83 %	1.65 %	1.52 %

In certain countries, a hypothetical portfolio of high-quality corporate bonds is used to construct a yield curve. Projected cash flows from the Company’s expected benefit obligation payments are matched to the yield curve to derive discounts. In other countries where the markets for high-quality long-term bonds are not as well developed, a portfolio of long-term government bonds is used as a base and a credit spread is added to simulate corporate bond yields at these maturities in the jurisdiction of each plan. This is the benchmark for developing the respective discount rates.

In developing the expected long-term rate of return on assets, the Company considers the long-term expectations for future returns. The use of expected returns may result in pension income that is greater or less than the actual return of those plan assets in a given year. Over time, however, the expected rate of return is expected to approximate the actual long-term results, leading to a pattern of income or loss recognition that more closely matches the pattern of services provided by the employees.

The investment objective of the defined benefit plans is to generate returns that will enable the plan to meet its future obligations. The weighted-average target allocation for the defined benefit plans is 28% equity securities, 46% fixed-income securities, 6% real estate, 14% insurance contracts and 6% other investments. Typically the responsibility for determining the target allocation and managing the investments lies with a plan governing board that may include up to 50 percent of members elected by employees and retirees. Generally, these defined benefit plans do not invest in illiquid assets, and their use of derivatives is mainly for currency hedging, interest rate risk management, credit exposure and alternative investment strategies.

The following table presents the Company's defined benefit pension plans' asset classes and their associated fair value at March 31, 2025 and 2024.

(Dollars in millions)	At March 31, 2025 Level 1	Level 2	Level 3	Total	At March 31, 2024 Level 1	Level 2	Level 3	Total
Equity								
Equity securities	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Fixed income								
Government and related (1)	—	104	—	104	—	112	—	112
Corporate bonds	—	21	—	21	—	21	—	21
Insurance contracts	—	169	—	169	—	189	—	189
Cash and short-term investments (2)	3	—	—	3	3	1	—	3
Derivative assets (3)	—	4	—	4	—	5	—	5
Subtotal	$ 3	$ 297	$ —	$ 301	$ 3	$ 327	$ —	$ 329
Investments measured at net asset value using NAV as a practical expedient (4)	—	—	—	898	—	—	—	919
Fair value of plan assets	$ 3	$ 297	$ —	$ 1,199	$ 3	$ 327	$ —	$ 1,248

(1) Includes debt issued by national, state and local governments and agencies.
(2) Includes cash, cash equivalents and short-term marketable securities.
(3) Includes forward contracts, interest rate swaps, exchange traded and other over-the-counter derivatives.
(4) Investments measured at fair value using the net asset value (NAV) per share (or its equivalent), as a practical expedient. These investments include commingled funds, hedge funds, common collective trusts, private equity partnerships and real estate partnerships.

Approximately 57 percent of plan assets are held in plans which are co-sponsored by the Company and the former Parent. The allocation of the fair value of co-sponsored plan assets is based on the initial pension assets assumed in connection with establishment of certain Kyndryl legal entities, Company contributions, distributions and market returns.

Defined benefit pension plan assets are recognized and measured at fair value. Because of the inherent uncertainty of valuations, these fair value measurements may not necessarily reflect the amounts the Company could realize in current market transactions. The following is a description of the valuation techniques used to measure plan assets at fair value. There were no changes in valuation techniques during the periods presented.

Equity securities and mutual funds: Equity securities are valued at the closing price reported on the stock exchange on which the individual securities are traded. Mutual funds are typically valued based on quoted market prices. These assets are generally classified as Level 1.

Fixed income: Fixed-income securities, other than insurance contracts, are typically valued using the closing price reported on the major market on which the individual securities are traded, if available. Assets fair-valued using this methodology are generally classified as Level 2. If market prices are unavailable, the fair value is estimated using pricing models or quoted prices of securities with similar characteristics.

Insurance contracts: Fair value is based on the expected value of the insurance benefits of the insurance contracts. The insurance benefits are assessed using the same interest rate and mortality table used to determine the liability. These assets are generally classified as Level 2.

Cash and short-term investments: Cash includes money market accounts that are valued at their cost plus interest on a daily basis, which approximates fair value. Short-term investments represent securities with original maturities of one year or less. These assets are generally classified as Level 1.

Derivatives assets: Exchange-traded derivatives are valued at the closing price reported on the exchange on which the individual securities are traded. Forward contracts are valued using a mid-close price. Over-the-counter derivatives are valued using pricing models. These models require a variety of inputs, yield curves, credit curves, measures of volatility and foreign exchange rates. Derivative assets are classified as Level 1 or Level 2 depending on availability of quoted market prices.

Investments measured at net asset value: Certain investments are measured at fair value using the net asset value (“NAV”) per share (or its equivalent) as a practical expedient. These investments, which may include commingled funds, hedge funds, common collective trusts, private equity partnerships and real estate partnerships, are typically valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus liabilities multiplied by the plan’s ownership of the investment.

It is the Company’s general practice to fund amounts for pensions sufficient to meet the minimum requirements set forth in applicable employee benefits laws and local tax laws. From time to time, the Company contributes additional amounts as it deems appropriate. The Company contributed $17 million, $14 million, and $27 million to the defined benefit pension plans during the years ended March 31, 2025, 2024 and 2023, respectively. Additionally, the Company made direct payments of $44 million, $46 million, and $37 million to participants of the defined benefit pension plans during the years ended March 31, 2025, 2024 and 2023, respectively.

The Company estimates contributions to its defined benefit pension plans in fiscal year 2026 to be approximately $12 million. This amount generally represents legally mandated minimum contributions. Financial market performance in fiscal year 2026 could increase or decrease the legally mandated minimum contribution in certain countries that require monthly or daily remeasurement of the funded status. The Company could also elect to contribute more than the legally mandated amount based on market conditions or other factors.

The following table presents the total expected benefit payments to participants of the defined benefit pension plans.

(Dollars in millions)	**Expected Benefit Payments**
Fiscal year ending March 31,	
2026	$ 110
2027	103
2028	107
2029	109
2030	110
2031-2035	597

The fiscal year 2026 expected benefit payments not covered by the respective plan assets represent a component of compensation and benefits, within current liabilities, in the Consolidated Balance Sheet.

Defined Contribution Retirement Plans

The Company sponsors defined contribution retirement plans for certain eligible employees. The Company’s contribution expense associated with employer matching benefits was $131 million, $140 million, and $142 million, for the years ended March 31, 2025, 2024 and 2023, respectively.

Nonpension Postretirement Benefit Plans and Multi-Employer Plans

Certain Company employees participate in multi-employer defined benefit pension plans and post-retirement health plans which are sponsored by third parties and include other participants as well as other nonpension postretirement benefit plans that are sponsored by the Company. Accordingly, the Company does not record an asset or liability to recognize the funded status of the multi-employer plans. However, the Company records service cost attributable to its employees who participate in the multi-employer plans, as well as expense allocated for certain corporate and shared functional employees. These amounts are included in the Consolidated Income Statement, and were not material for any of the periods presented. The nonpension postretirement benefit plans provide a fixed monthly dollar credit for retiree health care expense. The related expenses for these plans are included in the consolidated financial statements, and were not material for any period presented.

Contributions to the nonpension postretirement benefit plans and the multi-employer plans and components of net periodic benefit cost related to these plans and were not material for any period presented. Additionally, the components resulting in a change in benefit obligation and the activity recognized in AOCI related to the nonpension postretirement benefit plans were not material for the periods presented. The nonpension postretirement benefit plans had a noncurrent liability recorded in retirement and nonpension postretirement benefit obligation in the Consolidated Balance Sheet of $9 million at March 31, 2025 and $10 million at March 31,

2024. The weighted-average discount rate used to measure the nonpension postretirement benefit plan obligation was 3.16%, 2.89% and 3.02%, for the years ended March 31, 2025, 2024 and 2023, respectively. There were no plan assets in the nonpension postretirement benefit plans for any period presented. As a result, the noncurrent liability related to these plans represented the accumulated postretirement benefit obligation in excess of plan assets for each period presented. Future expected benefit payments to participants of the nonpension postretirement benefit plans are not expected to be material, and the Company expects contributions to the multi-employer and nonpension postretirement benefits plans to be immaterial in fiscal year 2026.

NOTE 18. TRANSACTIONS WITH FORMER PARENT

Change in Beneficial Ownership

IBM transferred all of its 19.9% initially retained interest in Kyndryl common stock to a third-party financial institution through exchange agreements in May and August 2022. IBM ceased to be a related party of Kyndryl in August 2022. Transactions related to former Parent after August 11, 2022 are no longer reported as related-party activities. As a result, there was no related-party revenue or cost of services recognized subsequent to August 11, 2022.

Revenue and Purchases Related to Former Parent

While IBM was a related party, Kyndryl provided various services to IBM, including those related to hosting data centers and servicing IBM's information technology infrastructure, which are reported as revenue in the Company's Consolidated Income Statement. Related-party revenue generated from these services was $287 million for the year ended March 31, 2023. No related-party revenue was recognized after August 2022. During the year ended March 31, 2024, the Company reached an agreement to collect previously reserved receivables from our former Parent, which resulted in a gain recorded within transaction-related costs (benefits).

Kyndryl utilizes various IBM products and services, recognized as costs of services, in the fulfillment of services contracts. While IBM was a related party, total cost of services recognized from these related-party transactions in the Company's Consolidated Income Statement was $1.4 billion for the year ended March 31, 2023. No related-party cost of services was recognized after August 2022.

Capital Expenditures with Former Parent

Related-party capital expenditures for purchases of IBM hardware were reflected as payments for property and equipment within the investing section of the Company's Consolidated Statement of Cash Flows in the amount of $89 million for the year ended March 31, 2023. Additionally, as part of the Separation, IBM committed to provide Kyndryl, at no cost, up to approximately $265 million of upgraded hardware over an expected two-year period. For the year ended March 31, 2024, $265 million of the upgraded hardware committed by IBM was delivered to Kyndryl. The Company intends to recognize depreciation expense related to such equipment over its useful life in accordance with the Company's depreciation policy, as described in Note 1 – Significant Accounting Policies.

NOTE 19. WORKFORCE REBALANCING AND SITE-RATIONALIZATION CHARGES

During the year ended March 31, 2025, the Company initiated actions to reduce our overall cost structure and increase our operating efficiency which continued through the end of the 2025 fiscal year. These actions resulted in workforce rebalancing charges and charges related to ceasing to use leased and owned fixed assets (collectively, the "Fiscal 2025 Program"). The total charges incurred related to the Fiscal 2025 Program were $162 million, consisting of $114 million in workforce rebalancing charges and $48 million in charges related to ceasing to use leased and owned fixed assets. The Company expects that these actions will reduce future payroll costs, rent expenses and depreciation of property and equipment.

During the year ended March 31, 2023, the Company initiated actions to reduce our overall cost structure and increase our operating efficiency, which continued through the year ended March 31, 2024. These actions resulted in workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets, and lease termination charges (collectively, the "Fiscal 2024 Program"). The total charges incurred related to the Fiscal 2024 Program were $310 million, consisting of approximately 60% for workforce rebalancing charges and approximately 40% for charges related to ceasing to use leased and owned fixed assets and lease termination charges. The Company expects that these actions will reduce future payroll costs, rent expenses and depreciation of property and equipment.

The following table presents the segment breakout of charges incurred during the years ended March 31, 2025, 2024 and 2023.

(Dollars in millions)	Year Ended March 31, 2025	Year Ended March 31, 2024	Year Ended March 31, 2023	Costs Incurred to Date Fiscal 2025 Program	Costs Incurred to Date Fiscal 2024 Program
United States	$ 62	$ 29	$ 14	$ 62	$ 43
Japan	12	2	2	12	4
Principal Markets*	30	69	59	30	128
Strategic Markets*	58	71	51	58	122
Sub-total	$ 162	$ 171	$ 125	$ 162	$ 297
Corporate and other	—	3	10	—	13
Total charges	$ 162	$ 174	$ 135	$ 162	$ 310

* Kyndryl's operations in Australia/New Zealand transitioned from Principal Markets to Strategic Markets in the quarter ended June 30, 2024; historical segment information has been recast to reflect this change.

The following table presents the classification of workforce rebalancing and site-rationalization activities in the Consolidated Income Statement during the years ended March 31, 2025, 2024 and 2023.

(Dollars in millions)	Year Ended March 31, 2025	Year Ended March 31, 2024	Year Ended March 31, 2023	Costs Incurred to Date Fiscal 2025 Program	Costs Incurred to Date Fiscal 2024 Program
Cost of services	$ 45	$ 23	$ 71	$ 45	$ 94
Selling, general and administrative expenses	3	16	9	3	25
Workforce rebalancing charges	114	135 *	55	114	190
Total charges	$ 162	$ 174	$ 135	$ 162	$ 310

* Excludes $4 million liability adjustment related to workforce rebalancing actions taken by the former Parent prior to Separation.

The following table presents the components of and changes in our workforce rebalancing and site-rationalization charges liabilities during the years ended March 31, 2025, 2024 and 2023.

(Dollars in millions)	Workforce Rebalancing Liabilities*	Liabilities Related to Ceasing to Use Leased Assets	Liabilities Related to Lease Terminations	Liabilities Related to Ceasing to Use Fixed Assets	Total
Fiscal 2024 Program					
Balance at March 31, 2022	$ —	$ —	$ —	$ —	$ —
Charges	55	69	4	7	135
Cash payments	—	—	(1)	—	(1)
Non-cash adjustments	—	(69)	—	(7)	(76)
Balance at March 31, 2023	$ 55	$ —	$ 3	$ —	$ 58
Charges (benefits)	135	14	(1)	26	174
Cash payments	(161)	—	(2)	(5)	(168)
Non-cash adjustments	(1)	(14)	—	(21)	(36)
Balance at March 31, 2024	$ 28	$ —	$ —	$ —	$ 28
Cash payments	(25)	—	—	—	(25)
Non-cash adjustments	(3)	—	—	—	(3)
Balance at March 31, 2025	$ —	$ —	$ —	$ —	$ —
Fiscal 2025 Program					
Balance at March 31, 2024	$ —	$ —	$ —	$ —	$ —
Charges	114	39	—	8	162
Cash payments	(100)	—	—	—	(100)
Non-cash adjustments	2	(39)	—	(8)	(46)
Balance at March 31, 2025	$ 16	$ —	$ —	$ —	$ 16

* Balance at March 31, 2022 excludes workforce rebalancing liabilities inherited from the former Parent of $57 million, charges of $16 million related to one-off terminations and cash payments of $32 million. Balance as of March 31, 2023 excludes workforce rebalancing liabilities inherited from the former Parent of $42 million, charges of $4 million related to one-off terminations, cash payments of $15 million and ending balance of $29 million as of March 31, 2024. Current-year movement excludes cash payments of $14 million, non-cash adjustments of $1 million and ending balance of $16 million related to actions initiated by the former Parent. Workforce rebalancing liabilities are recorded within Other Liabilities; refer to Note 13 – Other Liabilities for further details.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) as of March 31, 2025, the end of the period covered by this report. At the time the Company filed the Original Form 10-K, management, with the participation of the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2025. Subsequent to the filing of the Original Form 10-K, management, with the participation of the Chief Executive Officer and the Interim Chief Financial Officer, determined that due to the material weaknesses in internal control over financial reporting described under Management's Report on Internal Control over Financial Reporting (Restated) immediately below, the Company's disclosure controls and procedures were not effective as of March 31, 2025.

Management has concluded that the consolidated financial statements for the periods covered by and included in the Original Form 10-K continue to fairly present, in all material respects, the Company's financial position, results of operations and cash flows in conformity with GAAP.

Management's Report on Internal Control over Financial Reporting (Restated)

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;

- provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In Management's Report on Internal Control over Financial Reporting included in the Original Form 10-K, management concluded that the Company's internal control over financial reporting was effective as of March 31, 2025. Subsequent to the filing of the Original Form 10-K, management re-evaluated its internal control over financial reporting and determined that the material weaknesses described below existed as of March 31, 2025. As a result, based on the criteria in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013)*, management has concluded that, as of March 31, 2025, the Company's internal control over financial reporting was not effective and has restated its report on internal control over financial reporting.

Management evaluated the effectiveness of the Company's internal control over financial reporting as of March 31, 2025. In making this assessment, management used the criteria set forth by the COSO framework. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on this evaluation, the Company identified the following material weaknesses in its internal control over financial reporting:

- The Company's senior finance executives failed to set an appropriate tone at the top based on the principles associated with the control environment component of the COSO framework. Specifically, there was a lack of transparency with the

Company's Chief Executive Officer, the Audit Committee of the Board and the Board such that disclosure processes, including with respect to cash management practices regarding deferring vendor payments quarter to quarter, were impacted. Additionally, the Company lacked an appropriate complement of finance personnel with sufficient understanding of their responsibilities as Disclosure Committee members and with adequate competency in their responsibilities regarding disclosure controls.

- The Company did not design and maintain effective controls related to the information and communication component of the COSO framework to ensure appropriate communication pertaining to the disclosure process between certain functions within the Company, including the Company's Disclosure Committee and the Chief Executive Officer, as well as with the Audit Committee and the Board.

- The aforementioned material weaknesses contributed to an additional material weakness. The Company did not design and maintain effective controls regarding the internal investigation, escalation and documentation of complaints made through the Company's reporting hotline and certain other available reporting channels, including with respect to appropriate escalation of certain complaints to the Audit Committee.

These material weaknesses did not result in a misstatement of the Company's previously issued historical consolidated financial statements; however, these material weaknesses could result in a misstatement that would result in a material misstatement to the Company's annual or interim consolidated financial statements that would not be prevented or detected.

The effectiveness of our internal control over financial reporting as of March 31, 2025, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included in this Amendment. See "Report of Independent Registered Public Accounting Firm" in Item 8. "Financial Statements and Supplementary Data" in this Amendment.

Remediation Plan and Activities

The Company has appointed an Interim Chief Financial Officer, Interim General Counsel and Interim Corporate Controller. In addition, the Company expects to make the following enhancements to its internal control over financial reporting to remediate the material weaknesses described above:

- provide updated training on disclosure controls and procedures and internal control over financial reporting and requirements under the Sarbanes-Oxley Act of 2002, including training courses on applicable federal securities laws for members of management;

- enhance the Company's controls, policies, procedures and training related to timely and accurate communication and information sharing, including enhancing key controls concerning information communicated regarding the application of the Company's cash management practices;

- enhance existing Disclosure Committee responsibilities to include, among other requirements, additional discussions and provide incremental training on these responsibilities; and

- enhance the Company's controls, policies, procedures and training related to the Company's reporting hotline, including related to the evaluation and escalation to the Company's Audit Committee of certain reports made through the hotline and certain other available reporting channels.

As the Company continues to evaluate and work to improve its internal control over financial reporting and disclosure controls and procedures, it may decide to take additional or different measures to address control deficiencies or modify the remediation actions described above. While the Company believes that these efforts will improve its internal control over financial reporting, the Company will not be able to conclude whether the steps the Company is taking will remediate the material weaknesses in internal control over financial reporting until a sustained period of time has passed to allow management to test the design and operational effectiveness of the new controls.

Changes in Internal Control over Financial Reporting

Other than the remediation of the Company’s information technology general controls previously disclosed in the Original Form 10-K, there have been no changes in the Company’s internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Exhibit Number	Description of Exhibit
2.1	Separation and Distribution Agreement, dated as of November 2, 2021, by and between International Business Machines Corporation and the registrant was filed as Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.
3.1	Amended and Restated Certificate of Incorporation of the registrant was filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.
3.2	Amended and Restated Bylaws of the registrant, effective January 25, 2023, was filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on January 27, 2023 and is hereby incorporated by reference.
4.1	Indenture, dated as of October 15, 2021, between Kyndryl Holdings, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, was filed as Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on October 15, 2021 and is hereby incorporated by reference.
4.2	First Supplemental Indenture, dated as of October 15, 2021, between Kyndryl Holdings, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, was filed as Exhibit 4.2 to the registrant's Current Report on Form 8-K filed on October 15, 2021 and is hereby incorporated by reference.
4.3	Second Supplemental Indenture, dated as of February 15, 2024, between Kyndryl Holdings, Inc. and the Bank of New York Mellon Trust Company, N.A., as trustee, was filed as Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on February 20, 2024 and is hereby incorporated by reference.
4.4	Guarantee Agreement, dated as of October 15, 2021, among International Business Machines Corporation, Kyndryl Holdings, Inc. and the Bank of New York Mellon Trust Company, N.A., as trustee, in favor of the holders of the notes was filed as Exhibit 4.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 10, 2022 and is hereby incorporated by reference.
4.5	Description of the registrant's securities registered under Section 12 of the Exchange Act was filed as Exhibit 4.5 to the registrant's Annual Report on Form 10-K for the year ended March 31, 2025 filed on May 30, 2025 and is hereby incorporated by reference.
10.1	Five-Year Revolving Credit Agreement, dated as of October 18, 2021, by and among Kyndryl Holdings, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent, and the other financial institutions party thereto, was filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on October 22, 2021 and is hereby incorporated by reference.
10.2	Amendment No. 1 to Five-Year Revolving Credit Agreement, dated as of June 21, 2023, among the Company, the Lenders party thereto and JPMorgan Chase Bank N.A., as Administrative Agent, was filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 23, 2023 and is hereby incorporated by reference.
10.3	Amended and Restated Receivables Purchase Agreement, dated as of October 28, 2021, among Kyndryl, Inc., Banco Santander S.A. and solely for the purposes of Section 13.19, Kyndryl Holdings, Inc., was filed as Exhibit 10.1 to the registrant's current report on Form 8-K filed on November 1, 2021 and is hereby incorporated by reference.
10.4	First Amendment to Amended and Restated Receivables Purchase Agreement, dated as of January 26, 2022, among Kyndryl, Inc., Kyndryl Holdings, Inc. and Banco Santander S.A. was filed as Exhibit 10.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 10, 2022 and is hereby incorporated by reference.
10.5	Second Amendment to Amended and Restated Receivable Purchase Agreement, dated September 21, 2022, by and among Banco Santander S.A., Kyndryl, Inc. and Kyndryl Holdings, Inc. was filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2022 filed on February 9, 2023 and is hereby incorporated by reference.
10.6	Third Amendment to Amended and Restated Receivable Purchase Agreement, dated as of December 21, 2022, by and among Banco Santander S.A., Kyndryl, Inc. and Kyndryl Holdings, Inc. was filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2022 filed on February 9, 2023 and is hereby incorporated by reference.
10.7	Fourth Amendment to Amended and Restated Receivable Purchase Agreement, dated July 26, 2024, by and among Banco Santander S.A., Kyndryl, Inc. and Kyndryl Holdings, Inc. was filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 filed on November 7, 2024 and is hereby incorporated by reference.

Exhibit Number	Description of Exhibit
10.8	Tax Matters Agreement, dated as of November 2, 2021, between International Business Machines Corporation and Kyndryl Holdings, Inc. was filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.
10.9	Employee Matters Agreement, dated as of November 2, 2021, between International Business Machines Corporation and Kyndryl Holdings, Inc. was filed as Exhibit 10.3 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.
10.10	Intellectual Property Agreement, dated as of November 2, 2021, between International Business Machines Corporation and Kyndryl, Inc. was filed as Exhibit 10.4 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.
10.11	Real Estate Matters Agreement, dated as of November 2, 2021, between International Business Machines Corporation and Kyndryl Holdings, Inc. was filed as Exhibit 10.5 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.
10.12	IBM International Client Relationship Agreement, dated as of November 2, 2021, between International Business Machines Corporation and Kyndryl, Inc. was filed as Exhibit 10.6 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.*
10.13	Master Subcontracting Framework Agreement, dated as of November 2, 2021, between International Business Machines Corporation and Kyndryl, Inc. was filed as Exhibit 10.7 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.*
10.14	Amended and Restated Kyndryl 2021 Long-Term Performance Plan was filed as Exhibit 4.3 to the registrant's Registration Statement on Form S-8 filed on July 29, 2022 and is hereby incorporated by reference.†
10.15	Amended and Restated Kyndryl 2021 Long-Term Performance Plan (LTPP) was filed as Exhibit 4.3 to the registrant's Registration Statement on Form S-8 filed on July 31, 2023 and is hereby incorporated by reference.†
10.16	Forms of LTPP equity award agreements for (i) stock options, restricted stock, restricted stock units, cash-settled restricted stock units and (ii) retention restricted stock unit awards was filed as Exhibit 10.10 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.†
10.17	Form of LTPP equity award agreement for performance share units was filed as Exhibit 10.11 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.†
10.18	Form of Terms and Conditions of LTPP equity award agreements was filed as Exhibit 10.12 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.†
10.19	Form of LTPP equity award agreement for directors was filed as Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 10, 2022 and is hereby incorporated by reference.†
10.20	Form of Terms and Conditions for LTPP equity award agreement for directors was filed as Exhibit 10.26 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 10, 2022 and is hereby incorporated by reference.†
10.21	Form of LTPP equity award agreement for performance share units (Fiscal 2023) was filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 filed on November 4, 2022 and is hereby incorporated by reference.†
10.22	Form of LTPP equity award agreement for restricted stock units was filed as Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 filed on November 8, 2023 and is hereby incorporated by reference.†
10.23	Form of LTPP equity award agreement for performance share units was filed as Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 filed on November 8, 2023 and is hereby incorporated by reference.†
10.24	Form of LTPP equity award agreement for performance share units was filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 filed on August 7, 2024 and is hereby incorporated by reference.†
10.25	Form of LTPP equity award agreement for performance share units was filed as Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the year ended March 31, 2025 filed on May 30, 2025 and is hereby incorporated by reference.†
10.26	Form of LTPP equity award agreement for restricted stock units was filed as Exhibit 10.26 to the registrant's Annual Report on Form 10-K for the year ended March 31, 2025 filed on May 30, 2025 and is hereby incorporated by reference.†

Exhibit Number	Description of Exhibit
10.27	Form of LTPP equity award agreement for retention restricted stock units was filed as Exhibit 10.27 to the registrant's Annual Report on Form 10-K for the year ended March 31, 2025 filed on May 30, 2025 and is hereby incorporated by reference.†
10.28	Kyndryl Excess Plan was filed as Exhibit 10.13 to the registrant's Current Report on Form 8-K filed on November 4, 2021 and is hereby incorporated by reference.†
10.29	Offer Letter by and between International Business Machines Corporation and Martin Schroeter, dated January 2, 2021, the LTPP performance share unit award agreement, dated February 1, 2021, and the related terms and conditions document, effective December 15, 2020, and the noncompetition agreement, dated January 3, 2021, was filed as Exhibit 10.13 to the registrant's Registration Statement on Form 10 filed on October 12, 2021 and is hereby incorporated by reference.†
10.30	Offer Letter by and between International Business Machines Corporation and David Wyshner, dated July 23, 2021, and the noncompetition agreement, dated July 25, 2021, was filed as Exhibit 10.14 to the registrant's Registration Statement on Form 10 filed on October 12, 2021 and is hereby incorporated by reference.†
10.31	Offer Letter by and between International Business Machines Corporation and Elly Keinan, dated March 1, 2021, the LTPP performance share unit award agreement, dated April 1, 2021, and the related terms and conditions document, effective March 1, 2021, the Executive Sign-on Repayment Agreement and the noncompetition agreement, dated March 2, 2021, was filed as Exhibit 10.15 to the registrant's Registration Statement on Form 10 filed on October 12, 2021 and is hereby incorporated by reference.†
10.32	Offer Letter by and between International Business Machines Corporation and Maryjo Charbonnier, dated May 28, 2021, the LTPP performance share unit award agreement, dated August 2, 2021, and the related terms and conditions document, effective March 1, 2021, the LTPP retention restricted stock unit award agreement, dated August 2, 2021, and the related terms and conditions document, effective June 1, 2020, the Executive Sign-on Repayment Agreement and the noncompetition agreement, dated June 1, 2021, was filed as Exhibit 10.16 to the registrant's Registration Statement on Form 10 filed on October 12, 2021 and is hereby incorporated by reference.†
10.33	LTPP performance share unit award agreement for Edward Sebold, dated May 3, 2021, and the related terms and conditions document, effective May 1, 2021, and the noncompetition agreement, dated April 25, 2012, was filed as Exhibit 10.17 to the registrant's Registration Statement on Form 10 filed on October 12, 2021 and is hereby incorporated by reference.†
10.34	Kyndryl Executive Severance Plan and Executive Retirement Policy was filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on February 25, 2022 and is hereby incorporated by reference.†
10.35	Amendment to the Kyndryl Executive Severance Plan and Executive Retirement Policy was filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on August 1, 2022 and is hereby incorporated by reference.†
10.36	Amendment to the Kyndryl Executive Severance Plan and Executive Retirement Policy was filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on July 31, 2023 and is hereby incorporated by reference.†
10.37	Amendment to the Kyndryl Executive Severance Plan and Executive Retirement Policy was filed as Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 filed on November 8, 2023 and is hereby incorporated by reference.†
10.38	Amendment to the Kyndryl Executive Severance Plan and Executive Retirement Policy was filed as Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 filed on August 7, 2024 and is hereby incorporated by reference.†
10.39	Kyndryl Annual Incentive Plan for Executives was filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 25, 2022 and is hereby incorporated by reference.†
19.1	Kyndryl Holdings, Inc. Securities Trading Policy was filed as Exhibit 19.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2024 filed on May 30, 2024 and is hereby incorporated by reference.
21.1	Subsidiaries of the registrant was filed as Exhibit 21.1 to the registrant's Annual Report on Form 10-K for the year ended March 31, 2025 filed on May 30, 2025 and is hereby incorporated by reference.
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
24.1	Power of attorney was filed as Exhibit 24.1 to the registrant's Annual Report on Form 10-K for the year ended March 31, 2025 filed on May 30, 2025 and is hereby incorporated by reference.
31.1	Certification of principal executive officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

Exhibit Number	Description of Exhibit
32.1	Certification of principal executive officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of principal financial officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
97.1	Kyndryl Financial Statement Clawback Policy was filed as Exhibit 97.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2024 filed on May 30, 2024 and is hereby incorporated by reference.
101.INS	XBRL Instance Document – the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Certain portions of this exhibit have been redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the Commission upon its request.

† Management contract or compensatory plan in which directors and/or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and do not apply in any other context or at any time other than the date they were made.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kyndryl Holdings, Inc.
(Registrant)

Date: February 17, 2026

By: /s/ Martin J. Schroeter

Martin J. Schroeter
Chairman of the Board and Chief Executive Officer
(Authorized Signatory)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-276713) and Form S-8 (Nos. 333-260412, 333-266427, and 333-273537) of Kyndryl Holdings, Inc. of our report dated May 30, 2025, except with respect to our opinion on internal control over financial reporting insofar as it relates to the effects of the matter described in the third paragraph of Management’s Report on Internal Control over Financial Reporting, as to which the date is February 17, 2026, relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K/A.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 17, 2026

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Martin J. Schroeter, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Kyndryl Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2026

/s/ Martin J. Schroeter
Martin J. Schroeter
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Harsh Chugh, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Kyndryl Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2026

/s/ Harsh Chugh
Harsh Chugh
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

KYNDRYL HOLDINGS, INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Kyndryl Holdings, Inc. (the “Company”) on Form 10-K/A for the fiscal year ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Martin J. Schroeter, Chairman and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2026

/s/ Martin J. Schroeter
Martin J. Schroeter
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

KYNDRYL HOLDINGS, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Kyndryl Holdings, Inc. (the “Company”) on Form 10-K/A for the fiscal year ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Harsh Chugh, Interim Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2026

/s/ Harsh Chugh
Harsh Chugh
Interim Chief Financial Officer
(Principal Financial Officer)