Consolidated Financial Statements

Kawasaki Heavy Industries, Ltd. and Subsidiaries

For the Years ended March 31,
2024 and 2023
Together with Independent
Auditor's Report

June 2024

CONTENTS

Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kawasaki Heavy Industries, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") , which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of management's judgment on the recoverability of deferred tax assets

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") and its consolidated subsidiaries as of March 31, 2024, deferred tax assets of ¥117,452 million were recognized. As described in Note 14, "Deferred taxes and income taxes" to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥162,235 million. Of this amount, the gross deferred tax assets held by the Company, which applies the Group Tax Sharing System, amounted to ¥106,511 million, representing approximately 4.0% of total assets in the consolidated financial statements. As described in Note 3(16), "Material accounting policies - Income taxes," recoverability of deferred tax assets is reassessed every fiscal year end and are recognized to the extent that deductible temporary differences are expected to reduce future taxable income. The future taxable income to be generated by the Company, which was used to determine the recoverability of its deferred tax assets, was estimated based primarily on the business plan prepared by management. This business plan involved uncertainty since forecasts of revenue and profit, which are the key elements of the business plan, may be affected by changes in future economic conditions and other factors, and had a significant impact on the assessment of the recoverability of deferred tax assets. We, therefore, determined that our assessment of the appropriateness of management's judgement on the recoverability of deferred tax assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets of the Company was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the judgment on the recoverability of deferred tax assets. In this assessment, we focused our testing on internal controls over the preparation of the business plan used to estimate the Company's future taxable income. **(2) Assessment of the reasonableness of the estimated future taxable income** In order to assess the reasonableness of key assumptions applied in preparing the business plan that served as the basis for estimating future taxable income, we: ▪ evaluated the process of preparing the business plan that served as the basis for estimating future taxable income by inquiring of management of the Company, respective company president and management of Kawasaki Motors, Ltd. and Kawasaki Railcar Manufacturing Co., Ltd. and inspecting the minutes of the Management Committee of the Company. ▪ assessed the consistency of the estimated future taxable income used to determine the recoverability of deferred tax assets with the business plan approved by the Management Committee of the Company. ▪ assessed the appropriateness of key assumptions which formed the basis for the sales forecasts used for the estimates incorporated into the business plan of Aerospace Systems Company by comparing them with information provided by major customers and the market forecasts published by the International Air Transport Association.

Management's assessment of the financial asset based on contractual rights related to certain overseas LNG tank construction work (Energy Solution & Marine Engineering Company)

The key audit matter	How the matter was addressed in our audit
As described in Note 13, "Other financial assets," Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") sustained a loss of approximately ¥51 billion due to a breach of contract by an overseas construction subcontractor that failed to fulfill the contract on certain LNG tank construction work overseas. In connection with this issue, the Company filed a petition for arbitration with the International Chamber of Commerce ("ICC"). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on its contractual rights within "Other" under "Other financial assets." Management's assessment of the financial asset based on the Company's contractual rights considered the progress of the arbitration proceedings at the ICC and the prospect for an award of the arbitration tribunal as well as the business environment and the financial conditions of the overseas construction subcontractor. These estimates included significant management judgments, including the prospects for an award of the arbitration tribunal and amount of claim the Company alleged was caused by the breach of contract by the overseas construction subcontractor, as well as the ability of the overseas construction subcontractor to make payment for any amount of claim to be determined by the arbitration tribunal, all of which involved uncertainty. We, therefore, determined that our assessment of the appropriateness of management's assessment of the financial asset based on the Company's contractual rights related to certain overseas LNG tank construction project was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	The primary procedures we performed to assess the appropriateness of management's assumptions used for assessing the financial asset based on the Company's contractual rights related to certain overseas LNG tank construction work included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to management's assessment of the financial asset based on its contractual rights. In the assessment, we focused on internal controls in which the personnel responsible for the accounting division assess the estimates of the arbitration tribunal related to the subject and amount of claim based on its contractual rights as well as the ability of the overseas construction subcontractor to make payment for any amount of claim to be determined by the arbitration tribunal, giving consideration to the opinion of the Company's legal counsel. **(2) Assessment of the reasonableness of the estimation related to the amount of the financial asset based on the Company's contractual rights** ▪ We inspected the minutes of the Management Committee of the Company related to the estimation of the amount of financial asset. In addition, we inquired of several personnel, such as management (including the president of Energy Solution & Marine Engineering Company) and those responsible for the administration division and the accounting division and then assessed the reasonableness of their respective responses. ▪ We circularized through a written legal confirmation directly with the legal counsel engaged by the Company to assess the amount of the financial asset and assessed the consistency of the opinion of the legal counsel with the result of management's assessment of the amount of the financial asset. We inspected the annual reports issued by the overseas construction subcontractor and the monthly research reports on the financial conditions, order booking status and other information of the overseas construction subcontractor submitted by the Company's legal counsel and evaluated the consistency of the information with the result of management's assessment of the overseas construction subcontractor's ability to make payment.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

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

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

Matsuyama Kazuhiro

Designated Engagement Partner

Certified Public Accountant

Horiuchi Kazuhisa

Designated Engagement Partner

Certified Public Accountant

Kyoi Yasumasa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Kobe Office, Japan

June 26, 2024

Notes to the Reader of Independent Auditor's Report:

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

Management Discussion & Analysis

Overview

The global economy has remained strong, mainly in personal consumption, due to favorable employment and income conditions in the United States. On the other hand, the outlook remains uncertain due to factors such as the downturn in China's economy caused by the prolonged real estate recession and an increase in geographical risks.

In Japan, consumer sentiment is expected to be improved by wage increases exceeding a hike in prices, and the economy will continue to recover moderately due to increasing capital investment and inbound demand. However, we need to closely monitor the impact on the economy caused by a rise in interest rates resulting from the policy changes by the Bank of Japan, and subsequent exchange rate movements.

In this business environment, the Group's consolidated orders received in the fiscal year ended March 31, 2024, increased due to an increase mainly in the Aerospace Systems segment, despite decreases mainly in the Rolling Stock and Precision Machinery & Robot segments.
Revenue increased as compared with the previous fiscal year due to higher sales in the Rolling Stock segment and the Aerospace Systems segment. Business profit decreased year on year mainly due to deterioration in the Aerospace Systems, Powersports & Engine and Precision Machinery & Robot segments, despite an increase mainly in the Energy Solution & Marine Engineering segment. Profit attributable to owners of parent decreased mainly due to a decrease in business profit.

As a result, the Group's consolidated orders received increased by ¥45.9 billion year on year to ¥2,083.4 billion, consolidated revenue increased by ¥123.6 billion year on year to ¥1,849.2 billion, business profit decreased by ¥36.1 billion year on year to ¥46.2 billion, and profit attributable to owners of parent decreased by ¥27.6 billion year on year to ¥25.3 billion. Ratio of business profit to revenue was 2.5%, after-tax ROIC was 2.8%, and ROE was 4.2%.* The current cost of capital (WACC) is estimated to be in the 4-5% range, but it is possible to increase in the future considering the latest stock price trends.

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

Consolidated operating performance in the fiscal year ended March 31, 2024, is summarized by segment below.

Business segment

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

Aerospace Systems

Regarding the business environment surrounding the Aerospace Systems segment, demand from Ministry of Defense in Japan is expected to increase continuously under the Ministry of Defense's policy of drastic strengthening of defense capabilities. With respect to commercial aircraft, demand for both commercial aircraft airframes and jet engines is increasing due to the recovery of demand for air travels to near pre-COVID levels and the strong COVID-19 rebound demand for commercial aircraft airframes.

Amid such operating environment, consolidated orders received increased by ¥347.0 billion year on year to ¥692.6 billion mainly due to increases in orders received from Ministry of Defense in Japan and orders received for component parts of airframes for commercial aircrafts.

Consolidated revenue increased by ¥47.3 billion year on year to ¥396.1 billion mainly due to increases in sales to Ministry of Defense in Japan and component parts of airframes and jet engines for commercial aircrafts, despite the lump-sum recognition of losses related to the in-service issues of PW1100G-JM engines for commercial aircrafts.

Business loss for the current fiscal year was ¥15.0 billion, deteriorating by ¥29.8 billion year on year, mainly due to the lump-sum recognition of losses related to the in-service issues of PW1100G-JM engines for commercial aircrafts, despite increases in revenues from Ministry of Defense in Japan and component parts of airframes for commercial aircrafts.

Rolling Stock

Regarding the business environment surrounding the Rolling Stock segment, the number of railway users has recovered due to the easing of the infection by COVID-19 pandemic, and investments in rolling stock have resumed both in Japan and overseas. On the other hand, although the impact on the current situation is limited, we need to keep a close watch on factors such as increasing equipment procurement time, mainly for electronic components, while they appear to be easing. In the medium and long term, however, relatively stable growth is expected around the world due to development of urban transportation in overseas markets, as well as demand for railway infrastructure following economic development in Asian countries.

Amid such an operating environment, consolidated orders received decreased by ¥224.4 billion to ¥88.7 billion compared to the previous fiscal year, when there were orders for large-scale projects such as new generation subway cars for the New York City Transit.

Consolidated revenue increased by ¥64.0 billion year on year to ¥195.9 billion mainly due to an increase in sales of railcars for the United States, despite a decrease in sales of railcars in domestic market.

Business profit increased by ¥2.3 billion year on year to ¥3.7 billion mainly due to an increase in profit resulting from an increase in the revenue, despite a decrease in domestic operations.

Energy Solution & Marine Engineering

The business environment surrounding the Energy Solution & Marine Engineering segment has been strongly influenced by the worldwide trend toward achieving carbon neutrality. As a result, contacts and requests for cooperation are increasing regarding decarbonization solutions, including hydrogen products, which is the Company's strength. Also, demands for distributed power sources in Japan and overseas and, for energy infrastructure development in emerging countries, remain strong, while there is ongoing demand for the replacement of aging facilities for waste incineration plants in Japan. On the other hand, besides the uncertainty about the current situation, such as the stability of fuel gas supply required for the operation of power generation facilities, it is necessary to pay attention to the impact on orders and revenues due to the recent persistently high prices of raw materials, equipment, and fuel.

Amid such operating environment, consolidated orders received decreased by ¥37.3 billion to ¥401.6 billion as compared with the previous fiscal year, when there were more orders for LPG/NH3 carriers, despite increasing orders for naval ships equipment from Ministry of Defense in Japan and waste incineration plants in Japan.

Consolidated revenue increased by ¥38.6 billion year on year to ¥353.2 billion mainly due to the Ship & Offshore Structure business centered on LPG/NH3 carriers, and the Energy business.

Business profit increased by ¥28.0 billion year on year to ¥31.9 billion due to an increase in share of profit of investments accounted for using equity method in the Ship & Offshore Structure business and an increase in profit due to higher revenue in the Energy business.

Precision Machinery & Robot

Regarding the business environment surrounding the Precision Machinery & Robot segment, in the Precision machinery business, while the performance has continued to be strong in the construction machinery market outside China, demand in the Chinese construction machinery market was sluggish due to the impact of the prolonged real estate recession and other factors. In the Robotics business, sluggish demand for robots for semiconductor manufacturing equipment bottomed out, and the demand will recover from fiscal year 2024 while capturing new demands related to AI and green investment. Meanwhile, business conditions in China, the biggest consumer country for general robots for industrial use, remain sluggish. Therefore, inventory adjustments have continued, but demand for automation is increasing due to a rise in labor costs and labor shortages.

Amid such operating environment, consolidated orders received decreased by ¥48.6 billion year on year to ¥213.3 billion mainly due to the general decline in hydraulic equipment for the Chinese construction machinery market and industrial robots.

Consolidated revenue decreased by ¥24.7 billion year on year to ¥227.9 billion mainly due to the general decline in hydraulic equipment for the Chinese construction machinery market and industrial robots.

Business loss for the current fiscal year was ¥1.9 billion, deteriorating by ¥10.7 billion year on year, mainly due to the impact of lower capacity utilization as well as a decrease in the revenue.

Powersports & Engine

Regarding the business environment surrounding the Powersports & Engine segment, although demand has continued to be strong in the major markets, the United States and Europe, market competition has intensified as a result of supplies increased from manufacturers after the easing of the supply chain disruptions in the previous fiscal year. In addition, as recreational demand has decreased, the mid-to-large motorcycle market outside Europe and the United States has reduced in general.

Amid such operating environment, consolidated revenue of ¥592.4 billion was on par with the previous year's result, mainly due to decreases in sales of motorcycles in China and Southeast Asia and general-purpose gasoline engines, despite increases in sales of four-wheelers in North America and motorcycles in Europe.

Business profit decreased by ¥23.4 billion year on year to ¥48.0 billion mainly due to an increase in fixed costs and the recording of recall-related expenses*, which related to four-wheelers sold in the United States.

*The Company received a notice from the U.S. Consumer Product Safety Commission that a penalty will be imposed for the recall of certain models of four-wheelers sold in the United States.

Other Operations

Consolidated revenue decreased by ¥2.8 billion year on year to ¥83.5 billion.

Business profit came to ¥1.1 billion, improving ¥2.9 billion year on year.

In the Group Vision 2030, the Group will focus on three fields; "A Safe and Secure Remotely Connected Society," "Near-Future Mobility" and "Energy and Environmental Solutions," and is making steady progress in creating solutions to social issues, such as the medical and healthcare business including surgical support robots and the commercialization of delivery robots and unmanned transport helicopters, as well as the promotion of hydrogen business and electrification to realize a carbon neutral society at an early date.

Furthermore, the Group cooperates in providing supports for the early recovery of areas affected by the Noto Peninsula Earthquake and enhances support packages that can respond to various natural disasters, which are becoming increasingly likely in the future.

Consolidated financial condition

(1) Assets

Current assets were ¥1,726.9 billion, ¥156.5 billion increase from the previous fiscal year due to an increase mainly in trade and other receivables.

Non-current assets were ¥953.2 billion, ¥65.8 billion increase from the previous fiscal year mainly due to an increase in property, plant and equipment.

As a result, total assets were ¥2,680.1 billion, ¥222.4 billion increase from the previous fiscal year.

(2) Liabilities

Interest-bearing debt was ¥653.9 billion, ¥64.0 billion increase from the previous fiscal year.

Liabilities were ¥2,025.6 billion, ¥164.7 billion increase from the previous fiscal year mainly due to increases in interest-bearing debt and trade and other payables.

(3) Equity

Equity was ¥654.5 billion, ¥57.6 billion increase from the previous fiscal year mainly due to the recording of profit attributable to owners of parent as well as an increase in exchange differences on translation of foreign operations.

Cash Flows

Cash and cash equivalents (Hereinafter referred to as "net cash") at the end of this fiscal year were ¥84.1 billion, a decrease of ¥54.2 billion compared to the previous fiscal year. The cash flow situations and relevant factors in this fiscal year are stated below.

(1) Cash flows from operating activities

Operating activities provided net cash of ¥31.6 billion, an increase of ¥8.0 billion compared to the previous fiscal year. Major sources of operating cash flows included depreciation and amortization of ¥80.9 billion and an increase in trade and other payables of ¥43.5 billion. Major uses of operating cash flows included an increase in trade and other receivables of ¥186.4 billion and a decrease in other current liabilities of ¥19.0 billion.

(2) Cash flows from investing activities

Investing activities used net cash of ¥89.8 billion, which is ¥12.3 billion more than in the previous fiscal year. This was mainly due to purchase of property, plant and equipment, as well as intangible assets.

(3) Cash flows from financing activities

Financing activities provided net cash of ¥12.9 billion, which is ¥72.3 billion less than in the previous fiscal year. This was mainly due to proceeds from factoring agreements.

Dividends

As a basic management policy, the Company aims to increase corporate value by consistently generating profit exceeding the cost of invested capital. In line with this policy, the Company believes that one priority for management is to engage in cutting-edge research and development as well as the innovative capital investment required to achieve future growth and thereby return profits to shareholders by enhancing shareholder value over the long term.

In order to maintain a good balance between enhancing shareholder value and returning profits to shareholders through dividends, the Company has set a medium- to long-term consolidated payout ratio standard of 30% corresponding to the consolidated profit attributable to the owners of the parent and in light of both the outlook for future earnings and a comprehensive examination of its financial condition, including its free cash flow, D/E ratio (Net debt-to-equity ratio) and other factors.

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

Audit fees

a. Fees to accounting auditors, etc.

	Millions of yen			
	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
The Company	¥ 298	¥ 221	¥ 305	¥ 263
Consolidated subsidiaries	90	2	101	2
Total	¥ 388	¥ 224	¥ 407	¥ 266

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

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

	Millions of yen			
	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
The Company	¥ -	¥ 18	¥ -	¥ 30
Consolidated subsidiaries	42	22	40	8
Total	¥ 42	¥ 40	¥ 40	¥ 38

The non-audit services to the Company and its consolidated subsidiaries are mainly advisory services related to overseas projects.

c. Contents of remunerations for other important audit certification services

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

Consolidated Statement of Financial Position
As of March 31, 2024, 2023

	Notes	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024
Assets				
Current assets				
Cash and cash equivalents	6,21	¥ 138,420	¥ 84,153	$ 555,832
Trade and other receivables	7,16,21,24,31	470,398	681,030	4,498,217
Contract assets	16,21,24	159,422	136,706	902,946
Inventories	8,24	690,431	710,207	4,690,931
Income taxes receivable		551	2,158	14,254
Other financial assets	13,21	10,741	11,024	72,814
Other current assets	25	100,385	101,644	671,361
Total current assets		1,570,350	1,726,925	11,406,374
Non-current assets				
Property, plant and equipment	9,11	451,010	496,331	3,278,276
Intangible assets	10,11	66,248	69,617	459,822
Right-of-use assets	11,12	68,422	64,824	428,164
Investments accounted for using equity method	23	77,440	90,954	600,753
Other financial assets	13,21	70,224	80,762	533,435
Deferred tax assets	14	110,264	117,452	775,773
Other non-current assets	11,17,25	43,763	33,307	219,993
Total non-current assets	4	887,374	953,250	6,296,235
Total assets		¥ 2,457,725	¥ 2,680,176	$ 17,702,616
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	15,21	¥ 452,250	¥ 521,734	$ 3,446,063
Bonds, borrowings and other financial liabilities	16,21	340,176	453,694	2,996,658
Income taxes payable		18,071	7,928	52,365
Contract liabilities	24,31	256,247	265,468	1,753,421
Provisions	18	22,897	34,242	226,169
Refund liabilities	24	10,258	72,518	478,983
Other current liabilities	25	208,760	185,902	1,227,886
Total current liabilities		1,308,661	1,541,489	10,181,565
Non-current liabilities				
Bonds, borrowings and other financial liabilities	16,21	445,082	391,539	2,586,123
Retirement benefit liability	17	91,552	74,604	492,761
Provisions	18	1,942	957	6,321
Deferred tax liabilities	14	833	707	4,670
Other non-current liabilities	25	12,779	16,327	107,840
Total non-current liabilities		552,190	484,137	3,197,734
Total liabilities		1,860,852	2,025,626	13,379,300
Equity				
Equity attributable to owners of parent				
Share capital	19	104,484	104,484	690,119
Capital surplus	19	55,716	56,455	372,886
Retained earnings	19	380,255	405,156	2,676,063
Treasury shares	19	(1,107)	(1,060)	(7,001)
Other components of equity	19,20	36,852	69,054	456,103
Total equity attributable to owners of parent		576,201	634,090	4,188,177
Non-controlling interests		20,670	20,459	135,132
Total equity		596,872	654,549	4,323,309
Total liabilities and equity		¥ 2,457,725	¥ 2,680,176	$ 17,702,616

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Profit or Loss
For the years ended March 31, 2024 and 2023

	Notes	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024
Revenue	24,31	¥ 1,725,609	¥ 1,849,287	$ 12,214,577
Cost of sales	8,9,10,11,17	1,391,787	1,537,050	10,152,246
Gross profit		333,822	312,237	2,062,332
Selling, general and administrative expenses	9,10,12,17,26	252,311	276,044	1,823,276
Share of profit of investments accounted for using equity method	23	3,314	11,358	75,020
Other income	27	4,850	5,704	37,675
Other expenses	27	7,320	7,053	46,585
Business profit		82,355	46,201	305,159
Finance income	21,28	2,291	3,040	20,079
Finance costs	12,21,28	14,297	17,261	114,009
Profit before tax		70,349	31,980	211,229
Income tax expense	14	15,058	4,670	30,845
Profit		55,290	27,310	180,383
Profit attributable to:				
Owners of parent		53,029	25,377	167,616
Non-controlling interests		¥ 2,261	¥ 1,932	$ 12,761
Earnings per share	30			
Basic earnings per share		¥ 316.63	¥ 151.51	$ 1,001.00

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2024 and 2023

	Notes	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024
Profit		¥ 55,290	¥ 27,310	$ 180,383
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	20,21	(363)	4,214	27,834
Remeasurements of defined benefit plans	17,20	14,353	15,017	99,188
Share of other comprehensive income of investments accounted for using equity method	20,23	0	1	7
Total of items that will not be reclassified to profit or loss		13,989	19,233	127,034
Items that may be reclassified to profit or loss				
Cash flow hedges	20,21	1,932	103	680
Exchange differences on translation of foreign operations	20	10,112	23,302	153,910
Share of other comprehensive income of investments accounted for using equity method	20,23	508	3,795	25,066
Total of items that may be reclassified to profit or loss		12,553	27,202	179,670
Total other comprehensive income		26,542	46,435	306,704
Comprehensive income		¥ 81,833	¥ 73,745	$ 487,087
Comprehensive income attributable to:				
Owners of parent		78,785	71,009	469,016
Non-controlling interests		¥ 3,048	¥ 2,736	$ 18,071

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended March 31, 2024 and 2023

		Millions of yen											
		Equity attributable to owners of parent											
						Other components of equity							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2022		¥ 104,484	¥ 55,525	¥ 320,671	¥ (1,129)	¥ -	¥ 4,435	¥ (284)	¥ 21,780	¥ 25,931	¥ 505,484	¥ 19,407	¥ 524,891
Profit				53,029							53,029	2,261	55,290
Other comprehensive income	20					14,235	(370)	1,603	10,286	25,755	25,755	787	26,542
Comprehensive income				53,029		14,235	(370)	1,603	10,286	25,755	78,785	3,048	81,833
Purchase of treasury shares	19				(4)						(4)		(4)
Disposal of treasury shares	19		(0)		26						26		26
Transfer of loss on disposal of treasury shares			0	(0)							-		-
Dividends	19			(8,394)							(8,394)	(964)	(9,358)
Transfer to retained earnings				14,191		(14,235)	43			(14,191)	-		-
Change in scope of consolidation												366	366
Loss of control of subsidiaries												(2,079)	(2,079)
Change in ownership interest of parent due to transactions with non-controlling interests			190								190	891	1,082
Transfer to non-financial assets								(643)		(643)	(643)		(643)
Other				756							756		756
Total transactions with owners			190	6,554	22	(14,235)	43	(643)		(14,834)	(8,067)	(1,785)	(9,852)
Balance as of March 31, 2023		¥ 104,484	¥ 55,716	¥ 380,255	¥ (1,107)	¥ -	¥ 4,109	¥ 676	¥ 32,066	¥ 36,852	¥ 576,201	¥ 20,670	¥ 596,872
Profit				25,377							25,377	1,932	27,310
Other comprehensive income	20					15,075	4,167	146	26,241	45,631	45,631	804	46,435
Comprehensive income				25,377		15,075	4,167	146	26,241	45,631	71,009	2,736	73,745
Purchase of treasury shares	19				(7)						(7)		(7)
Disposal of treasury shares	19		0		54						54		54
Transfer of loss on disposal of treasury shares													-
Dividends	19			(13,430)							(13,430)	(1,022)	(14,452)
Transfer to retained earnings				12,945		(15,075)	2,130			(12,945)	-		-
Change in scope of consolidation				8					(17)	(17)	(9)		(9)
Loss of control of subsidiaries													-
Change in ownership interest of parent due to transactions with non-controlling interests			739								739	(1,926)	(1,186)
Transfer to non-financial assets								(467)		(467)	(467)		(467)
Other													-
Total transactions with owners			739	(477)	46	(15,075)	2,130	(467)	(17)	(13,429)	(13,120)	(2,948)	(16,068)
Balance as of March 31, 2024		¥ 104,484	¥ 56,455	¥ 405,156	¥ (1,060)	¥ -	¥ 10,407	¥ 355	¥ 58,291	¥ 69,054	¥ 634,090	¥ 20,459	¥ 654,549

		Thousands of U.S. dollars											
		Equity attributable to owners of parent											
						Other components of equity							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of March 31, 2023		$ 690,119	$ 368,005	$ 2,511,592	$ (7,312)	$ -	$ 27,140	$ 4,465	$ 211,797	$ 243,408	$ 3,805,819	$ 136,526	$ 3,942,351
Profit				167,616							167,616	12,761	180,383
Other comprehensive income	20					99,571	27,523	964	173,322	301,394	301,394	5,310	306,704
Comprehensive income				167,616		99,571	27,523	964	173,322	301,394	469,016	18,071	487,087
Purchase of treasury shares	19				(46)						(46)		(46)
Disposal of treasury shares	19		0		357						357		357
Transfer of loss on disposal of treasury shares													-
Dividends	19			(88,705)							(88,705)	(6,750)	(95,456)
Transfer to retained earnings				85,502		(99,571)	14,069			(85,502)	-		-
Change in scope of consolidation				53					(112)	(112)	(59)		(59)
Loss of control of subsidiaries													-
Change in ownership interest of parent due to transactions with non-controlling interests			4,881								4,881	(12,721)	(7,834)
Transfer to non-financial assets								(3,085)		(3,085)	(3,085)		(3,085)
Other													-
Total transactions with owners			4,881	(3,151)	304	(99,571)	14,069	(3,085)	(112)	(88,699)	(86,658)	(19,472)	(106,129)
Balance as of March 31, 2024		$ 690,119	$ 372,886	$ 2,676,063	$ (7,001)	$ -	$ 68,738	$ 2,345	$ 385,013	$ 456,103	$ 4,188,177	$ 135,132	$ 4,323,309

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Cash Flow
For the years ended March 31, 2024 and 2023

	Notes	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024
Cash flows from operating activities				
Profit		¥ 55,290	¥ 27,310	$ 180,383
Depreciation and amortization		77,374	80,982	534,888
Impairment losses		4,606	1,007	6,651
Finance income and finance costs		7,312	11,590	76,552
Share of loss (profit) of investments accounted for using equity method		(3,314)	(11,358)	(75,020)
Loss (gain) on sale of fixed assets		1,042	2,050	13,540
Income tax expense		15,058	4,670	30,845
Increase (decrease) in retirement benefit liability		1,281	(196)	(1,295)
Decrease (increase) in trade and other receivables		(59,334)	(186,486)	(1,231,744)
Decrease (increase) in contract assets		(50,291)	22,725	150,099
Decrease (increase) in inventories		(64,217)	9,903	65,410
Increase (decrease) in trade and other payables		42,213	43,585	287,880
Decrease (increase) in advance payment		(28,508)	8,632	57,015
Increase (decrease) in contract liabilities		(3,730)	1,057	6,982
Increase (decrease) in refund liabilities		1,648	61,004	402,933
Increase (decrease) in provisions		(4,028)	10,084	66,605
Decrease (increase) in other current assets		(3,168)	(6,879)	(45,436)
Increase(decrease) in other current liabilities		43,231	(19,070)	(125,958)
Other		11,510	1,685	11,129
Subtotal		43,975	62,298	411,480
Interest received		3,328	8,504	56,169
Dividends received		332	364	2,404
Interest paid		(5,005)	(8,110)	(53,567)
Income taxes paid		(19,013)	(31,393)	(207,351)
Net cash provided by (used in) operating activities		¥ 23,617	¥ 31,662	$ 209,128
Cash flows from investing activities				
Purchase of property, plant and equipment		¥ (58,943)	¥ (80,063)	$ (528,818)
Proceeds from sale of property, plant and equipment		2,180	2,669	17,629
Purchase of intangible assets		(11,001)	(16,480)	(108,851)
Proceeds from sale of intangible assets		29	80	528
Payments for equity method investment and purchase of other financial assets		(6,702)	(949)	(6,268)
Proceeds from equity method investment and sale of other financial assets		160	1,124	7,424
Payments for acquisition of subsidiaries		(648)	(20)	(132)
Decrease due to loss of control over subsidiaries		(3,224)	(92)	(608)
Other		692	3,918	25,878
Net cash provided by (used in) investing activities		¥ (77,457)	¥ (89,814)	$ (593,223)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	16	¥ 36,664	¥ 80,229	$ 529,914
Repayments of lease liabilities	12,16	(14,545)	(16,526)	(109,155)
Proceeds from long-term borrowings	16	18,500	31,582	208,600
Repayments of long-term borrowings	16	(21,987)	(23,041)	(152,186)
Proceeds from issuance of bonds	16	9,000	10,000	66,050
Redemption of bonds	16	(20,000)	(40,000)	(264,201)
Dividends paid	19	(8,383)	(13,415)	(88,606)
Proceeds from factoring agreements	16	130,662	103,482	683,501
Repayment of liabilities under factoring agreements	16	(37,861)	(105,343)	(695,793)
Dividends paid to non-controlling interests		(964)	(1,022)	(6,750)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(11)	(1,563)	(10,324)
Other		(5,766)	(11,470)	(75,760)
Net cash provided by (used in) financing activities		¥ 85,305	¥ 12,911	$ 85,277
Effect of exchange rate changes on cash and cash equivalents		(1,556)	(9,027)	(59,624)
Net increase (decrease) in cash and cash equivalents		29,909	(54,267)	(358,435)
Cash and cash equivalents at beginning of period	6	108,511	138,420	914,267
Cash and cash equivalents at end of period	6	¥ 138,420	¥ 84,153	$ 555,832

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

1. Reporting Entity

Kawasaki Heavy Industries, Ltd. (hereinafter referred to as the "Company") is a company incorporated in Japan. The consolidated financial statements of the Company with a closing date as of March 31, 2024 comprise the Company and its subsidiaries (hereinafter referred to as the "Group") and the Group's interests in associates and joint ventures. The Group is engaged in the Aerospace Systems segment, the Rolling Stock segment, the Energy Solution & Marine Engineering segment, the Precision Machinery & Robot segment, the Powersports & Engine segment, and the Other segment, centering on the Company.

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group, which meet the requirements of the "Specified Company Applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of the Ordinance on Consolidated Financial Statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 93 of the Ordinance.
The consolidated financial statements were approved on June 26, 2024 by the Board of Directors Meeting.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, and figures are rounded down to the nearest million yen, unless otherwise stated.
U.S dollar amounts are included solely for convenience purposes. These translations should not be construed as representations that the Japanese yen amounts actually represent or have been or could be converted into U.S. dollars.
As the amounts shown in U.S. dollars are solely for convenience purposes, the prevailing rate on March 31, 2024 of ¥151.40 to US$1.00 is used for the purpose of presenting U.S. dollar amounts in the accompanying consolidated financial statements.

(4) Use of significant estimates and judgments

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

- Impairment of non-financial assets (Note 3 (9), "Impairment of non-financial assets," Note 11, "Impairment of non-financial assets")
- Provisions (Note 3 (12), "Provisions," Note 18, "Provisions")
- Revenue (Note 3 (14), "Revenue," Note 24, "Revenue")
- Income taxes (Note 3 (16), "Income taxes," Note 14, "Deferred taxes and income taxes")

(5) Changes in accounting policies

The Group has adopted the following standards from the current consolidated fiscal year.

IFRS	Title	Summaries of amendments
IAS 12	Income Taxes (amended in May 2021)	Accounting treatment of deferred tax related to assets and liabilities arising from a single transaction
IAS 12	Income Taxes (amended in May 2023)	Targeted disclosure requirements related to the effect on the application of the Pillar Two Model Rules

There is no significant impact on the consolidated financial statements of the Group as a result of adoption above.

(6) Issued accounting standards and interpretations not yet adopted

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

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

3. Material accounting policies

(1) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group.
The Group controls an entity when the investor's returns resulting from its involvement with the entity may vary due to the performance of the investee and has the ability to affect those returns through its power over the entity.
The financial statements of a subsidiary are included in the consolidated financial statements of the Group from the date when control is obtained until the date when it is lost. A subsidiary's financial statements are adjusted if the subsidiary's accounting policies differ from those applied by the Group. All intergroup balances of receivables and payables and other internal transactions within the Group, as well as unrealized gains and losses arising from internal transactions are eliminated in preparing the consolidated financial statements.
Changes in the Group's ownership interests in its subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Group's ownership and non-controlling interest in a subsidiary is adjusted to reflect the changes in ownership interest. However, any difference between the amount by which the non-control interest is adjusted and the fair value of the consideration received is recognized directly as equity of attributable to owners of parent. Upon loss of control over a subsidiary, the Group recognizes gain or loss resulting from the loss of control in profit or loss.

(ii) Associates
Associates are entities in which the Group has significant influence over the financial and operating policies but does not have control.
Investments in associates are recognized at acquisition cost when the investment is obtained and subsequently accounted for using the equity method. The acquisition cost of an investment includes the transaction cost.
The consolidated financial statements include investments in entities accounted for using the equity method whose fiscal year-end dates differ from that of the parent company since it is impracticable to unify the closing dates of associates due to certain reasons such as relationships with other shareholders. The difference between the fiscal year-end dates of these equity-method entities and that of the parent company never exceeds three months. Equity method is applied after making necessary adjustments in relation to significant transactions or events during the period occurring from the difference in the fiscal year-end date. The equity-method entities' financial statements are adjusted if their accounting policies differ from those applied by the Group.
If the Group's interest in loss exceeds the investment in an entity accounted for using the equity method, the carrying amount of the investment, including the long-term interest, is written down to zero. No further loss is recognized unless the Group assumes or pays the obligation on behalf of the investee.

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

(iv) Business combinations
Business combinations are accounted for using the acquisition method.
Goodwill is measured as the excess amount when the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree exceeds the net fair value of the acquisition date amount of identifiable assets acquired and liabilities assumed. It is immediately recognized as profit if the difference is a negative amount.
Acquisition related costs, excluding those associated with the issuance of debt or equity securities, incurred by the Group in connection with business combinations are expensed as incurred.

(2) Foreign currency translation

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

(3) Financial instruments

(i) Non-derivative financial assets

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

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

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

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

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

Further details regarding the assessment of significant increases in the credit risk and the measurement of expected credit losses are provided in Note 21, "Financial Instruments."

(iii) Non-derivative financial liabilities

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

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

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

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

(iv) Derivative transactions and hedge accounting

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

(c) Derivatives not designated as hedges

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

(4) Cash and cash equivalents

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

(5) Inventories

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

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

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

(6) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

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

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

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

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

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

(7) Intangible assets

(i) Recognition and measurement

(a) Development expenses

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

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

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

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

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

(b) Software and other intangible assets

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

(c) Goodwill

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

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

(ii) Amortization

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

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

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

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

(8) Leases

(i) Leases as lessee

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

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

Lease liabilities are initially measured at the discounted present value of the outstanding lease payments at the commencement date of the lease using the interest rate implicit in the lease. If the interest rate implicit in the lease is not readily determinable, the Group's incremental borrowing rate is used.

Lease liabilities are measured at amortized cost using the effective interest method. Each contract includes an option to buy the underlying asset and extend or terminate the lease term. Lease liabilities are remeasured if there is any change in the prospects for exercising the option.

In addition, right-of-use assets and lease liabilities are not recognized for short-term leases whose lease terms are 12 months or less and leases of low-value assets, and the related lease payments are recognized as expenses on a straight-line basis over the lease term.

The Group distinguishes right-of-use assets from other assets and presents lease liabilities in "Bonds, borrowings and other financial liabilities" in the consolidated statement of financial position.

(ii) Leases as lessor

Contractually, leases in which substantially all risks and economic value associated with ownership of the underlying assets are transferred to the lessee are classified as finance leases. Leases other than finance leases are classified as operating leases.

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

For operating lease transactions, lease payments received are recognized as revenue on a straight-line basis over the lease terms.

(9) Impairment of non-financial assets

The Group's carrying amounts of property, plant and equipment and intangible assets are determined by whether there is any indication of impairment at the end of each reporting period. If there is an indication of impairment, the Group estimates the recoverable amount of the asset and performs an impairment test. Goodwill and intangible assets with indefinite useful lives or not yet available for use are not only periodically tested for impairment once a year, but also whenever there is an indication of impairment.

The recoverable amount of assets or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. With regard to the measurement of value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. The cash-generating unit is the smallest unit of an asset group that can be identified as generating cash inflows that are largely independent of cash inflows from other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in profit or loss. An impairment loss recognized in relation to a cash-generating unit is allocated to reduce the carrying amount of goodwill allocated to the unit and subsequently to reduce the carrying amount of other assets within the unit on a pro-rata basis.

Impairment loss in relation to goodwill is not reversed. For non-financial assets other than goodwill with impairments loss recognized in the past, a determination is made to whether there is any indication of a reversal of the impairment loss recorded in previous years at the end of each reporting period. If such an indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or the unit, impairment loss is reversed up to the lower of the calculated recoverable amount and the carrying amount after deducting any depreciation of which no impairment loss had been recognized in the previous years.

(10) Government grants

Government grants are measured at fair value when there is reasonable assurance that the Group will receive the grant and will comply with the required terms and conditions, and recognized as following method.

Grants related to assets are recognized by a method which deducts the value of the grant from the acquisition cost of the asset to determine the carrying amount of the asset. Grants related to revenue are recognized by a method which deducts the value of the grant from the related expenses.

(11) Employee benefits

(i) Long-term employee benefits

(a) Post-employment benefits

a) Defined contribution plans

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

b) Defined benefit plans
Defined benefit plans are recognized as liabilities or assets in which the fair value of the plan asset is deducted from the present value of the defined benefit obligations.
The present value of the defined benefit obligations and service cost are determined using the projected unit credit method for each system.
The discount rate is determined at the end of the accounting period by reference to market yields on high-quality corporate bonds that correspond to the currency used for the payment of the defined benefit obligations and the estimated due date.
Remeasurements arising from defined benefit plans are composed of actuarial gains and losses, the income from plan assets (excluding interest) and the effect of any asset ceiling and are immediately recorded in other comprehensive income and immediately reclassified to retained earnings.
When a plan is amended, the variable portion of the benefits related to past service by employees is immediately recognized in profit or loss.

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

(ii) Short-term employee benefits
Short-term employee benefits are not discounted but recorded as expenses as the relevant services are provided.
For bonuses, if the Group has the present legal and constructive obligation to pay them as the result of past services provided by employees and the amount can be reliably estimated, the estimated amount to be paid is recognized as a liability.

(12) Provisions

Provisions are recognized when the Group has a legal or constructive obligation, the amount of which can be reliably estimated as a result of a past event, and it is probable that an outflow of economic resources will settle the obligation.
When the effect of the time value of money is significant, the provision is measured at the present value of the amount of expenditure expected to be required to settle the obligation.

(13) Shareholders' equity

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

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

(14) Revenue

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

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

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

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

(ii) Construction contracts and rendering of services
Revenues from construction contracts and the rendering of services are derived from the manufacturing of products based on orders from customers and the maintenance of the associated products. The Group has the performance obligations to transfer goods or services to the customer under the contract. For construction contracts and rendering of services, the Company recognizes revenue by reasonably measuring the progress towards complete satisfaction of performance obligations as control over goods or services is transferred to the customer over a certain period. The measurement of the progress takes into account the nature of the goods or services promised to be transferred to the customer. If costs incurred are proportional to progress in satisfying the performance obligations, such as with construction contracts in the Aerospace Systems segment and the Energy Solution & Marine Engineering segment, the progress is measured using the input method based on the ratio of the current cumulative costs incurred to the estimated total costs of the entire transaction. In the case of contracts that charge a fixed amount for services provided over a certain period of time, such as maintenance contracts in the Energy Solution & Marine Engineering segment, etc., or contracts that have the right to receive from the customer an amount of consideration that directly corresponds to the value to the customer for the portion of the performance completed, such as with maintenance contracts for commercial aircraft jet engines in the Aerospace Systems segment and the manufacturing of rolling stock in the Rolling Stock segment, the progress is measured using the output method based on the ratio of the elapsed period to the entire contract period and the ratio of the fulfilled obligation up to the current time to the total performance obligation. If the Group is unable to reasonably estimate the progress but expects to recover the costs incurred, the Group recognizes revenue within the range of the costs incurred.

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

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

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

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

(15) Finance income and costs

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

(16) Income taxes

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

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

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

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

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

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

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

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

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

(17) Earnings per share

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

4. Operating segments

(1) Overview of reportable segments

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

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

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

(2) Information about reportable segments

The accounting policies applied to the reportable segments are generally the same as the Group's accounting policies described in Note 3, "Material accounting policies."
Information about the reportable segments of the Group is as follows:

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	¥348,880	131,935	314,552	252,697	591,151	86,392	1,725,609	-	1,725,609
Intersegment revenue and transfers*1	10,254	14	21,303	19,315	1,033	23,270	75,191	(75,191)	-
Total revenue	359,134	131,949	335,856	272,013	592,184	109,662	1,800,801	(75,191)	1,725,609
Segment profit (loss) *3	14,877	1,372	3,905	8,766	71,533	(1,845)	98,611	(16,256)	82,355
Finance income									2,291
Finance costs									(14,297)
Profit before tax									70,349
Depreciation and amortization	29,499	1,913	6,231	11,271	17,408	1,413	67,738	9,636	77,374
Impairment loss	1,649	-	554	-	-	2,402	4,606	-	4,606
Share of profit (loss) of investments accounted for using equity method	-	8	6,016	(2,761)	(40)	104	3,328	(14)	3,314

Notes: 1. Intersegment revenue and transfers are recorded at normal market prices.
2. Eliminations and corporate of ¥(16,256) million include ¥(838) million for intersegment transactions and ¥(15,418) million for general and administrative expenses not attributed to reportable segments.
3. Segment profit (loss) is calculated by deducting from revenue: cost of sales; selling, general and administrative expenses; share of profit and loss of investments accounted for using equity method; other income; and other expenses.

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	¥396,188	195,940	353,248	227,935	592,421	83,552	1,849,287	-	1,849,287
Intersegment revenue and transfers*1	12,099	16	26,487	17,938	1,173	25,513	83,228	(83,228)	-
Total revenue	408,288	195,956	379,736	245,873	593,594	109,066	1,932,515	(83,228)	1,849,287
Segment profit (loss) *3	(15,004)	3,752	31,911	(1,947)	48,071	1,140	67,924	(21,723)	46,201
Finance income									3,040
Finance costs									(17,261)
Profit before tax									31,980
Depreciation and amortization	30,899	2,124	6,317	10,808	19,780	1,449	71,379	9,602	80,982
Impairment loss	-	-	567	-	440	-	1,007	-	1,007
Share of profit (loss) of investments accounted for using equity method	-	2	13,762	(2,531)	-	136	11,370	(12)	11,358

Notes: 1. Intersegment revenue and transfers are recorded at normal market prices.
2. Eliminations and corporate of ¥(21,723) million ($(143,481) thousand) include ¥(1,753) million ($(11,579) thousand) for intersegment transactions and ¥(19,970) million ($(131,902) thousand) for general and administrative expenses not attributed to reportable segments.
3. Segment profit (loss) is calculated by deducting from revenue: cost of sales; selling, general and administrative expenses; share of profit and loss of investments accounted for using equity method; other income; and other expenses.

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	$2,616,830	1,294,188	2,333,210	1,505,515	3,912,952	551,863	12,214,577	-	12,214,577
Intersegment revenue and transfers*1	79,914	106	174,947	118,481	7,748	168,514	549,723	(549,723)	-
Total revenue	2,696,750	1,294,293	2,508,164	1,623,996	3,920,700	720,383	12,764,300	(549,723)	12,214,577
Segment profit (loss) *3	(99,102)	24,782	210,773	(12,860)	317,510	7,530	448,639	(143,481)	305,159
Finance income									20,079
Finance costs									(114,009)
Profit before tax									211,229
Depreciation and amortization	204,089	14,029	41,724	71,387	130,647	9,571	471,460	63,421	534,888
Impairment loss	-	-	3,745	-	2,906	-	6,651	-	6,651
Share of profit (loss) of investments accounted for using equity method	-	13	90,898	(16,717)	-	898	75,099	(79)	75,020

(3) Information by product and service

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

(4) Information by region

The Group's revenues by region are based on the geographical distribution of its customers, the breakdown of which is described in Note 24, "Revenue."
The breakdown of the carrying amounts of non-current assets (excluding financial assets, deferred tax assets, retirement benefit asset, etc.) analyzed by region of the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Japan	¥ 594,647	¥ 584,258	$ 3,859,036
Overseas total	111,891	170,387	1,125,410
Total	¥ 706,539	¥ 754,645	$ 4,984,445

(5) Information about major customers

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

	Related major reportable segments	Millions of yen		Thousands of U.S. dollars
		2023	2024	2024
Ministry of Defense	Aerospace Systems, Energy Solution & Marine Engineering, etc.	¥ 240,584	¥ 288,510	$ 1,905,614

5. Acquisition of subsidiaries and non-controlling interests

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
There were no significant business combinations.

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)
There were no significant business combinations.

6. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and deposits	¥ 137,499	¥ 83,928	$ 554,346
Cash equivalents	920	224	1,480
Total	¥ 138,420	¥ 84,153	$ 555,832

Cash and cash equivalents are classified as financial assets measured at amortized cost.
The balance of cash and cash equivalents in the consolidated statement of financial position corresponds to the balance of cash and cash equivalents at the end of the period in the consolidated statement of cash flow.

7. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Notes and accounts receivable - trade	¥ 427,922	¥ 627,506	$ 4,144,690
Other	42,475	53,524	353,527
Total	¥ 470,398	¥ 681,030	$ 4,498,217

Trade and other receivables, except for lease receivables included in Other, are all classified as financial assets measured at amortized cost.
The amount of trade and other receivables to be collected in more than 12 months as of March 31, 2023 and March 31, 2024 were ¥46,031 million and ¥66,387 million ($438,487 thousand), respectively.

8. Inventories

The breakdown of inventories is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2023		2024		2024	
Merchandise and finished goods	¥	110,270	¥	113,715	$	751,090
Work in process		403,676		393,110		2,596,499
Raw materials and supplies		176,484		203,381		1,343,336
Total	¥	690,431	¥	710,207	$	4,690,931

The amounts of inventory write-downs (negative is a reversal) recognized as expenses are included in cost of sales in the consolidated statement of profit or loss, and ¥3,180 million and ¥203 million ($1,341 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

Of the above, inventories to be paid and sold in more than 12 months are quantitatively insignificant as of March 31, 2023 and March 31, 2024.

9. Property, plant and equipment

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

Carrying amount

	Millions of yen											
		Buildings and structures		Machinery, equipment and vehicles		Land		Construction in progress		Other		Total
Balance as of April 1, 2022	¥	168,715	¥	142,068	¥	60,537	¥	21,489	¥	51,565	¥	444,375
Acquisitions		2,182		4,156		-		57,492		2,582		66,414
Transfer of accounts		7,706		21,293		716		(42,800)		11,415		(1,668)
Sale or disposal		(395)		(1,422)		(383)		(122)		(437)		(2,763)
Depreciation*1		(11,523)		(26,098)		-		-		(16,798)		(54,420)
Impairment loss*2and3		(44)		(255)		-		(1,638)		(939)		(2,879)
Exchange differences		1,389		1,647		251		418		556		4,263
Other		(110)		(1,354)		179		(1,486)		459		(2,312)
Balance as of March 31, 2023	¥	167,919	¥	140,034	¥	61,301	¥	33,351	¥	48,403	¥	451,010
Acquisitions		2,234		4,067		341		93,523		3,017		103,184
Transfer of accounts		8,522		32,511		23		(57,342)		14,789		(1,496)
Sale or disposal		(367)		(1,466)		(229)		(820)		(1,145)		(4,028)
Depreciation*1		(11,787)		(27,027)		-		-		(16,623)		(55,438)
Impairment loss*2and3		(21)		(430)		-		-		(167)		(620)
Exchange differences		2,301		3,596		366		2,814		945		10,024
Other		(112)		(549)		-		(5,665)		23		(6,304)
Balance as of March 31, 2024	¥	168,689	¥	150,736	¥	61,803	¥	65,860	¥	49,241	¥	496,331

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2023	$ 1,109,108	$ 924,927	$ 404,894	$ 220,284	$ 319,703	$ 2,978,930
Acquisitions	14,756	26,863	2,252	617,721	19,927	681,532
Transfer of accounts	56,288	214,736	152	(378,745)	97,682	(9,881)
Sale or disposal	(2,424)	(9,683)	(1,513)	(5,416)	(7,563)	(26,605)
Depreciation*1	(77,853)	(178,514)	-	-	(109,795)	(366,169)
Impairment loss*2and3	(139)	(2,840)	-	-	(1,103)	(4,095)
Exchange differences	15,198	23,752	2,417	18,587	6,242	66,209
Other	(740)	(3,626)	-	(37,417)	152	(41,638)
Balance as of March 31, 2024	$ 1,114,194	$ 995,614	$ 408,210	$ 435,007	$ 325,238	$ 3,278,276

Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2022	¥ 450,788	¥ 598,416	¥ 60,537	¥ 21,489	¥ 284,288	¥ 1,415,520
Balance as of March 31, 2023	¥ 461,137	¥ 614,410	¥ 61,301	¥ 34,990	¥ 292,937	¥ 1,464,776
Balance as of March 31, 2024	¥ 475,870	¥ 650,933	¥ 61,803	¥ 67,499	¥ 306,364	¥ 1,562,471

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2024	$ 3,143,131	$ 4,299,425	$ 408,210	$ 445,832	$ 2,023,540	$ 10,320,152

Accumulated depreciation and accumulated impairment loss

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2022	¥ 282,073	¥ 456,347	¥ -	¥ -	¥ 232,723	¥ 971,144
Balance as of March 31, 2023	¥ 293,217	¥ 474,375	¥ -	¥ 1,638	¥ 244,533	¥ 1,013,765
Balance as of March 31, 2024	¥ 307,180	¥ 500,197	¥ -	¥ 1,638	¥ 257,122	¥ 1,066,139

Notes: 1. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
2. Impairment loss is included in "Cost of sales" in the consolidated statement of profit or loss.
3. Details of impairment loss are disclosed in Note 11, "Impairment of non-financial assets."

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2024	$ 2,028,930	$ 3,303,811	$ -	$ 10,819	$ 1,698,296	$ 7,041,869

10. Intangible assets

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

Carrying amount

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2022	¥ 27,674	¥ 16,842	¥ 17,423	¥ 61,940
Acquisitions through internal development	3,752	-	-	3,752
Acquisitions	-	6,049	6,071	12,120
Sale or disposal	-	(28)	(1)	(29)
Amortization*1	(4,436)	(6,425)	(504)	(11,367)
Impairment loss*2and3	(56)	(40)	-	(96)
Exchange differences	13	33	56	103
Other	(77)	30	(126)	(174)
Balance as of March 31, 2023	¥ 26,869	¥ 16,459	¥ 22,919	¥ 66,248
Acquisitions through internal development	2,637	-	-	2,637
Acquisitions	-	6,863	8,469	15,332
Sale or disposal	-	(74)	(5)	(80)
Amortization*1	(6,143)	(6,749)	(554)	(13,448)
Impairment loss*2and3	(237)	(21)	(127)	(386)
Exchange differences	22	64	97	184
Other	(11)	171	(1,030)	(870)
Balance as of March 31, 2024	¥ 23,136	¥ 16,713	¥ 29,767	¥ 69,617

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2023	$ 177,470	$ 108,712	$ 151,380	$ 437,569
Acquisitions through internal development	17,417	-	-	17,417
Acquisitions	-	45,330	55,938	101,268
Sale or disposal	-	(489)	(33)	(528)
Amortization*1	(40,575)	(44,577)	(3,659)	(88,824)
Impairment loss*2and3	(1,565)	(139)	(839)	(2,550)
Exchange differences	145	423	641	1,215
Other	(73)	1,129	(6,803)	(5,746)
Balance as of March 31, 2024	$ 152,814	$ 110,390	$ 196,612	$ 459,822

Acquisition cost

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2022	¥ 34,880	¥ 74,038	¥ 25,943	¥ 134,862
Balance as of March 31, 2023	¥ 38,579	¥ 80,007	¥ 32,369	¥ 150,956
Balance as of March 31, 2024	¥ 41,226	¥ 87,033	¥ 39,900	¥ 168,160

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2024	$ 272,299	$ 574,855	$ 263,540	$ 1,110,700

Accumulated amortization and accumulated impairment loss

	Millions of yen							
	Development expenses		Software		Other		Total	
Balance as of April 1, 2022	¥	7,205	¥	57,196	¥	8,519	¥	72,921
Balance as of March 31, 2023	¥	11,709	¥	63,547	¥	9,450	¥	84,708
Balance as of March 31, 2024	¥	18,090	¥	70,319	¥	10,133	¥	98,543

Notes: 1. Amortization is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
2. Impairment loss is included in "Cost of sales" in the consolidated statement of profit or loss.
3. Details of impairment loss are disclosed in Note 11, "Impairment of non-financial assets."

	Thousands of U.S. dollars							
	Development expenses		Software		Other		Total	
Balance as of March 31, 2024	$	119,485	$	464,458	$	66,929	$	650,878

11. Impairment of non-financial assets

The Group recorded impairment losses for the following groups of assets. The impairment losses are included in "Cost of sales" in the consolidated statement of profit or loss.

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

As of March 31, 2023

Reportable segments	Location	Use	Type of assets	Millions of yen Amount	
Other	Chuo-ku, Kobe City, Hyogo, Japan Narita City, Chiba, Japan	Business assets	Machinery, equipment and vehicles, etc.	¥	2,402
Aerospace Systems	Akashi City, Hyogo, Japan	Business assets	Other non-current assets	¥	1,593
			Intangible assets		56
Energy Solution & Marine Engineering	Sakaide city, Kagawa, Japan	Business assets	Buildings, etc.	¥	554

In the previous consolidated fiscal year, the value of the automated robotic the PCR testing system used in PCR testing business, a part of the Other segment, was reduced to its recoverable amount as no future use was expected due to a significant decline in demand for PCR testing caused by changes in the position of COVID-19 under the Infectious Diseases Control Law. In addition, in the Aerospace Systems segment, the assets related to a certain civil aviation engine program in which the Company has been participating were reduced to their recoverable amounts due to the impact of the prolonged situation in Ukraine. In the Energy Solution & Marine Engineering segment, the assets of the Sakaide Works were reduced due to a decline in profitability based on the current market environment. The recoverable amounts of the assets of the Other segment were calculated by their fair values less the costs of disposal. The assets of the Aerospace Systems segment and the Energy Solution & Marine Engineering segment were calculated by their value in use. Their values were mainly zero.

As of March 31, 2024

The Group recorded impairment loss of ¥567 million ($3,745 thousand) on the assets of the Sakaide Works in the Energy Solution & Marine Engineering segment, and ¥440 million ($2,906 thousand) on the assets of a subsidiary in the Powersports & Engine segment due to a decline in profitability based on the current market environment.

12. Leases

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

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

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

Also, the Group leases mainly machinery and equipment other than offices, etc., and the lease terms for machinery and equipment are from 5 to 10 years. Among these leases are leases under which the Group has the option to purchase the asset at the end of the contract term and leases under which the Group guarantees the residual value of the lease assets at the end of the contract term.
The Group remeasures right-of-use assets and lease liabilities through monitoring the use of the machinery and equipment and revaluing amounts expected to be paid based on residual value guarantees as of the reporting date.

Other IT equipment leases include short-term leases and leases of low-value assets, for which right-of-use assets and lease liability are not recognized.

(1) Right-of-use assets

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

	Millions of yen			
	Type of underlying assets			
	Buildings and structures, land and other properties	Machinery, equipment and vehicles	Other	Total
2023	¥ 51,319	¥ 16,012	¥ 1,089	¥ 68,422
2024	¥ 49,632	¥ 13,870	¥ 1,321	¥ 64,824

	Thousands of U.S. dollars			
	Type of underlying assets			
	Buildings and structures, land and other properties	Machinery, equipment and vehicles	Other	Total
2024	$ 327,820	$ 91,612	$ 8,725	$ 428,164

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Underlying assets of buildings and structures, land and other properties	¥ 7,390	¥ 8,738	$ 57,715
Underlying assets of machinery, tools and fixtures	3,631	2,883	19,042
Underlying assets of other	564	533	3,520
Total depreciation of right-of-use assets	11,586	12,155	80,284
Increase in right-of-use assets	12,196	13,318	87,966

(2) Lease liabilities

The maturity analysis of lease liabilities at the end of the previous consolidated fiscal year and the current consolidated fiscal year is described in Note 21, “Financial Instruments.”

(3) Amount recognized in profit and loss

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Interest expense on lease liabilities	¥ 718	¥ 783	$ 5,172
Expenses related to short-term leases	154	195	1,288
Expenses related to leases of low-value assets	816	941	6,215

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

(4) Cash outflow related to leases

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash outflow related to leases	¥ 16,235	¥ 18,636	$ 123,091

(5) Sale and leaseback

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

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

13. Other financial assets

(1) The breakdown of other financial assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Financial assets measured at fair value through profit or loss			
Derivative assets*1	¥ 3,778	¥ 1,661	$ 10,971
Other	240	185	1,222
Financial assets measured at fair value through other comprehensive income			
Shares and investments in capital	26,953	32,500	214,663
Financial assets measured at amortized cost			
Time deposits with maturities of more than three months	5,997	7,803	51,539
Other*2	43,996	49,636	327,847
Total	¥ 80,966	¥ 91,787	$ 606,255
Current assets	10,741	11,024	72,814
Non-current assets	70,224	80,762	533,435
Total	¥ 80,966	¥ 91,787	$ 606,255

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

2. The Company sustained losses (approximately ¥51 billion ($336,856 thousand)) due to breach of contract by an overseas construction subcontractor in connection with a certain overseas liquefied natural gas (LNG) tank construction project. The Company has filed a petition for arbitration on this matter with the International Chamber of Commerce (ICC). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on contractual rights within "Other" under "Other financial assets."

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

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

(i) The breakdown of major stocks and fair value
Major stocks and the fair values of financial assets measured at fair value through other comprehensive income are as follows:

	Millions of yen
	2023
IHI Investment for Aero Engine Leasing LLC	¥ 3,981
Seiwa Building Co., Ltd.	2,819
IHI Aero Engines US Co., Ltd.	2,720
THE KOBE SHIMBUN	1,286
AKASHI-KIKAI INDUSTRY Co., Ltd.	1,220

	Millions of yen	Thousands of U.S. dollars
	2024	2024
IHI Investment for Aero Engine Leasing LLC	¥ 4,533	$ 29,941
Seiwa Building Co., Ltd.	4,220	27,873
IHI Aero Engines US Co., Ltd.	3,084	20,370
AKASHI-KIKAI INDUSTRY Co., Ltd.	2,048	13,527
West Japan Railway Techsia Co., Ltd.	1,464	9,670

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Fair value as of the sale date	¥ 188	¥ 431	$ 2,847
Accumulated gains (losses)	(63)	(2,318)	(15,310)

When financial assets measured at fair value through other comprehensive income are derecognized, the accumulated gains or losses recognized in other comprehensive income are reclassified from other components of equity to retained earnings. The amounts of accumulated gains or losses, net of tax reclassified from other components of equity to retained earnings during the period were ¥(43) million and ¥(2,130) million ($(14,069) thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(iii) Dividend income

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Investments derecognized during the period	¥ 2	¥ 6	$ 40
Investments held as of the year end	330	357	2,358
Total	¥ 332	¥ 364	$ 2,404

14. Deferred taxes and income taxes

(1) Deferred taxes

(i) Deferred tax assets and liabilities
The breakdown of deferred tax assets and liabilities is as follows:
In addition, as described in "2 Basis of preparation (5) Changes in accounting policies," the Amendments to IAS 12 have been adopted retrospectively, and the amounts of the previous fiscal year have been restated accordingly.

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

	Millions of yen			
	April 1, 2022	Recognized in profit or loss*	Recognized in other comprehensive income	March 31, 2023
Deferred tax assets				
Inventories	¥ 7,407	¥ 3,096	¥ -	¥ 10,504
Excess of book depreciation over tax depreciation, etc.	26,752	1,892	-	28,644
Provisions	9,493	(1,778)	-	7,715
Retirement benefit liability	42,415	7,912	(6,213)	44,114
Refund liabilities	1,617	384	-	2,001
Tax loss carryforward	10,755	(6,713)	-	4,041
Other	36,541	17,649	-	54,191
Total	¥ 134,983	¥ 22,443	¥ (6,213)	¥ 151,213
Deferred tax liabilities				
Reserve for tax purpose reduction entry of non-current assets, etc.	¥ (17,313)	¥ (1,255)	¥ -	¥ (18,568)
Investments in subsidiaries, associates and joint ventures	(8,482)	(1,400)	(451)	(10,333)
Other financial assets	(4,119)	(2,669)	(254)	(7,043)
Other	(4,241)	(1,595)	-	(5,837)
Total	(34,156)	(6,920)	(705)	(41,782)
Net amount	¥ 100,826	¥ 15,523	¥ (6,918)	¥ 109,430

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

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen			
	April 1, 2023	Recognized in profit or loss*	Recognized in other comprehensive income	March 31, 2024
Deferred tax assets				
Inventories	¥ 10,504	¥ (380)	¥ -	¥ 10,124
Excess of book depreciation over tax depreciation, etc.	28,644	339	-	28,984
Provisions	7,715	5,621	-	13,336
Retirement benefit liability	44,114	(348)	(6,653)	37,112
Refund liabilities	2,001	18,780	-	20,782
Tax loss carryforward	4,041	837	-	4,878
Other	54,191	(7,175)	-	47,015
Total	¥ 151,213	¥ 17,675	¥ (6,653)	¥ 162,235
Deferred tax liabilities				
Reserve for tax purpose reduction entry of non-current assets, etc.	¥ (18,568)	¥ 1,135	¥ -	¥ (17,433)
Investments in subsidiaries, associates and joint ventures	(10,333)	1,108	(1,639)	(10,864)
Other financial assets	(7,043)	(2,796)	(2,223)	(12,062)
Other	(5,837)	706	-	(5,130)
Total	(41,782)	154	(3,862)	(45,490)
Net amount	¥ 109,430	¥ 17,829	¥ (10,516)	¥ 116,744

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

	Thousands of U.S. dollars			
	April 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2024
Deferred tax assets				
Inventories	$ 69,379	$ (2,510)	$ -	$ 66,869
Excess of book depreciation over tax depreciation, etc.	189,194	2,239	-	191,440
Provisions	50,958	37,127	-	88,085
Retirement benefit liability	291,374	(2,299)	(43,943)	245,125
Refund liabilities	13,217	124,042	-	137,266
Tax loss carryforward	26,691	5,528	-	32,219
Other	357,933	(47,391)	-	310,535
Total	$ 998,765	$ 116,744	$ (43,943)	$ 1,071,565
Deferred tax liabilities				
Reserve for tax purpose reduction entry of non-current assets, etc.	$ (122,642)	$ 7,497	$ -	$ (115,145)
Investments in subsidiaries, associates and joint ventures	(68,250)	7,318	(10,826)	(71,757)
Other financial assets	(46,519)	(18,468)	(14,683)	(79,670)
Other	(38,554)	4,663	-	(33,884)
Total	(275,971)	1,017	(25,509)	(300,462)
Net amount	$ 722,787	$ 117,761	$ (69,458)	$ 771,096

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

Of the deferred tax assets at the end of the previous consolidated fiscal year and the current consolidated fiscal year, ¥11,777 million and ¥105,585 million, ($697,391 thousand) respectively, were attributed to taxable entities which have incurred losses in the previous consolidated fiscal year or the current consolidated fiscal year.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Tax loss carryforward	¥ 20,737	¥ 15,525	$ 102,543
Deductible temporary differences	209	1,702	11,242

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

Tax loss carryforward	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Year 1	¥ 10	¥ 170	$ 1,123
Year 2	5	20	132
Year 3	0	-	-
Year 4	1	-	-
Year 5 or later	20,719	15,334	101,281
Total	¥ 20,737	¥ 15,525	$ 102,543

(iv) Taxable temporary differences for which deferred tax liabilities are not recognized
The Group does not recognize deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, except for those related to undistributed profits scheduled to be distributed at the end of the reporting period. This is because the Group is in a position to control the timing of the reversal of the temporary differences, and it is certain that the temporary differences will not be reversed within the foreseeable future. The taxable temporary differences associated with investments in subsidiaries for unrecognized deferred tax liabilities at the end of the previous consolidated fiscal year and the current consolidated fiscal year were ¥238,290 million and ¥319,032 million ($2,107,213 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Current tax expense	¥ 29,838	¥ 20,457	$ 135,119
Deferred tax expense	(14,780)	(15,787)	(104,273)
Total	¥ 15,058	¥ 4,670	$ 30,845

Deferred tax expense includes the amount of benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period, and the write-down or reversal of the previous write-down of the deferred tax assets. The related deferred tax expense for the previous consolidated fiscal year and the current consolidated fiscal year decreased by ¥1,248 million and decreased by ¥504 million ($3,329 thousand), respectively.
The current tax expense includes the amount of benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period. As a result, the amounts of decrease in current tax expense were insignificant for both the previous consolidated fiscal year and the current consolidated fiscal year.

(3) Reconciliation of applicable tax rate

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

	%	
	2023	2024
Income taxes at the effective statutory tax rates	30.5	30.5
Movements in unrecognized deferred tax assets	(0.2)	(0.9)
Share of profit or loss of investments accounted for using equity method	(1.5)	(11.3)
Tax credit for research and development expenses	(6.5)	(6.4)
Investments in subsidiaries, associates and joint ventures	2.0	(3.5)
Tax rate difference between subsidiaries	(2.7)	(3.5)
Non-deductible expenses for tax purposes	0.9	7.5
Withholding tax related to dividends from overseas subsidiaries	1.1	4.1
Other	(2.2)	(2.0)
Actual tax rate	21.4	14.6

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

15. Trade and other payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Notes payable - trade	¥ 5,718	¥ 5,994	$ 39,590
Accounts payable - trade	248,123	271,089	1,790,548
Electronically recorded obligations	141,325	174,892	1,155,165
Other	57,081	69,757	460,746
Total	¥ 452,250	¥ 521,734	$ 3,446,063

Trade and other payables are classified as financial liabilities measured at amortized cost.
In the previous consolidated fiscal year and the current consolidated fiscal year, the amounts of notes and accounts payable for which collateral was pledged and the assets pledged as collateral (financial assets measured at fair value through other comprehensive income, etc.) were immaterial.

16. Bonds, borrowings and other financial liabilities

(1) Breakdown

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Financial liabilities measured at amortized cost			
Bonds	¥ 188,941	¥ 158,968	$ 1,049,987
Short-term borrowings	114,702	143,023	944,670
Long-term borrowings	211,080	220,194	1,454,386
Commercial paper	-	60,000	396,301
Other	20,627	14,295	94,419
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	4,619	8,751	57,801
Payables associated with receivables securitization	170,132	168,270	1,111,427
Lease liabilities	75,155	71,730	473,778
Total	¥ 785,258	¥ 845,234	$ 5,582,787
Current liabilities	340,176	453,694	2,996,658
Non-current liabilities	445,082	391,539	2,586,123
Total	¥ 785,258	¥ 845,234	$ 5,582,787

Average interest rates for short-term and long-term borrowings applicable to the current consolidated fiscal year were 3.613% and 0.781%, respectively.

Long-term borrowings will be due in 2024 through 2033.

(2) Contractual terms and repayment schedule

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

Company	Description	Date of issuance	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024	Interest rate	Maturity
KHI	40th Unsecured Bonds	December 16, 2013	¥ 10,000	¥ -	$ -	0.988%	December 15, 2023
KHI	42nd Unsecured Bonds	July 18, 2014	10,000	10,000	66,050	0.791%	July 18, 2024
KHI	44th Unsecured Bonds	July 24, 2015	10,000	10,000	66,050	0.853%	July 24, 2025
KHI	46th Unsecured Bonds	July 15, 2016	10,000	10,000	66,050	0.820%	July 15, 2036
KHI	48th Unsecured Bonds	July 20, 2017	10,000	10,000	66,050	0.900%	July 17, 2037
KHI	49th Unsecured Bonds	July 20, 2018	10,000	-	-	0.180%	July 20, 2023
KHI	50th Unsecured Bonds	July 20, 2018	10,000	10,000	66,050	0.400%	July 20, 2028
KHI	51st Unsecured Bonds	July 12, 2019	10,000	10,000	66,050	0.150%	July 12, 2024
KHI	52nd Unsecured Bonds	July 12, 2019	10,000	10,000	66,050	0.820%	July 12, 2039
KHI	53rd Unsecured Bonds	January 21, 2020	10,000	10,000	66,050	0.180%	January 21, 2025
KHI	54th Unsecured Bonds	January 21, 2020	10,000	10,000	66,050	0.700%	January 20, 2040
KHI	55th Unsecured Bonds	June 11, 2020	20,000	-	-	0.060%	June 9, 2023
KHI	56th Unsecured Bonds	June 11, 2020	29,941	29,968	197,939	0.260%	June 11, 2025
KHI	57th Unsecured Bonds	June 11, 2020	10,000	10,000	66,050	0.480%	June 11, 2030
KHI	58th Unsecured Bonds	July 15, 2021	10,000	10,000	66,050	0.300%	July 15, 2031
KHI	59th Unsecured Bonds	July 14, 2022	9,000	9,000	59,445	0.789%	July 14, 2032
KHI	60th Unsecured Bonds	February 29, 2024	-	10,000	66,050	0.742%	February 28, 2029
	Total		¥ 188,941	¥ 158,968	$ 1,049,987		

(3) Receivables securitization

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

At the end of the previous consolidated fiscal year and the current consolidated fiscal year such transferred assets were recorded in the consolidated statement of financial position in the amount of ¥60,616 million and ¥83,118 million ($548,996 thousand) respectively as "Trade and other receivables," and ¥104,949 million and ¥85,152 million ($562,431 thousand) respectively as "Contract assets." Amounts received upon the transfer of the assets concerned are recorded as related liabilities in "Bonds, borrowings and other financial liabilities" in the same amounts, respectively. The carrying amounts of the transferred assets and the related liabilities roughly approximate fair value.

(4) Reconciliation of liabilities on financing activities

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

	Millions of yen					
			Non-cash transactions			
	April 1, 2022	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2023
Bonds	¥ 199,915	¥ (11,000)	¥ -	¥ -	¥ 26	¥ 188,941
Short-term borrowings	75,641	36,664	-	2,472	(75)	114,702
Long-term borrowings	214,497	(3,487)	-	20	50	211,080
Payables associated with receivables securitization	77,331	92,800	-	-	-	170,132
Lease liabilities	63,881	(14,545)	20,583	1,803	3,433	75,155
Commercial paper	-	-	-	-	-	-
Other	10,090	(4,539)	-	-	35	5,585
Total	¥ 641,357	¥ 95,891	¥ 20,583	¥ 4,296	¥ 3,469	¥ 765,598

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen					
			Non-cash transactions			
	April 1, 2023	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2024
Bonds	¥ 188,941	¥ (30,000)	¥ -	¥ -	¥ 26	¥ 158,968
Short-term borrowings	114,702	20,229	-	7,599	492	143,023
Long-term borrowings	211,080	8,540	-	523	49	220,194
Payables associated with receivables securitization	170,132	(1,861)	-	-	-	168,270
Lease liabilities	75,155	(16,526)	11,836	3,010	(1,746)	71,730
Commercial paper	-	60,000	-	-	-	60,000
Other	5,585	(5,411)	-	-	1,386	1,560
Total	¥ 765,598	¥ 34,971	¥ 11,836	¥ 11,134	¥ 208	¥ 823,748

	Thousands of U.S. dollars					
			Non-cash transactions			
	April 1, 2023	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2024
Bonds	$ 1,247,959	$ (198,151)	$ -	$ -	$ 172	$ 1,049,987
Short-term borrowings	757,609	133,613	-	50,192	3,250	944,670
Long-term borrowings	1,394,188	56,407	-	3,454	324	1,454,386
Payables associated with receivables securitization	1,123,725	(12,292)	-	-	-	1,111,427
Lease liabilities	496,400	(109,155)	78,177	19,881	(11,532)	473,778
Commercial paper	-	396,301	-	-	-	396,301
Other	36,889	(35,740)	-	-	9,155	10,304
Total	$ 5,056,790	$ 230,984	$ 78,177	$ 73,540	$ 1,374	$ 5,440,872

17. Employee benefits

(1) Overview of retirement benefit plans

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

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

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

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

The Group is exposed to actuarial risks (interest rate risk, market risk, etc.) through these retirement benefit plans.

(2) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Present value of defined benefit obligations	¥ 208,456	¥ 213,768	$ 1,411,942
Fair value of plan assets	117,249	139,554	921,757
Changes in the effect of the asset ceiling	-	-	-
Net defined benefit liabilities	¥ 91,206	¥ 74,213	$ 490,178
Retirement benefit liabilities	91,552	74,604	492,761
Retirement benefit assets*	346	390	2,576
Net defined benefit liabilities	¥ 91,206	¥ 74,213	$ 490,178

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

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥ 224,045	¥ 208,456	$ 1,376,856
Current service cost	11,572	10,145	67,008
Interest cost	2,422	3,731	24,643
Remeasurement of defined benefit plans			
Actuarial gains (losses) arising from changes in demographic assumptions	(860)	(81)	(535)
Actuarial gains (losses) arising from changes in financial assumptions	(23,888)	(5,198)	(34,333)
Actuarial gains (losses) arising from experience adjustment	527	(311)	(2,054)
Past service cost	(1,300)	-	-
Payment of benefits	(4,663)	(6,085)	(40,192)
Other	601	3,112	20,555
Balance at the end of the year	¥ 208,456	¥ 213,768	$ 1,411,942

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

The Company's weighted average duration of the defined benefit obligations at the end of the previous consolidated fiscal year and the current consolidated fiscal year were 14.9 years and 14.3 years, respectively.

(iii) Changes in fair value of plan assets
Changes in the fair values of plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥ 117,222	¥ 117,249	$ 774,432
Return on interest income on plan assets	1,668	2,634	17,398
Remeasurement of defined benefit plans			
Return on plan assets	(3,655)	16,078	106,196
Contributions by the employer	4,701	4,722	31,189
Payment of benefits	(2,872)	(2,661)	(17,576)
Other	184	1,530	10,106
Balance at the end of the year	117,249	139,554	921,757

The Group plans to contribute ¥2,897 million ($19,135 thousand) to defined benefit plans for the following consolidated fiscal year.

(iv) Components of plan assets

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

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

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

	Millions of yen		
	2023		
	Quoted market prices in active markets		
	Yes	No	Total
Cash and cash equivalents	¥ 20,730	¥ -	¥ 20,730
Shares	49,201	-	49,201
Bonds	12,698	-	12,698
General accounts of life insurance companies	-	9,888	9,888
Other	-	24,730	24,730
Total	¥ 82,630	¥ 34,619	¥ 117,249

	Millions of yen			Thousands of U.S. dollars		
	2024			2024		
	Quoted market prices in active markets			Quoted market prices in active markets		
	Yes	No	Total	Yes	No	Total
Cash and cash equivalents	¥ 23,253	¥ -	¥ 23,253	$ 153,587	$ -	$ 153,587
Shares	59,459	-	59,459	392,728	-	392,728
Bonds	15,963	-	15,963	105,436	-	105,436
General accounts of life insurance companies	-	10,340	10,340	-	68,296	68,296
Other	-	30,537	30,537	-	201,697	201,697
Total	¥ 98,676	¥ 40,878	¥ 139,554	$ 651,757	$ 270,000	$ 921,757

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

	2023	2024
Discount rate (%)	1.48	1.65

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

(vi) Sensitivity analysis of defined benefit obligations

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Increase by 0.5%	¥ (13,342)	¥ (12,980)	$ (85,733)
Decrease by 0.5%	14,796	14,352	94,795

(3) Defined contribution plans

The pension expenses related to defined contribution plans for the previous consolidated fiscal year and the current consolidated fiscal year were ¥2,727 million and ¥3,394 million ($22,417 thousand), respectively.

(4) Employee benefit expenses

Total amounts of employee benefit expenses recognized for the previous consolidated fiscal year and the current consolidated fiscal year were ¥294,868 million and ¥299,711 million ($1,979,597 thousand), respectively.

18. Provisions

(1) Statements of changes

Changes in provisions are as follows:

	Millions of yen			
	Provision for construction warranties	Provision for loss on construction contracts	Other	Total
April 1, 2023	¥ 18,213	¥ 4,663	¥ 1,963	¥ 24,840
Increase	18,695	3,510	7,371	29,576
Utilization	(15,058)	(571)	(406)	(16,035)
Reversal	(536)	(1,926)	(730)	(3,194)
Unwinding of provisions due to passage of time	-	-	3	3
Other	1	-	8	9
March 31, 2024	21,315	5,675	8,209	35,200
Current liabilities	21,315	5,675	7,251	34,242
Non-current liabilities	-	-	957	957
Total	¥ 21,315	¥ 5,675	¥ 8,209	¥ 35,200

	Thousands of U.S. dollars			
	Provision for construction warranties	Provision for loss on construction contracts	Other	Total
April 1, 2023	$ 120,297	$ 30,799	$ 12,966	$ 164,069
Increase	123,481	23,184	48,686	195,350
Utilization	(99,458)	(3,771)	(2,682)	(105,911)
Reversal	(3,540)	(12,721)	(4,822)	(21,096)
Unwinding of provisions due to passage of time	-	-	20	20
Other	7	-	53	59
March 31, 2024	140,786	37,483	54,221	232,497
Current liabilities	140,786	37,483	47,893	226,169
Non-current liabilities	-	-	6,321	6,321
Total	$ 140,786	$ 37,483	$ 54,221	$ 232,497

(2) Details of provisions

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

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

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

19. Paid-in capital and other equity

(1) Capital Management

The Group's basic management policy is to stably generate profits that exceed the cost of capital into the future in order to sustainably improve corporate value and strengthen the Group’s financial base.
In order to do so, the Group believes that it is important to maintain an appropriate balance between continuously conducting advanced research and development and innovative capital investment to improve long-term shareholder value and returns to shareholders by distribution of dividends while maintaining financial soundness.
In this pursuit, the Group places after-tax ROIC and net D/E ratio as significant monitoring targets.

	%	
	2023	2024
After-tax ROIC	5.7	2.8
Net D/E ratio	77.3	88.6

The Group is not subject to any significant capital regulations.

(2) Share capital and treasury shares

Changes in authorized shares and issued shares are as follows:

	Thousands of shares	
	2023	2024
Type of shares	Common shares	Common shares
Number of authorized shares	336,000	336,000
Number of issued shares		
Beginning of the year	167,921	167,921
Change during the year	-	-
End of the year	167,921	167,921
Treasury shares		
Beginning of the year	449	440
End of the year	440	420

All common shares have no par value, and all issued shares are fully paid up.
In addition, the number of treasury shares includes shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others. Such shares were 398 thousand shares and 376 thousand shares as of March 31, 2023 and March 31, 2024, respectively.

(3) Surplus

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

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

(4) Other components of equity

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

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

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

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

(5) Dividends

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
(i) Total dividends and dividends per share

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 24, 2022 General Meeting of Shareholders	Common shares	¥3,357 million	Retained earnings	¥20.0	March 31, 2022	June 27, 2022
November 10, 2022 Board of Directors Meeting	Common shares	¥5,036 million	Retained earnings	¥30.0	September 30, 2022	December 5, 2022

The total amount of dividends declared by the resolution of the General Meeting of Shareholders on June 24, 2022 includes dividends of ¥8 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.
The total amount of dividends declared by the resolution of the Board of Directors Meeting on November 10, 2022 includes dividends of ¥11 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

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

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 28, 2023 General Meeting of Shareholders	Common shares	¥10,072 million	Retained earnings	¥60.0	March 31, 2023	June 29, 2023

The total amount of dividends declared by the resolution of the General Meeting of Shareholders on June 28, 2023 includes dividends of ¥23 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)
(i) Total dividends and dividends per share

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 28, 2023 General Meeting of Shareholders	Common shares	¥10,072 million ($66,526 thousand)	Retained earnings	¥60.0 ($0.396)	March 31, 2023	June 29, 2023
November 8, 2023 Board of Directors Meeting	Common shares	¥3,357 million ($22,173 thousand)	Retained earnings	¥20.0 ($0.132)	September 30, 2023	December 4, 2023

The total amount of dividends declared by the resolution of the General Meeting of Shareholders on June 28, 2023 includes dividends of ¥23 million ($152 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.
The total amount of dividends declared by the resolution of the Board of Directors Meeting on November 8, 2023 includes dividends of ¥7 million ($46 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

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

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2024 General Meeting of Shareholders	Common shares	¥5,036 million ($33,263 thousand)	Retained earnings	¥30.0 ($0.198)	March 31, 2024	June 27, 2024

The total amount of dividends declared by the resolution of the General Meeting of Shareholders on June 26, 2024 includes dividends of ¥11 million ($73 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

20. Other comprehensive income

Changes in other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	¥ (509)	¥ 6,597	$ 43,573
Before tax effects	(509)	6,597	43,573
Tax effects	145	(2,383)	(15,740)
After tax effects	(363)	4,214	27,834
Remeasurements of defined benefit plans			
Amount arising during the year	20,566	21,670	143,131
Before tax effects	20,566	21,670	143,131
Tax effects	(6,213)	(6,653)	(43,943)
After tax effects	14,353	15,017	99,188
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	0	1	7
Before tax effects	0	1	7
Tax effects	-	-	-
After tax effects	0	1	7
Items that may be reclassified to profit or loss			
Cash flow hedges			
Amount arising during the year	(8,224)	(23,759)	(156,929)
Reclassification adjustments	10,556	23,703	156,559
Before tax effects	2,331	(56)	(370)
Tax effects	(399)	160	1,057
After tax effects	1,932	103	680
Exchange differences on translation of foreign operations			
Amount arising during the year	10,050	23,302	153,910
Reclassification adjustments	61	-	-
Before tax effects	10,112	23,302	153,910
Tax effects	-	-	-
After tax effects	10,112	23,302	153,910
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	959	5,434	35,892
Reclassification adjustments	-	-	-
Before tax effects	959	5,434	35,892
Tax effects	(451)	(1,639)	(10,826)
After tax effects	508	3,795	25,066
Total other comprehensive income	¥ 26,542	¥ 46,435	$ 306,704

21. Financial instruments

(1) Financial risk management

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

(2) Credit risk

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

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

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

(ii) Credit risk exposure

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

		Millions of yen		Thousands of U.S. dollars
Measurement method of credit losses	Classification	2023	2024	2024
Simplified approach	-	¥ 598,896	¥ 776,790	$ 5,130,713
General approach	Measured at an amount equal to the 12-month expected credit losses	75,472	91,712	605,760
	Measured at an amount equal to the lifetime expected credit losses	2,070	1,137	7,510
	Measured at an amount equal to the lifetime expected credit losses (credit impaired)	1,365	1,460	9,643
Total		¥ 677,803	¥ 871,100	$ 5,753,633

(b) Debt guarantees
The Group has provided guarantees for transactions with financial institutions and leasing companies made by equity-method entities, customers and employees as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Equity-method entities	¥ 14,036	¥ 9,974	$ 65,878
Third parties	6,633	6,021	39,769
Employees	5	3	20
Total	20,674	15,999	105,674

(iii) Changes in allowance for doubtful accounts
The amount of allowance for doubtful accounts is calculated as follows:
・Trade receivables, contract assets and lease receivables
Since the Company business entails a large number of counterparties, the expected credit loss is measured by adjusting forecasts of future economic conditions and other factors into historical default rates after classifying receivables, etc., based on the credit risk characteristics of the counterparties.
・Receivables, etc., other than trade receivables, contract assets and lease receivables
For assets for which credit risk has not increased significantly, the expected credit loss is measured by multiplying the total carrying amount by an allowance ratio based on the historical default rate.

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

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

	Millions of yen		
	Financial assets applied by the simplified approach	Financial assets applied by the general approach	
		Credit-impaired financial assets	Other than credit-impaired financial assets*
Balance at the beginning of the year	¥ 3,439	¥ 1,212	¥ 622
Increase during period	3,234	66	26
Utilization	(2,162)	(0)	-
Other	309	9	27
Balance at the end of the year	4,821	1,288	676

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

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen		
	Financial assets applied by the simplified approach	Financial assets applied by the general approach	
		Credit-impaired financial assets	Other than credit-impaired financial assets*
Balance at the beginning of the year	¥ 4,821	¥ 1,288	¥ 676
Increase during period	334	205	26
Utilization	(5)	(35)	(0)
Other	(155)	1	47
Balance at the end of the year	4,994	1,460	750

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

	Thousands of U.S. dollars		
	Financial assets applied by the simplified approach	Financial assets applied by the general approach	
		Credit-impaired financial assets	Other than credit-impaired financial assets*
Balance at the beginning of the year	$ 31,843	$ 8,507	$ 4,465
Increase during period	2,206	1,354	172
Utilization	(33)	(231)	(0)
Other	(1,024)	7	310
Balance at the end of the year	32,985	9,643	4,954

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

(3) Liquidity risk

(i) Details and management policy of liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in discharging its financial liabilities using cash or other financial assets.
The Group is exposed to the liquidity risk of the Group being unable to fulfill payments on the due date when the repayment obligations of its financial liabilities fall due. The Group manages liquidity risks by forming and updating its funding plans in a timely manner by each group company and appropriately ensuring sufficient funds for the repayment of financial liabilities.
In addition, the Group maintains flexible funding capabilities using a cash management system among the group companies, diversifying financing methods, adjusting the balance between long-term and short-term financing with consideration for the financing environment, securing commitment lines, etc.

(ii) Maturity analysis
The breakdown of financial liabilities by due date is as follows:

(a) As of March 31, 2023

	Millions of yen				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	¥ 514,724	¥ 529,994	¥ 182,792	¥ 225,386	¥ 121,814
Commercial paper	-	-	-	-	-
Payables associated with receivables securitization	170,132	170,132	138,769	31,363	-
Trade and other payables	452,250	452,250	445,047	7,202	-
Lease liabilities	75,155	80,750	16,599	37,854	26,296
Other financial liabilities	20,627	20,627	13,429	5,605	1,592
Total	¥ 1,232,889	¥ 1,253,754	¥ 796,638	¥ 307,411	¥ 149,704
Derivative liabilities	¥ 4,619	¥ 4,619	¥ 4,496	¥ 122	¥ -

(b) As of March 31, 2024

	Millions of yen				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	¥ 522,186	¥ 540,492	¥ 209,234	¥ 228,034	¥ 103,223
Commercial paper	60,000	60,000	60,000	-	-
Payables associated with receivables securitization	168,270	168,270	159,896	8,374	-
Trade and other payables	521,734	521,734	519,313	2,420	-
Lease liabilities	71,730	77,390	19,308	34,661	23,420
Other financial liabilities	14,295	14,295	9,494	3,753	1,047
Total	¥ 1,358,217	¥ 1,382,183	¥ 977,247	¥ 277,244	¥ 127,692
Derivative liabilities	¥ 8,751	¥ 8,751	¥ 8,485	¥ 265	¥ -

	Thousands of U.S. dollars				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	$ 3,449,049	$ 3,569,960	$ 1,381,995	$ 1,506,169	$ 681,790
Commercial paper	396,301	396,301	396,301	-	-
Payables associated with receivables securitization	1,111,427	1,111,427	1,056,116	55,310	-
Trade and other payables	3,446,063	3,446,063	3,430,073	15,984	-
Lease liabilities	473,778	511,162	127,530	228,937	154,690
Other financial liabilities	94,419	94,419	62,708	24,789	6,915
Total	$ 8,971,050	$ 9,129,346	$ 6,454,736	$ 1,831,202	$ 843,408
Derivative liabilities	$ 57,801	$ 57,801	$ 56,044	$ 1,750	$ -

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Total amount of maximum overdraft limit and commitment line agreements	¥ 564,554	¥ 583,376	$ 3,853,210
Balance of executed loans	68,130	66,239	437,510
Net amount	496,424	517,137	3,415,700

(4) Market risk

(i) Foreign currency risk

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

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
U.S. dollar	¥ 16,624	¥ 43,831	$ 289,505
Euro	1,682	501	3,309

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
U.S. dollar	¥ (166)	¥ (438)	$ (2,893)
Euro	(16)	(5)	(33)

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

(5) Hedge accounting

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

(i) Significant derivatives designated as hedges

(a) As of March 31, 2023

	Millions of yen				
				Carrying amount of hedging instruments	
Hedging instruments	Notional amount	Of which, over 1 year	Average rate	Derivative Assets	Derivative Liabilities
Interest rate risk					
Interest rate swap	¥ 19,500	¥ 13,500	0.31%	¥ 40	¥ 9
Foreign currency risk					
Exchange contracts	¥ 160,937	¥ 3,983	JPY 131.28/USD JPY 138.90/EUR	¥ 2,307	¥ 1,616

(b) As of March 31, 2024

	Millions of yen				
				Carrying amount of hedging instruments	
Hedging instruments	Notional amount	Of which, over 1 year	Average rate	Derivative Assets	Derivative Liabilities
Interest rate risk					
Interest rate swap	¥ 13,500	¥ 9,000	0.46%	¥ 53	¥ -
Foreign currency risk					
Exchange contracts	¥ 77,800	¥ 22,556	JPY 138.75/USD JPY 149.75/EUR	¥ 1,114	¥ 1,168

	Thousands of U.S. dollars				
				Carrying amount of hedging instruments	
Hedging instruments	Notional amount	Of which, over 1 year	Average rate	Derivative Assets	Derivative Liabilities
Interest rate risk					
Interest rate swap	$ 89,168	$ 59,445	0.46%	$ 350	$ -
Foreign currency risk					
Exchange contracts	$ 513,871	$ 148,983	JPY 138.75/USD JPY 149.75/EUR	$ 7,358	$ 7,715

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

(ii) Cash flow hedge reserve
The balance of cash flow hedge reserve is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Interest rate risk	¥ 21	¥ 37	$ 244
Foreign currency risk	654	318	2,100

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

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

(a) Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

	Millions of yen		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	¥ 104	¥ (24)	Finance income, Finance costs
Foreign currency risk	(8,328)	10,580	Finance income, Finance costs

(b) Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

	Millions of yen		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	¥ 43	¥ (20)	Finance income, Finance costs
Foreign currency risk	(23,802)	23,724	Finance income, Finance costs

	Thousands of U.S. dollars		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	$ 284	$ (132)	Finance income, Finance costs
Foreign currency risk	(157,213)	156,697	Finance income, Finance costs

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

(6) Fair values of financial instruments

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

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

(ii) Method of fair value measurement
The method of measuring the fair values of financial assets and liabilities is as follows:

(a) Cash and cash equivalents, trade and other receivables, trade and other payables, payables associated with receivables securitization, and short-term borrowings
The carrying amount is used as the fair value because it approximates the fair value due to the short period to maturity or settlement.

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

(c) Shares and investments in capital
The fair value of shares with active markets is determined using market prices. The fair value of shares with no active markets is generally determined using appropriate valuation techniques such as the comparable company method.

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

(e) Bonds
The fair value of a bond is determined based on the market price.

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

(a) As of March 31, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	¥ 4,665	¥ -	¥ 22,287	¥ 26,953
Financial assets measured at fair value through profit or loss				
Derivative assets	-	3,778	-	3,778
Other	-	-	240	240
Total assets	¥ 4,665	¥ 3,778	¥ 22,527	¥ 30,971
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	4,619	-	4,619
Total liabilities	¥ -	¥ 4,619	¥ -	¥ 4,619

(b) As of March 31, 2024

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	¥ 5,326	¥ -	¥ 27,174	¥ 32,500
Financial assets measured at fair value through profit or loss				
Derivative assets	-	1,661	-	1,661
Other	-	-	185	185
Total assets	¥ 5,326	¥ 1,661	¥ 27,359	¥ 34,347
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	8,751	-	8,751
Total liabilities	¥ -	¥ 8,751	¥ -	¥ 8,751

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	$ 35,178	$ -	$ 179,485	$ 214,663
Financial assets measured at fair value through profit or loss				
Derivative assets	-	10,971	-	10,971
Other	-	-	1,222	1,222
Total assets	$ 35,178	$ 10,971	$ 180,707	$ 226,863
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	57,801	-	57,801
Total liabilities	$ -	$ 57,801	$ -	$ 57,801

a) Valuation techniques and significant unobservable inputs

The fair value of shares with no active market classified as Level 3 is calculated by using valuation techniques based on the market prices of comparable companies and others. The significant unobservable inputs used to calculate fair value are the price book-value ratio (0.5 to 2.4 times) and the illiquidity discount (30%). The estimate of fair value is increased (decreased) by an increase (decrease) in the price book-value ratio and decreased (increased) by an increase (decrease) in the illiquidity discount.

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

b) Valuation process

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

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Balance at the beginning of the year	¥ 22,472	¥ 22,527	$ 148,791
Purchases	1,550	86	568
Gains and losses			
Other comprehensive income*1	(745)	4,926	32,536
Profit or loss*2	(159)	(55)	(363)
Sales	(174)	(40)	(264)
Transfer from Level 3*3	(439)	(86)	(568)
Other	24	0	0
Balance at the end of the year	22,527	27,359	180,707
Changes in unrealized gains and losses recorded in profit or loss on assets held at the end of the reporting period*2	(159)	(55)	(363)

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

(iv) Financial instruments not measured at fair value

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

	Millions of yen	
	2023	
	Carrying amount	Fair value
Long-term borrowings	¥ 211,080	¥ 209,170
Bonds	188,941	185,332
Total financial liabilities	¥ 400,021	¥ 394,502

	Millions of yen		Thousands of U.S. dollars	
	2024		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	¥ 220,194	¥ 218,009	$ 1,454,386	$ 1,439,954
Bonds	158,968	153,253	1,049,987	1,012,239
Total financial liabilities	¥ 379,162	¥ 371,262	$ 2,504,373	$ 2,452,193

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

22. Consolidation

(1) Composition of the Group

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

Name	Address	Reportable segment	Ownership percentage of voting rights As of March 31, 2023	Ownership percentage of voting rights As of March 31, 2024
NIPPI Corporation	Kanazawa-ku, Yokohama City	Aerospace Systems	100%	100%
Kawasaki Railcar Manufacturing Co., Ltd.	Hyogo-ku, Kobe City	Rolling Stock	100%	100%
Kawasaki Rail Car, Inc.	New York, U.S.A.	Rolling Stock	100% (100%)	100% (100%)
Kawasaki Thermal Engineering Co., Ltd.	Kusatsu City, Shiga	Energy Solution & Marine Engineering	100%	100%
Kawasaki Machine Systems, Ltd.	Kita-ku, Osaka City	Energy Solution & Marine Engineering	100%	100%
EarthTechnica Co., Ltd.	Chiyoda-ku, Tokyo	Energy Solution & Marine Engineering	100%	100%
Wuhan Kawasaki Marine Machinery Co., Ltd.	Wuhan, China	Energy Solution & Marine Engineering	55%	55%
Kawasaki Precision Machinery (Suzhou) Ltd.	Suzhou, China	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery (U.S.A.), Inc.	Michigan, U.S.A.	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd.	Shanghai, China	Precision Machinery & Robot	100%	100%
Kawasaki Precision Machinery (UK) Ltd.	Plymouth, United Kingdom	Precision Machinery & Robot	100%	100%
Wipro Kawasaki Precision Machinery Private Limited	Bangalore, India	Precision Machinery & Robot	51%	51%
Flutek, Ltd.	Kyungnam, Korea	Precision Machinery & Robot	50.38%	50.38%
Kawasaki Robotics (Tianjin) Co., Ltd.	Tianjin Economic-Technological Development Area, China	Precision Machinery & Robot	100%	100%
Kawasaki Robotics (Kunshan) Co., Ltd.	Kunshan, China	Precision Machinery & Robot	100%	100%
Kawasaki Robotics (U.S.A.), Inc.	Delaware, U.S.A.	Precision Machinery & Robot	100% (100%)	100% (100%)
Kawasaki Motors, Ltd.	Akashi City, Hyogo	Powersports & Engine	100%	100%
Kawasaki Motors Corporation Japan	Akashi City, Hyogo	Powersports & Engine	100% (100%)	100% (100%)
India Kawasaki Motors Pvt. Ltd.	Maharashtra, India	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Corp., U.S.A.	Delaware, U.S.A.	Powersports & Engine	100% (100%)	100% (100%)
PT. Kawasaki Motor Indonesia	Bekasi, Indonesia	Powersports & Engine	90% (90%)	90% (90%)
Kawasaki Motores do Brasil Ltda.	Sao Paulo, Brasil	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Europe N.V.	Hoofddorp, The Netherlands	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors (Phils.) Corporation	Metro Manila, Philippines	Powersports & Engine	50% (50%)	50% (50%)
Kawasaki Motors Manufacturing Corp., U.S.A.	Nebraska, U.S.A.	Powersports & Engine, Rolling Stock, Aerospace Systems	100% (100%)	100% (100%)
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Rayong, Thailand	Powersports & Engine, Precision Machinery & Robot	100% (100%)	100% (100%)
Kawasaki Motores de Mexico S.A. de C.V.	Nuevo Leon, Mexico	Powersports & Engine	100% (100%)	100% (100%)
Japan Suiso Energy, Ltd.	Minato-ku, Tokyo	Other	66.6%	66.6%
Kawasaki Trading Co., Ltd.	Chuo-ku, Kobe City	Other	70%	77.78%
Kawasaki Life Corporation	Chuo-ku, Kobe City	Other	100%	100%
Other subsidiaries			74 companies	75 companies

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

(2) Subsidiaries with material non-controlling interests

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

(3) Significant restrictions

Not applicable.

23. Investments accounted for using equity method

(1) Information about interest

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

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

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

(a) Financial information

	Total amount of immaterial associates			Total amount of immaterial joint ventures		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024	2023	2024	2024
Profit or loss	¥ 4,734	¥ 8,810	$ 58,190	¥ (1,420)	¥ 2,547	$ 16,823
Other comprehensive income	110	4,125	27,246	397	(328)	(2,166)
Comprehensive income	4,844	12,936	85,443	(1,022)	2,218	14,650

(b) Carrying amount of the equity method affiliates
The carrying amount of equity in affiliates accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥38,765 million and ¥47,907 million ($316,427 thousand), respectively.
The carrying amount of the equity in joint venture accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥38,675 million and ¥43,047 million ($284,326 thousand), respectively.

(2) Significant restrictions

Not applicable.

(3) Contingent liabilities with associates and joint ventures

The Group maintains debt guarantees for certain associates' and joint ventures' borrowings from financial institutions, which amounted to ¥14,036 million and ¥9,974 million ($65,878 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

24. Revenue

(1) Disaggregation of revenue

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

(i) Breakdown by product type

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	¥ 249,356	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 249,356
Jet Engines	99,524	-	-	-	-	-	99,524
Rolling Stock	-	131,935	-	-	-	-	131,935
Energy & Plant & Marine Machinery	-	-	234,457	-	-	-	234,457
Ship & Offshore Structure	-	-	80,095	-	-	-	80,095
Precision Machinery	-	-	-	153,027	-	-	153,027
Robot	-	-	-	99,670	-	-	99,670
Powersports & Engine	-	-	-	-	591,151	-	591,151
Other	-	-	-	-	-	86,392	86,392
Revenue from contracts with customers	¥ 348,880	¥ 131,935	¥ 314,552	¥ 252,697	¥ 591,151	¥ 86,392	¥ 1,725,609

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	¥ 307,433	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 307,433
Jet Engines	88,755	-	-	-	-	-	88,755
Rolling Stock	-	195,940	-	-	-	-	195,940
Energy & Plant & Marine Machinery	-	-	260,673	-	-	-	260,673
Ship & Offshore Structure	-	-	92,575	-	-	-	92,575
Precision Machinery	-	-	-	141,536	-	-	141,536
Robot	-	-	-	86,399	-	-	86,399
Powersports & Engine	-	-	-	-	592,421	-	592,421
Other	-	-	-	-	-	83,552	83,552
Revenue from contracts with customers	¥ 396,188	¥ 195,940	¥ 353,248	¥ 227,935	¥ 592,421	¥ 83,552	¥ 1,849,287

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	$ 2,030,601	$ -	$ -	$ -	$ -	$ -	$ 2,030,601
Jet Engines	586,229	-	-	-	-	-	586,229
Rolling Stock	-	1,294,188	-	-	-	-	1,294,188
Energy & Plant & Marine Machinery	-	-	1,721,750	-	-	-	1,721,750
Ship & Offshore Structure	-	-	611,460	-	-	-	611,460
Precision Machinery	-	-	-	934,848	-	-	934,848
Robot	-	-	-	570,667	-	-	570,667
Powersports & Engine	-	-	-	-	3,912,952	-	3,912,952
Other	-	-	-	-	-	551,863	551,863
Revenue from contracts with customers	$ 2,616,830	$ 1,294,188	$ 2,333,210	$ 1,505,515	$ 3,912,952	$ 551,863	$12,214,577

(ii) Breakdown by region

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	¥ 184,475	¥ 77,698	¥ 238,632	¥ 70,754	¥ 35,017	¥ 76,414	¥ 682,993
United States	112,075	37,105	1,424	25,242	323,268	299	499,416
Europe	46,128	-	13,594	14,941	80,140	129	154,934
Asia	891	17,131	20,789	133,673	94,929	8,156	275,571
Other areas	5,309	-	40,112	8,085	57,794	1,391	112,693
Revenue from contracts with customers	¥ 348,880	¥ 131,935	¥ 314,552	¥ 252,697	¥ 591,151	¥ 86,392	¥ 1,725,609

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	¥ 228,251	¥ 69,460	¥ 253,477	¥ 67,299	¥ 41,023	¥ 72,359	¥ 731,872
United States	84,326	114,985	1,742	25,637	324,174	340	551,205
Europe	80,074	-	12,382	13,550	94,911	251	201,171
Asia	4	11,494	40,322	116,200	81,105	9,274	258,401
Other areas	3,531	-	45,324	5,247	51,206	1,325	106,636
Revenue from contracts with customers	¥ 396,188	¥ 195,940	¥ 353,248	¥ 227,935	¥ 592,421	¥ 83,552	¥ 1,849,287

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	$ 1,507,602	$ 458,785	$ 1,674,221	$ 444,511	$ 270,958	$ 477,933	$ 4,834,029
United States	556,975	759,478	11,506	169,333	2,141,176	2,246	3,640,720
Europe	528,890	-	81,783	89,498	626,889	1,658	1,328,738
Asia	26	75,918	266,328	767,503	535,700	61,255	1,706,744
Other areas	23,322	-	299,366	34,657	338,217	8,752	704,333
Revenue from contracts with customers	$ 2,616,830	$ 1,294,188	$ 2,333,210	$ 1,505,515	$ 3,912,952	$ 551,863	$12,214,577

(iii) Refund liabilities

The PW1100G-JM Engine program (hereinafter referred to as "the program"), in which the Company participates through International Aero Engines, LLC (hereinafter referred to as "IAE"), a multinational collaboration on civil aero engines, has been impacted by the challenge of managing significant in-service issues, so the Company is currently working hard with IAE to remedy this situation. As a member of this program, the Company would cover its portion of the loss associated with in-service issues. Therefore, ¥59,611 million ($393,732 thousand) has been recorded on "Refund liabilities" in the consolidated statement of financial position and ¥60,047 million ($396,612 thousand) has been deducted from "Revenue" in the consolidated statement of profit or loss as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections.

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

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

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

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

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

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

(2) Contract balances

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

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Receivables from contracts with customers	¥ 427,922	¥ 627,506	$4,144,690
Contract assets	159,422	136,706	902,946
Contract liabilities	256,247	265,468	1,753,421

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

Contract assets, under contracts with performance obligations satisfied mainly over a certain period, are excluded receivables from the rights to the consideration received in exchange for the satisfaction of performance obligations measured by the progress at the end of each reporting period. Contract assets are reclassified as receivables from contracts with customers when the right to the consideration becomes unconditional, which requires only the passage of time. Changes to contract assets occurred mainly as a result of the recognition of revenue (leading to increases in contract assets) and transfers to trade receivables (leading to decreases in contract assets).

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

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

Of revenues recognized for the previous consolidated fiscal year and the current consolidated fiscal year, amounts included in the beginning balance of contract liabilities were ¥179,729 million and ¥225,223 million ($1,487,602 thousand), respectively.

In addition, the amounts of revenues recognized for the previous fiscal year and the current consolidated fiscal year from performance obligations that had been satisfied in past periods were immaterial.

(3) Transaction price allocated to the remaining performance obligations

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

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	¥ 670,686	¥ 570,523	¥ 629,052	¥ 97,880	¥ -	¥ 27,796	¥ 1,995,937

Note: Since production in the Powersports & Engine segment is based mainly on estimated demand, the transaction price allocated to the remaining performance obligations is not presented.

Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	¥ 1,024,984	¥ 490,028	¥ 685,477	¥ 83,632	¥ -	¥ 38,834	¥ 2,322,955

Note: Since production in the Powersports & Engine segment is based mainly on estimated demand, the transaction price allocated to the remaining performance obligations is not presented.

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	$ 6,770,040	$ 3,236,645	$ 4,527,589	$ 552,391	$ -	$ 256,499	$ 15,343,164

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

- Aerospace Systems: About 90% are within 2 years, and about 10% are over 2 years
- Rolling Stock: About 90% are within 1 year, and about 10% are over 1 year
- Energy Solution & Marine Engineering: About 90% are within 5 years, and about 10% are over 5 years
- Precision Machinery & Robot: Within 1 year
- Other: Within 1 year

(4) Assets recognized from contract costs

	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024
Assets recognized from the costs incurred to fulfill a contract	¥ 14,120	¥ 2,818	$ 18,613

Costs incurred to fulfill a contract capitalized by the Group are the recoverable amounts of costs for fulfilling contracts with customers in the commercial aircraft jet engine business. These assets are recorded in “Inventories” in the consolidated statement of financial position and are amortized in accordance with the pattern in which the related services are transferred to customers. Amortization related to capitalized costs to fulfill a contract in the previous consolidated fiscal year and the current consolidated fiscal year was ¥2,208 million and ¥12,867 million ($84,987 thousand), respectively.

25. Other assets and other liabilities

(1) Other assets

The breakdown of other assets is as follows:

	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024
Advance payments	¥ 76,783	¥ 69,029	$ 455,938
Prepaid expenses	48,552	41,612	274,848
Retirement benefit asset	346	390	2,576
Other	18,466	23,920	157,992
Total	¥ 144,148	¥ 134,952	$ 891,361
Current assets	¥ 100,385	¥ 101,644	$ 671,361
Non-current assets	43,763	33,307	219,993
Total	¥ 144,148	¥ 134,952	$ 891,361

(2) Other liabilities

The breakdown of other liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Accrued expenses	¥ 114,256	¥ 103,364	$ 682,721
Deposits received	28,791	25,996	171,704
Provision for bonuses	39,394	31,177	205,925
Other	39,098	41,692	275,376
Total	¥ 221,540	¥ 202,230	$ 1,335,733
Current liabilities	¥ 208,760	¥ 185,902	$ 1,227,886
Non-current liabilities	12,779	16,327	107,840
Total	¥ 221,540	¥ 202,230	$ 1,335,733

26. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Salaries and allowances	¥ 70,411	¥ 74,256	$ 490,462
Research and development expenses	50,768	53,364	352,470
Advertising expenses	13,605	20,641	136,334
Other	117,526	127,782	844,003
Total	¥ 252,311	¥ 276,044	$ 1,823,276

27. Other income and expenses

(1) Other income

The breakdown of other income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Gain on sale of non-current assets	¥ 657	¥ 739	$ 4,881
Other	4,193	4,965	32,794
Total	¥ 4,850	¥ 5,704	$ 37,675

(2) Other expenses

The breakdown of other expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Loss on sale and disposal of non-current assets	¥ 1,699	¥ 2,789	$ 18,421
Other	5,621	4,264	28,164
Total	¥ 7,320	¥ 7,053	$ 46,585

28. Finance income and finance costs

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Interest income			
Financial assets measured at amortized cost	¥ 1,576	¥ 2,354	$ 15,548
Dividend income			
Financial assets measured at fair value through other comprehensive income	332	364	2,404
Foreign exchange gain	-	-	-
Others	382	322	2,127
Total	¥ 2,291	¥ 3,040	$ 20,079

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Interest expense			
Financial liabilities measured at amortized cost	¥ 4,467	¥ 7,390	$ 48,811
Lease liabilities	541	783	5,172
Foreign exchange loss	4,693	2,606	17,213
Others	4,594	6,481	42,807
Total	¥ 14,297	¥ 17,261	$ 114,009

29. Government grants

Government grants received by the Group relate principally to research and development activities.
Government grants received in the previous consolidated fiscal year and the current consolidated fiscal year were ¥8,092 million and ¥11,591 million ($76,559 thousand), respectively. Of this amount, the grants related to revenue were deducted from research and development expenses, and the grants related to assets were deducted from the acquisition cost of acquired assets.

30. Earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Profit attributable to owners of parent	¥ 53,029	¥ 25,377	$ 167,616

	Thousands of shares	
	2023	2024
Average number of common shares	167,477	167,491

	yen		U.S. dollars
	2023	2024	2024
Basic earnings per share	¥ 316.63	¥ 151.51	$ 1.001

Notes: 1. Diluted earnings per share are not stated because there were no potential dilutive shares.
2. The company’s shares held by trusts whose beneficiaries are directors and others recorded as treasury shares under equity are included in the number of shares held in treasury to be deducted from the calculation of the average number of shares during respective periods in computing the earnings per share. (At the end of the previous consolidated fiscal year: 398,600 shares, at the end of the current consolidated fiscal year: 376,200 shares).

31. Related party

(1) Related party transactions

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

As of March 31, 2023

Type	Name	Details of transactions	Transaction amount	Line item	Outstanding balance	Allowance for credit loss outstanding balance
Associate	Commercial Airplane Co., Ltd.	Sales of Company products	¥ 52,403 million	Accounts receivable - trade	¥ 24,844 million	¥ -
				Contract liabilities	¥ 6,867 million	¥ -

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

As of March 31, 2024

Type	Name	Details of transactions	Transaction amount	Line item	Outstanding balance	Allowance for credit loss outstanding balance
Associate	Commercial Airplane Co., Ltd.	Sales of Company products	¥ 69,712 million ($460,449 thousand)	Accounts receivable - trade	¥ 26,528 million ($175,218 thousand)	¥ -
				Contract liabilities	¥ 6,212 million ($ 41,030 thousand)	¥ -

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

(2) Remuneration for key management personnel

Remuneration for directors is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Short-term remuneration	¥ 437	¥ 489	$ 3,230
Share-based remuneration	72	72	476

32. Subsequent events

Not applicable.

33. Others

(1) Quarterly financial information

Cumulative	Millions of yen 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	¥ 405,340	¥ 769,341	¥ 1,229,069	¥ 1,849,287
Profit (loss) before tax	14,966	(34,471)	(17,931)	31,980
Profit (loss) attributable to owners of parent	9,089	(23,346)	(13,480)	25,377

	Yen			
Basic earnings (loss) per share	¥ 54.27	¥ (139.39)	¥ (80.48)	¥ 151.51

Cumulative	Thousands of U.S. dollars 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 2,677,279	$ 5,081,513	$ 8,118,025	$ 12,214,577
Profit (loss) before tax	98,851	(227,682)	(118,435)	211,229
Profit (loss) attributable to owners of parent	60,033	(154,201)	(89,036)	167,616

	U.S. dollars			
Basic earnings (loss) per share	$ 0.358	$ (0.921)	$ (0.532)	$ 1.001

Three months	Yen 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Basic earnings (loss) per share	¥ 54.27	¥ (193.66)	¥ 58.90	¥ 231.98

Three months	U.S. dollars 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Basic earnings (loss) per share	$ 0.358	$ (1.279)	$ 0.389	$ 1.532

(2) Material lawsuits, etc.

<Receipt of customs duty reassessment notification in the Kingdom of Thailand>
KAWASAKI MOTORS ENTERPRISE (THAILAND) CO., LTD. (hereinafter referred to as "KMT"), a consolidated subsidiary of the Company in the Kingdom of Thailand, received a reassessment notification of customs duties for 4,029 million baht ($110,304 thousand) from the Revenue Department of Thailand. KMT had until that time filed its customs duties in accordance with guidance from the Revenue Department. Since the content of the notification of reassessment lacked a legitimate basis and was extremely unreasonable, KMT could not accept it and submitted an appeal of the reassessment to the Commission of Appeal, the appeals body for tax assessments received from the Revenue Department of Thailand. Recently KMT received the notice of withdrawal of the reassessment notification from the Revenue Department of Thailand, and the assertion was approved.

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

(3) Others

<The derailment incident of 7000 series railcars of the Washington Subway Rolling Stock>
In the United States of America, a derailment incident occurred on a 7000 series railcar supplied by the consolidated subsidiary Kawasaki Rail Car, Inc. and maintained and operated by the Washington Metropolitan Area Transit Authority (WMATA) in October 2021.
A final report from the National Transportation Safety Board (NTSB) concluded that the Kawasaki Rail Car, Inc. had met the design and mounting specifications established by WMATA for the 7000-series wheelsets. Also, the report stated that if a trend analysis on the wheel migration had been conducted by WMATA, they would have identified increasing incidence, and an effective response could have been taken to prevent the incident.
With regards to this issue, WMATA is suggesting an increase of the wheel-mounting force of the wheelsets of the 7000 series railcars at the Group’s responsibility, which the Group already responded to WMATA that Kawasaki Rail Car, Inc. is not in a position to bear the costs for such rework.

<Others>
Issues pointed out in tax examinations resulted in the recording of approximate ¥0.6 billion ($3,963 thousand) as tax expenses for the current consolidated fiscal year.
Tax examinations are continuing, and internal examinations are conducted to determine whether there are any similar cases. At present, however, there is no case affecting the financial statements, etc.