Consolidated Financial Statements

Kawasaki Heavy Industries, Ltd. and Subsidiaries

For the Years ended March 31,
2025 and 2024
Together with Independent
Auditor's Report

June 2025

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, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 312 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (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, 2025, deferred tax assets of ¥128,796 million were recognized. As described in Note 14, "Deferred taxes and income taxes" to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥168,060 million. Of this amount, the gross deferred tax assets held by the Company, which applies the Group Tax Sharing System, amounted to ¥109,494 million, representing approximately 3.6% of total assets in the consolidated financial statements. As described in Note 3(16), "Material accounting policies - Income taxes," recoverability of deferred tax assets is reassessed every fiscal year end and are recognized to the extent that deductible temporary differences are expected to reduce future taxable income. The future taxable income to be generated by the Company, which was used to determine the recoverability of its deferred tax assets, was estimated 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.

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

opinion on the effectiveness of the Group's internal control.

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

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

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

Horiuchi Kazuhisa

Designated Engagement Partner

Certified Public Accountant

Takeshita Shimpei

Designated Engagement Partner

Certified Public Accountant

Kyoi Yasumasa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Kobe Office, Japan

June 24, 2025

Notes to the Reader of Independent Auditor’s Report:

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

Management Discussion & Analysis

Overview

The global economy has remained strong, due to steady employment and income conditions in the United States. However, concerns are mounting over a potential slowdown in economic activity across various countries due to the implementation of U.S. tariff policies. In addition, the prolonged stagnation of the Chinese economy and rising geopolitical risks, particularly in U.S.-China relations, continue to contribute to growing uncertainty in the global economic outlook.

In Japan, a moderate recovery in the economy is driven by domestic demand, supported by favorable employment and income conditions, expanding capital investment, and increasing inbound tourism. On the other hand, the outlook remains uncertain due to factors such as the U.S. tariff policy and the resulting changes in global supply chains, as well as heightened volatility in financial and capital markets.

In this business environment, the Group's consolidated orders received in the fiscal year ended March 31, 2025, increased from the previous fiscal year, mainly due to higher orders in the Aerospace Systems, Rolling Stock, and Energy Solution & Marine Engineering segments. Consolidated revenue also increased year on year, driven by higher sales across various segments, particularly in the Aerospace Systems segment. Business profit increased from the previous fiscal year, reflecting improvements in the Aerospace Systems and Precision Machinery & Robot segments, as well as increased profitability in the Energy Solution & Marine Engineering segment. Profit attributable to owners of parent also increased mainly due to an increase in business profit.

As a result, the Group's consolidated orders received increased by ¥547.2 billion year on year to ¥2,630.7 billion, consolidated revenue increased by ¥280.0 billion year on year to ¥2,129.3 billion, business profit increased by ¥96.9 billion year on year to ¥143.1 billion, and profit attributable to owners of parent increased by ¥62.6 billion year on year to ¥88.0 billion. The ratio of business profit to revenue was 6.7%, after-tax ROIC was 8.0%*, and ROE was 13.2%.The current cost of capital (WACC) is estimated to range around 7% range.

Regarding an inappropriate incident at the workplace for repairing submarines in the Group as well as misconduct in the testing of marine engines, the Group has established the Special Compliance Promotion Committee, which is chaired by Representative Director, President and CEO Yasuhiko Hashimoto, and also established each of the Special Investigative Committee of external experts. In December 2024 and January 2025, the Group received interim reports on investigations into the facts and analysis of the root causes of these specific incidents from each of the Special Investigative Committee and published the details of these reports. The investigation by the Special Investigative Committee is ongoing. The Group will continue to work to reform the Group's compliance and governance systems, and to enhance the Group's corporate culture.

The Company is currently examining whether these matters will impact its financial results and will immediately reflect any confirmed impact in its earnings forecast.

*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, 2025, 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

In the Aerospace Systems segment, demand from the Ministry of Defense in Japan is expected to remain strong under the government's policy of fundamentally strengthening defense capabilities. In the commercial aviation sector, demand continues to recover, supported by the rebound in air passenger traffic.

Amid such an operating environment, consolidated orders received increased by ¥190.2 billion year on year to ¥882.8 billion, mainly due to higher orders from the Ministry of Defense and increased production of components for commercial aircraft engines.

Consolidated revenue increased by ¥171.6 billion year on year to ¥567.8 billion, primarily due to higher sales to the Ministry of Defense and increased production of commercial aircraft engine components, compared to the previous fiscal year, which included losses related to in-service issues of commercial aircraft engines.

Business profit improved by ¥70.8 billion year on year to ¥55.8 billion, mainly due to increased revenue and improved profitability.

Rolling Stock

In the Rolling Stock segment, investment in rolling stock in the domestic market is gradually resuming, supported by the recovery of inbound tourism. In overseas markets, demand is expected to grow due to the development of urban transportation systems aimed at easing congestion in major cities.

Amid such an operating environment, consolidated orders received increased by ¥162.7 billion year on year to ¥251.5 billion, mainly due to the receipt of an option contract for new subway cars for the New York City Transit Authority.

Consolidated revenue increased by ¥26.3 billion year on year to ¥222.3 billion, primarily due to higher sales in the United States, despite a decline in sales in Japan and other parts of Asia.

Business profit increased by ¥4.6 billion year on year to ¥8.4 billion, mainly due to the increase in revenue.

Energy Solution & Marine Engineering

The business environment of the Energy Solution & Marine Engineering segment remains robust, supported by continued strong demand for distributed power sources both in Japan and overseas, as well as energy infrastructure development. In Japan, demand for the replacement of aging refuse incineration facilities also continues.

Amid such an operating environment, consolidated orders received increased by ¥140.3 billion year on year to ¥542.0 billion, mainly due to higher orders for LPG/ammonia carriers and submarines for the Ministry of Defense in Japan.

Consolidated revenue increased by ¥44.8 billion year on year to ¥398.1 billion, primarily due to large-scale projects for domestic waste treatment facilities and increased sales of naval ship equipment for the Ministry of Defense.

Business profit increased by ¥12.3 billion year on year to ¥44.2 billion, mainly due to higher revenue and an increase in the share of profit of investments accounted for using the equity method.

Precision Machinery & Robot

In the Precision Machinery & Robot segment, the semiconductor memory market has bottomed out in both price and demand, while the Chinese construction machinery market is showing signs of recovery, particularly in exports.

Amid such an operating environment, consolidated orders received increased by ¥35.9 billion year on year to ¥249.2 billion, mainly due to higher orders for robots for semiconductor manufacturing equipment and hydraulic equipment for the recovering construction machinery market in China.

Consolidated revenue increased by ¥13.5 billion year on year to ¥241.5 billion, primarily driven by increased sales in the robotics and precision machinery fields.

Business profit improved by ¥8.9 billion year on year to ¥7.0 billion, mainly due to higher revenue and the effects of initiatives to improve profitability, such as price optimization.

Powersports & Engine

In the Powersports & Engine segment, concerns remain over the potential impact of the U.S. administration's tariff policies.

Amid such an operating environment, consolidated revenue increased by ¥16.9 billion year on year to ¥609.3 billion. Although sales of four-wheeled vehicles for North America temporarily declined due to the impact of recalls and production delays, this decline was offset by increased sales of motorcycles and the positive effect of the weaker yen.

Business profit remained at ¥47.8 billion, the same level as the previous fiscal year, as the increase in revenue was offset by higher fixed costs associated with production capacity expansion.

Other Operations

Consolidated revenue decreased by ¥6.6 billion year on year to ¥90.1 billion.

Business profit came to ¥4.1 billion, improving ¥5.2 billion year on year.

In the Group Vision 2030, the Group continues to focus on three key fields: "A Safe and Secure Remotely Connected Society," "Near-Future Mobility," and "Energy and Environmental Solutions." Steady progress is being made in creating solutions to social issues, including medical and healthcare businesses, such as surgical support robots, the commercialization of delivery robots and unmanned transport helicopters, and the promotion of hydrogen-related businesses, technologies for CO_2 separation and capture, and electrification to accelerate the realization of a carbon-neutral society. These initiatives are also being advanced through the Group's new co-creation hub, "CO-CREATION PARK – KAWARUBA."

Furthermore, the Group is actively supporting the recovery of areas severely affected by natural disasters such as earthquakes and heavy rainfall, while also working to enhance support packages designed to address a wide range of natural disasters, which are expected to become more frequent in the future.

Consolidated financial condition

(1) Assets

Current assets were ¥2,023.9 billion, a ¥296.9 billion increase from the previous fiscal year mainly due to an increase in trade and other receivables.

Non-current assets were ¥993.0 billion, a ¥39.8 billion increase from the previous fiscal year mainly due to an increase in property, plant and equipment.

As a result, total assets were ¥3,016.9 billion, a ¥336.7 billion increase from the previous fiscal year.

(2) Liabilities

Interest-bearing debt was ¥692.5 billion, ¥38.6 billion increase from the previous fiscal year.

Liabilities were ¥2,291.8 billion, ¥266.2 billion increase from the previous fiscal year mainly due to increases in trade and other payables and contract liabilities.

(3) Equity

Equity was ¥725.0 billion, a ¥70.5 billion increase from the previous fiscal year mainly due to the recording of profit attributable to owners of parent.

Cash Flows

Cash and cash equivalents (Hereinafter referred to as "net cash") at the end of this fiscal year were ¥132.7

billion, an increase of ¥48.6 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 ¥148.9 billion, an increase of ¥117.2 billion from the previous fiscal year. Major sources of operating cash flows included an increase in contract liabilities of ¥98.8 billion and depreciation and amortization amounting to ¥93.4 billion. Major uses of operating cash flows included increases in trade and other receivables of ¥96.1 billion and inventories of ¥69.2 billion.

(2) Cash flows from investing activities

Investing activities used net cash of ¥111.2 billion, which was ¥21.3 billion more than in the previous fiscal year. This was mainly due to the purchase of property, plant and equipment.

(3) Cash flows from financing activities

Financing activities provided net cash of ¥9.6 billion, which was ¥3.3 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	¥ 305	¥ 263	¥ 352	¥ 197
Consolidated subsidiaries	101	2	179	2
Total	¥ 407	¥ 266	¥ 532	¥ 200

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	¥ -	¥ 30	¥ -	¥ 14
Consolidated subsidiaries	40	8	210	33
Total	¥ 40	¥ 38	¥ 210	¥ 47

The non-audit services to the Company and its consolidated subsidiaries are mainly consist of advisory services related to taxation.

c. Contents of remunerations for other important audit certification services

The Company's consolidated subsidiaries, Kawasaki Motors Manufacturing 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, 2025 and 2024

	Notes	Millions of yen 2024	Millions of yen 2025	Thousands of U.S. dollars 2025
Assets				
Current assets				
Cash and cash equivalents	6,21	¥ 84,153	¥ 132,776	$ 887,956
Trade and other receivables	7,16,21,24,31	681,030	764,383	5,111,904
Contract assets	16,21,24	136,706	170,556	1,140,614
Inventories	8,24	710,207	775,434	5,185,809
Income taxes receivable		2,158	200	1,338
Other financial assets	13,21	11,024	11,770	78,713
Other current assets	25	101,644	168,779	1,128,730
Total current assets		1,726,925	2,023,901	13,535,083
Non-current assets				
Property, plant and equipment	9,11	496,331	515,743	3,449,094
Intangible assets	10,11	69,617	75,760	506,654
Right-of-use assets	11,12	64,824	58,697	392,543
Investments accounted for using equity method	23	90,954	108,271	724,075
Other financial assets	13,21	80,762	71,802	480,185
Deferred tax assets	14	117,452	128,796	861,339
Other non-current assets	11,17,25	33,307	33,978	227,232
Total non-current assets	4	953,250	993,050	6,641,142
Total assets		¥ 2,680,176	¥ 3,016,951	$ 20,176,226
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	15,21	¥ 521,734	¥ 593,878	$ 3,971,631
Bonds, borrowings and other financial liabilities	16,21	453,694	527,197	3,525,694
Income taxes payable		7,928	20,188	135,010
Contract liabilities	24,31	265,468	363,534	2,431,178
Provisions	18	34,242	35,731	238,955
Refund liabilities	24	72,518	73,097	488,845
Other current liabilities	21,25	185,902	233,675	1,562,730
Total current liabilities		1,541,489	1,847,303	12,354,063
Non-current liabilities				
Bonds, borrowings and other financial liabilities	16,21	391,539	362,313	2,423,012
Retirement benefit liability	17	74,604	67,100	448,739
Provisions	18	957	1,038	6,942
Deferred tax liabilities	14	707	1,019	6,815
Other non-current liabilities	25	16,327	13,112	87,688
Total non-current liabilities		484,137	444,584	2,973,209
Total liabilities		2,025,626	2,291,887	15,327,272
Equity				
Equity attributable to owners of parent				
Share capital	19	104,484	104,484	698,749
Capital surplus	19	56,455	56,456	377,556
Retained earnings	19	405,156	483,530	3,233,665
Treasury shares	19	(1,060)	(4,093)	(27,372)
Other components of equity	19,20	69,054	62,537	418,224
Total equity attributable to owners of parent		634,090	702,915	4,700,829
Non-controlling interests		20,459	22,148	148,117
Total equity		654,549	725,064	4,848,953
Total liabilities and equity		¥ 2,680,176	¥ 3,016,951	$ 20,176,226

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Profit or Loss
For the years ended March 31, 2025 and 2024

	Notes	Millions of yen 2024	Millions of yen 2025	Thousands of U.S. dollars 2025
Revenue	24,31	¥ 1,849,287	¥ 2,129,321	$ 14,240,092
Cost of sales	8,9,10,11,17	1,537,050	1,697,784	11,354,136
Gross profit		312,237	431,537	2,885,956
Selling, general and administrative expenses	9,10,12,17,26	276,044	306,963	2,052,852
Share of profit of investments accounted for using equity method	23	11,358	23,174	154,979
Other income	27	5,704	3,098	20,718
Other expenses	27	7,053	7,722	51,642
Business profit		46,201	143,123	957,152
Finance income	21,28	3,040	3,423	22,892
Finance costs	12,21,28	17,261	39,028	261,004
Profit before tax		31,980	107,518	719,040
Income tax expense	14	4,670	17,190	114,960
Profit		27,310	90,328	604,079
Profit attributable to:				
Owners of parent		25,377	88,001	588,517
Non-controlling interests		¥ 1,932	¥ 2,326	$ 15,555
Earnings per share	30			
Basic earnings per share		¥ 151.51	¥ 525.44	$ 3.51

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2025 and 2024

	Notes	Millions of yen 2024	Millions of yen 2025	Thousands of U.S. dollars 2025
Profit		¥ 27,310	¥ 90,328	$ 604,079
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	20,21	4,214	(2,277)	(15,228)
Remeasurements of defined benefit plans	17,20	15,017	7,773	51,983
Share of other comprehensive income of investments accounted for using equity method	20,23	1	1	7
Total of items that will not be reclassified to profit or loss		19,233	5,497	36,762
Items that may be reclassified to profit or loss				
Cash flow hedges	20,21	103	257	1,719
Exchange differences on translation of foreign operations	20	23,302	(4,120)	(27,553)
Share of other comprehensive income of investments accounted for using equity method	20,23	3,795	(563)	(3,765)
Total of items that may be reclassified to profit or loss		27,202	(4,426)	(29,599)
Total other comprehensive income		46,435	1,071	7,162
Comprehensive income		¥ 73,745	¥ 91,399	$ 611,242
Comprehensive income attributable to:				
Owners of parent		71,009	89,213	596,623
Non-controlling interests		¥ 2,736	¥ 2,186	$ 14,619

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended March 31, 2025 and 2024

Millions of yen

		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, 2023		¥ 104,484	¥ 55,716	¥ 380,255	¥ (1,107)	¥ -	¥ 4,109	¥ 676	¥ 32,066	¥ 36,852	¥ 576,201	¥ 20,670	¥ 596,872
Profit				25,377							25,377	1,932	27,310
Other comprehensive income	20					15,075	4,167	146	26,241	45,631	45,631	804	46,435
Comprehensive income				25,377		15,075	4,167	146	26,241	45,631	71,009	2,736	73,745
Purchase of treasury shares	19				(7)						(7)		(7)
Disposal of treasury shares	19		0		54						54		54
Dividends	19			(13,430)							(13,430)	(1,022)	(14,452)
Transfer to retained earnings				12,945		(15,075)	2,130			(12,945)	-		-
Change in scope of consolidation				8					(17)	(17)	(9)		(9)
Capital increase of consolidated subsidiaries													-
Change in ownership interest of parent due to transactions with non-controlling interests			739								739	(1,926)	(1,186)
Transfer to non-financial assets								(467)		(467)	(467)		(467)
Total transactions with owners			739	(477)	46	(15,075)	2,130	(467)	(17)	(13,429)	(13,120)	(2,948)	(16,068)
Balance as of March 31, 2024		¥ 104,484	¥ 56,455	¥ 405,156	¥ (1,060)	¥ -	¥ 10,407	¥ 355	¥ 58,291	¥ 69,054	¥ 634,090	¥ 20,459	¥ 654,549
Profit				88,001							88,001	2,326	90,328
Other comprehensive income	20					7,614	(2,226)	(858)	(3,318)	1,211	1,211	(139)	1,071
Comprehensive income				88,001		7,614	(2,226)	(858)	(3,318)	1,211	89,213	2,186	91,399
Purchase of treasury shares	19				(3,078)						(3,078)		(3,078)
Disposal of treasury shares	19		0		45						46		46
Dividends	19			(16,787)							(16,787)	(860)	(17,647)
Transfer to retained earnings				7,159		(7,614)	455			(7,159)	-		-
Change in scope of consolidation									(0)	(0)	(0)		(0)
Capital increase of consolidated subsidiaries												363	363
Change in ownership interest of parent due to transactions with non-controlling interests													-
Transfer to non-financial assets								(568)		(568)	(568)		(568)
Total transactions with owners			0	(9,628)	(3,032)	(7,614)	455	(568)	(0)	(7,727)	(20,388)	(496)	(20,885)
Balance as of March 31, 2025		¥ 104,484	¥ 56,456	¥ 483,530	¥ (4,093)	¥ -	¥ 8,636	¥ (1,071)	¥ 54,972	¥ 62,537	¥ 702,915	¥ 22,148	¥ 725,064

Thousands of U.S. dollars

		Equity attributable to owners of parent											
						Other components of equity							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of March 31, 2024		$ 698,749	$ 377,550	$ 2,709,530	$ (7,089)	$ -	$ 69,598	$ 2,374	$ 389,828	$ 461,807	$ 4,240,554	$ 136,822	$ 4,377,376
Profit				588,517							588,517	15,555	604,079
Other comprehensive income	20					50,920	(14,887)	(5,738)	(22,190)	8,099	8,099	(930)	7,162
Comprehensive income				588,517		50,920	(14,887)	(5,738)	(22,190)	8,099	596,623	14,619	611,242
Purchase of treasury shares	19				(20,584)						(20,584)		(20,584)
Disposal of treasury shares	19		0		301						308		308
Dividends	19			(112,265)							(112,265)	(5,751)	(118,016)
Transfer to retained earnings				47,877		(50,920)	3,043			(47,877)	-		-
Change in scope of consolidation									(0)	(0)	(0)		(0)
Capital increase of consolidated subsidiaries												2,428	2,428
Change in ownership interest of parent due to transactions with non-controlling interests													-
Transfer to non-financial assets								(3,799)		(3,799)	(3,799)		(3,799)
Total transactions with owners			0	(64,388)	(20,277)	(50,920)	3,043	(3,799)	(0)	(51,675)	(136,347)	(3,317)	(139,671)
Balance as of March 31, 2025		$ 698,749	$ 377,556	$ 3,233,665	$ (27,372)	$ -	$ 57,754	$ (7,162)	$ 367,632	$ 418,224	$ 4,700,829	$ 148,117	$ 4,848,953

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

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Cash Flow
For the years ended March 31, 2025 and 2024

	Notes	Millions of yen 2024	Millions of yen 2025	Thousands of U.S. dollars 2025
Cash flows from operating activities				
Profit		¥ 27,310	¥ 90,328	$ 604,079
Depreciation and amortization		80,982	93,431	624,831
Impairment losses		1,007	-	-
Finance income and finance costs		11,590	26,566	177,663
Share of loss (profit) of investments accounted for using equity method		(11,358)	(23,174)	(154,979)
Loss (gain) on sale of fixed assets		2,050	948	6,340
Income tax expense		4,670	17,190	114,960
Increase (decrease) in retirement benefit liabilities		(196)	(5,307)	(35,491)
Decrease (increase) in trade and other receivables		(186,486)	(96,117)	(642,794)
Decrease (increase) in contract assets		22,725	(33,844)	(226,336)
Decrease (increase) in inventories		9,903	(69,241)	(463,058)
Increase (decrease) in trade and other payables		43,585	70,498	471,464
Decrease (increase) in advance payments		8,632	(67,377)	(450,592)
Increase (decrease) in contract liabilities		1,057	98,899	661,399
Increase (decrease) in refund liabilities		61,004	1,071	7,162
Increase (decrease) in provisions		10,084	1,512	10,112
Decrease (increase) in other current assets		(6,879)	(47)	(314)
Increase (decrease) in other current liabilities		(19,070)	32,549	217,675
Other		1,685	31,398	209,978
Subtotal		62,298	169,284	1,132,107
Interest received		8,504	2,554	17,080
Dividends received		364	10,784	72,119
Interest paid		(8,110)	(14,838)	(99,231)
Income taxes paid		(31,393)	(18,841)	(126,001)
Net cash provided by (used in) operating activities		¥ 31,662	¥ 148,943	$ 996,074
Cash flows from investing activities				
Purchase of property, plant and equipment		¥ (80,063)	¥ (98,682)	$ (659,948)
Proceeds from sale of property, plant and equipment		2,669	7,309	48,880
Purchase of intangible assets		(16,480)	(14,962)	(100,060)
Proceeds from sale of intangible assets		80	434	2,902
Payments for equity method investments and purchase of other financial assets		(949)	(7,612)	(50,906)
Proceeds from equity method investments and sale of other financial assets		1,124	2,865	19,160
Payments for acquisition of subsidiaries		(20)	-	-
Decrease due to loss of control over subsidiaries		(92)	-	-
Other		3,918	(553)	(3,698)
Net cash provided by (used in) investing activities		¥ (89,814)	¥ (111,201)	$ (743,670)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	16	¥ 80,229	¥ 67,327	$ 450,257
Repayments of lease liabilities	12,16	(16,526)	(17,290)	(115,629)
Proceeds from long-term borrowings	16	31,582	38,000	254,130
Repayments of long-term borrowings	16	(23,041)	(29,001)	(193,948)
Proceeds from issuance of bonds	16	10,000	-	-
Redemption of bonds	16	(40,000)	(30,000)	(200,629)
Dividends paid	19	(13,415)	(16,763)	(112,105)
Proceeds from factoring agreements	16	103,482	100,464	671,865
Repayment of liabilities under factoring agreements	16	(105,343)	(85,629)	(572,654)
Dividends paid to non-controlling interests		(1,022)	(860)	(5,751)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(1,563)	-	-
Other		(11,470)	(16,639)	(111,275)
Net cash provided by (used in) financing activities		¥ 12,911	¥ 9,605	$ 64,235
Effect of exchange rate changes on cash and cash equivalents		(9,027)	1,275	8,527
Net increase (decrease) in cash and cash equivalents		(54,267)	48,623	325,172
Cash and cash equivalents at beginning of period	6	138,420	84,153	562,783
Cash and cash equivalents at end of period	6	¥ 84,153	¥ 132,776	$ 887,956

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

1. Reporting Entity

Kawasaki Heavy Industries, Ltd. (hereinafter referred to as the "Company") is a company incorporated in Japan. The consolidated financial statements of the Company with a closing date as of March 31, 2025 comprise the Company and its subsidiaries (hereinafter referred to as the "Group") and the Group's interests in associates and joint ventures. The Group is engaged in the Aerospace Systems segment, the Rolling Stock segment, the Energy Solution & Marine Engineering segment, the Precision Machinery & Robot segment, the Powersports & Engine segment, and the Other segment, centering on the Company.

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group, which meet the requirements of the "Specified Company Applying Designated International Financial Reporting Standards" prescribed in Article 1-2-1 of the Ordinance on Consolidated Financial Statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 312 of the Ordinance.
The consolidated financial statements were approved on June 24, 2025 by Yasuhiko Hashimoto, Representative Director & President, who has been put in sole charge by the Board of Directors.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, and figures are rounded down to the nearest million yen, unless otherwise stated.
U.S dollar amounts are included solely for convenience purposes. These translations should not be construed as representations that the Japanese yen amounts actually represent or have been or could be converted into U.S. dollars.
As the amounts shown in U.S. dollars are solely for convenience purposes, the prevailing rate on March 31, 2025 of ¥149.53 to US$1.00 is used for the purpose of presenting U.S. dollar amounts in the accompanying consolidated financial statements.

(4) Use of significant estimates and judgments

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

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

(5) Changes in accounting policies

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

IFRS	Title	Summaries of amendments
IAS 1	Presentation of Financial Statements	Clarification on how debt and other liabilities are classified as current or non-current Improvement of corporate disclosure on long-term liabilities with covenants
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	Disclosure requirements to enhance the transparency of Supplier finance arrangements

There is no significant impact on the consolidated financial statements of the Group as a result of adoption above except Note 16 (5), "Financial covenants," and Note 21 (3) (iv), "Supplier finance arrangements."

(6) Issued accounting standards and interpretations not yet adopted

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

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

3. Material accounting policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group.

The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements of the Group from the date when control is obtained until the date when it is lost. A subsidiary's financial statements are adjusted if the subsidiary's accounting policies differ from those applied by the Group. All intergroup balances of receivables and payables and other internal transactions within the Group, as well as unrealized gains and losses arising from internal transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interests in its subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Group's ownership and non-controlling interest in a subsidiary is adjusted to reflect the changes in ownership interest. However, any difference between the amount by which the non-control interest is adjusted and the fair value of the consideration received is recognized directly as equity of attributable to owners of parent. Upon loss of control over a subsidiary, the Group recognizes gain or loss resulting from the loss of control in profit or loss.

(ii) Associates

Associates are entities in which the Group has significant influence over the financial and operating policies but does not have control.

Investments in associates are recognized at acquisition cost when the investment is obtained and subsequently accounted for using the equity method. The acquisition cost of an investment includes the transaction cost.

The consolidated financial statements include investments in entities accounted for using the equity method whose fiscal year-end dates differ from that of the parent company since it is impracticable to unify the closing dates of associates due to certain reasons such as relationships with other shareholders. The difference between the fiscal year-end dates of these equity-method entities and that of the parent company never exceeds three months. Equity method is applied after making necessary adjustments in relation to significant transactions or events during the period occurring from the difference in the fiscal year-end date. The equity-method entities' financial statements are adjusted if their accounting policies differ from those applied by the Group.

If the Group's interest in loss exceeds the investment in an entity accounted for using the equity method, the carrying amount of the investment, including the long-term interest, is written down to zero. No further loss is recognized unless the Group assumes or pays the obligation on behalf of the investee.

(iii)Joint arrangements

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

(iv)Business combinations

Business combinations are accounted for using the acquisition method.

Goodwill is measured as the excess amount when the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree exceeds the net fair value of the acquisition date amount of identifiable assets acquired and liabilities assumed. It is immediately recognized as profit if the difference is a negative amount.

Acquisition related costs, excluding those associated with the issuance of debt or equity securities, incurred by the Group in connection with business combinations are expensed as incurred.

Business combinations related to entities or businesses under common control (business combination in which all combining entities or businesses are ultimately controlled by the same party(or parties), both before and after the business combination, and that control is not transitory) are accounted for based on the carrying amounts.

(2) Foreign currency translation

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

(3) Financial instruments

(i) Non-derivative financial assets

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

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

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

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

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

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

(iii) Non-derivative financial liabilities

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

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

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

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

(iv) Derivative transactions and hedge accounting

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

(c) Derivatives not designated as hedges

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

(4) Cash and cash equivalents

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

(5) Inventories

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

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

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

(6) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

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

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

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

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

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

(7) Intangible assets

(i) Recognition and measurement

(a) Development expenses

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

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

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

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

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

(b) Software and other intangible assets

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

(c) Goodwill

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

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

(ii) Amortization

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

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

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

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

(8) Leases

(i) Leases as lessee

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

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

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

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

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

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

(ii) Leases as lessor

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

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

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

(9) Impairment of non-financial assets

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

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

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

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

(10) Government grants

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

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

(11) Employee benefits

(i) Long-term employee benefits

(a) Post-employment benefits

a) Defined contribution plans

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

b) Defined benefit plans

Defined benefit plans are recognized as liabilities or assets in which the fair value of the plan asset is deducted from the present value of the defined benefit obligations.

The present value of the defined benefit obligations and service cost are determined using the projected unit credit method for each system.

The discount rate is determined at the end of the accounting period by reference to market yields on high-quality corporate bonds that correspond to the currency used for the payment of the defined benefit obligations and the estimated due date.

Remeasurements arising from defined benefit plans are composed of actuarial gains and losses, the income from plan assets (excluding interest) and the effect of any asset ceiling and are immediately recorded in other comprehensive income and immediately reclassified to retained earnings.

When a plan is amended, the variable portion of the benefits related to past service by employees is immediately recognized in profit or loss.

(b) Other long-term employee benefits

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

(ii) Short-term employee benefits

Short-term employee benefits are not discounted but recorded as expenses as the relevant services are provided.

For bonuses, if the Group has the present legal and constructive obligation to pay them as the result of past services provided by employees and the amount can be reliably estimated, the estimated amount to be paid is recognized as a liability.

(12) Provisions

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

When the effect of the time value of money is significant, the provision is measured at the present value of the amount of expenditure expected to be required to settle the obligation.

(13) Shareholders' equity

(i) Common shares

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

(ii) Treasury shares

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

(14) Revenue

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

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

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

(i) Sale of products, etc.

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

(ii) Construction contracts and rendering of services

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

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

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

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

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

(15) Finance income and costs

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

(16) Income taxes

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

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

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

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

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

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

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

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

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

(17) Earnings per share

Basic earnings per share are determined by dividing profit attributable to owners of parent by the weighted average number of shares of outstanding common stock less treasury shares during the period.

Diluted earnings per share are determined by adjusting the impact of all potential common shares with a dilutive effect.

4. Operating segments

(1) Overview of reportable segments

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

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

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

(2) Information about reportable segments

The accounting policies applied to the reportable segments are generally the same as the Group's accounting policies described in Note 3, "Material accounting policies."

Information about the reportable segments of the Group is as follows:

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

Millions of yen

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

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

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	¥567,838	222,306	398,138	241,503	609,357	90,177	2,129,321	-	2,129,321
Intersegment revenue and transfers*1	15,801	240	24,270	21,329	1,326	28,571	91,539	(91,539)	-
Total revenue	583,639	222,546	422,408	262,833	610,684	118,749	2,220,861	(91,539)	2,129,321
Segment profit (loss) *3	55,826	8,408	44,285	7,045	47,884	5,283	168,733	(25,609)	143,123
Finance income									3,423
Finance costs									(39,028)
Profit before tax									107,518
Depreciation and amortization	29,811	2,433	6,567	11,080	32,335	1,576	83,804	9,626	93,431
Impairment loss	-	-	-	-	-	-	-	-	-
Share of profit (loss) of investments accounted for using equity method	-	3	22,946	(1,559)	1,711	140	23,243	(69)	23,174

Notes: 1. Intersegment revenue and transfers are recorded at normal market prices.
2. Eliminations and corporate of ¥(25,609) million ($(171,263) thousand) include ¥(777) million ($(5,196) thousand) for intersegment transactions and ¥(24,832) million ($(166,067) thousand) for general and administrative expenses not attributed to reportable segments.
3. Segment profit (loss) is calculated by deducting from revenue: cost of sales; selling, general and administrative expenses; share of profit and loss of investments accounted for using equity method; other income; and other expenses.

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	$3,797,485	1,486,698	2,662,596	1,615,081	4,075,149	603,070	14,240,092	-	14,240,092
Intersegment revenue and transfers*1	105,671	1,605	162,309	142,640	8,868	191,072	612,178	(612,178)	-
Total revenue	3,903,157	1,488,303	2,824,905	1,757,728	4,084,023	794,148	14,852,277	(612,178)	14,240,092
Segment profit (loss) *3	373,343	56,230	296,161	47,114	320,230	35,331	1,128,422	(171,263)	957,152
Finance income									22,892
Finance costs									(261,004)
Profit before tax									719,040
Depreciation and amortization	199,365	16,271	43,918	74,099	216,244	10,540	560,449	64,375	624,831
Impairment loss	-	-	-	-	-	-	-	-	-
Share of profit (loss) of investments accounted for using equity method	-	20	153,454	(10,426)	11,443	936	155,440	(461)	154,979

(3) Information by product and service

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

(4) Information by region

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Japan	¥ 584,258	¥ 592,612	$ 3,963,165
Overseas total	170,387	198,816	1,329,606
Total	¥ 754,645	¥ 791,428	$ 5,292,771

(5) Information about major customers

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

	Related major reportable segments	Millions of yen		Thousands of U.S. dollars
		2024	2025	2025
Ministry of Defense	Aerospace Systems, Energy Solution & Marine Engineering, etc.	¥ 288,510	¥ 400,890	$ 2,681,000

5. Acquisition of subsidiaries and non-controlling interests

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

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)
There were no significant business combinations.

6. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Cash and deposits	¥	83,928	¥	132,737	$	887,695
Cash equivalents		224		38		254
Total	¥	84,153	¥	132,776	$	887,956

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The balance of cash and cash equivalents in the consolidated statement of financial position corresponds to the balance of cash and cash equivalents at the end of the period in the consolidated statement of cash flow.

7. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Notes and accounts receivable - trade	¥	627,506	¥	709,131	$	4,742,400
Other		53,524		55,252		369,504
Total	¥	681,030	¥	764,383	$	5,111,904

Trade and other receivables, except for lease receivables included in Other, are all classified as financial assets measured at amortized cost.

The amount of trade and other receivables to be collected in more than 12 months as of March 31, 2024 and March 31, 2025 were ¥66,387 million and ¥105,253 million ($703,892 thousand), respectively.

8. Inventories

The breakdown of inventories is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Merchandise and finished goods	¥	113,715	¥	134,712	$	900,903
Work in process		393,110		414,791		2,773,965
Raw materials and supplies		203,381		225,930		1,510,934
Total	¥	710,207	¥	775,434	$	5,185,809

The amounts of inventory write-downs (negative is a reversal) recognized as expenses are included in cost of sales in the consolidated statement of profit or loss, and ¥203 million and ¥1,764 million ($11,797 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

Of the above, inventories to be paid and sold in more than 12 months are quantitatively insignificant as of March 31, 2024 and March 31, 2025.

9. Property, plant and equipment

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

Carrying amount

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2023	¥ 167,919	¥ 140,034	¥ 61,301	¥ 33,351	¥ 48,403	¥ 451,010
Acquisitions	2,234	4,067	341	93,523	3,017	103,184
Transfer of accounts	8,522	32,511	23	(57,342)	14,789	(1,496)
Sale or disposal	(367)	(1,466)	(229)	(820)	(1,145)	(4,028)
Depreciation*1	(11,787)	(27,027)	-	-	(16,623)	(55,438)
Impairment loss*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
Acquisitions	1,252	4,917	1,099	89,970	4,041	101,281
Transfer of accounts	17,388	68,447	0	(105,774)	18,668	(1,269)
Sale or disposal	(345)	(6,345)	(166)	(1,125)	(1,110)	(9,092)
Depreciation*1	(12,550)	(32,242)	-	-	(17,961)	(62,754)
Impairment loss*2and3	-	-	-	-	-	-
Exchange differences	(196)	(2,765)	(61)	(1,570)	(331)	(4,925)
Other	(223)	306	-	(3,979)	68	(3,827)
Balance as of March 31, 2025	¥ 174,015	¥ 183,055	¥ 62,676	¥ 43,379	¥ 52,617	¥ 515,743

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2024	$ 1,128,128	$ 1,008,065	$ 413,315	$ 440,447	$ 329,305	$ 3,319,274
Acquisitions	8,373	32,883	7,350	601,685	27,025	677,329
Transfer of accounts	116,284	457,748	0	(707,376)	124,845	(8,487)
Sale or disposal	(2,307)	(42,433)	(1,110)	(7,524)	(7,423)	(60,804)
Depreciation*1	(83,930)	(215,622)	-	-	(120,116)	(419,675)
Impairment loss*2and3	-	-	-	-	-	-
Exchange differences	(1,311)	(18,491)	(408)	(10,500)	(2,214)	(32,937)
Other	(1,491)	2,046	-	(26,610)	455	(25,594)
Balance as of March 31, 2025	$ 1,163,746	$ 1,224,203	$ 419,153	$ 290,102	$ 351,883	$ 3,449,094

Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2023	¥ 461,137	¥ 614,410	¥ 61,301	¥ 34,990	¥ 292,937	¥ 1,464,776
Balance as of March 31, 2024	¥ 475,870	¥ 650,933	¥ 61,803	¥ 67,499	¥ 306,364	¥ 1,562,471
Balance as of March 31, 2025	¥ 489,357	¥ 698,661	¥ 62,676	¥ 43,379	¥ 319,228	¥ 1,613,302

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2025	$ 3,272,634	$ 4,672,380	$ 419,153	$ 290,102	$ 2,134,876	$ 10,789,153

Accumulated depreciation and accumulated impairment loss

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2023	¥ 293,217	¥ 474,375	¥ -	¥ 1,638	¥ 244,533	¥ 1,013,765
Balance as of March 31, 2024	¥ 307,180	¥ 500,197	¥ -	¥ 1,638	¥ 257,122	¥ 1,066,139
Balance as of March 31, 2025	¥ 315,341	¥ 515,605	¥ -	¥ -	¥ 266,611	¥ 1,097,558

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

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2025	$ 2,108,881	$ 3,448,171	$ -	$ -	$ 1,782,993	$ 7,340,052

10. Intangible assets

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

Carrying amount

	Millions of yen			
	Development expenses	Software	Other	Total
Balance as of April 1, 2023	¥ 26,869	¥ 16,459	¥ 22,919	¥ 66,248
Acquisitions through internal development	2,637	-	-	2,637
Acquisitions	-	6,863	8,469	15,332
Sale or disposal	-	(74)	(5)	(80)
Amortization*1	(6,143)	(6,749)	(554)	(13,448)
Impairment loss*2and3	(237)	(21)	(127)	(386)
Exchange differences	22	64	97	184
Other	(11)	171	(1,030)	(870)
Balance as of March 31, 2024	¥ 23,136	¥ 16,713	¥ 29,767	¥ 69,617
Acquisitions through internal development	9,464	-	-	9,464
Acquisitions	-	8,278	7,172	15,451
Sale or disposal	-	(260)	(174)	(434)
Amortization*1	(9,056)	(7,167)	(502)	(16,726)
Impairment loss*2and3	-	-	-	-
Exchange differences	11	72	11	95
Other	(64)	487	(2,131)	(1,708)
Balance as of March 31, 2025	¥ 23,491	¥ 18,124	¥ 34,143	¥ 75,760

	Thousands of U.S. dollars			
	Development expenses	Software	Other	Total
Balance as of March 31, 2024	$ 154,725	$ 111,770	$ 199,070	$ 465,572
Acquisitions through internal development	63,292	-	-	63,292
Acquisitions	-	55,360	47,964	103,330
Sale or disposal	-	(1,739)	(1,164)	(2,902)
Amortization*1	(60,563)	(47,930)	(3,357)	(111,857)
Impairment loss*2and3	-	-	-	-
Exchange differences	74	482	74	635
Other	(428)	3,257	(14,251)	(11,422)
Balance as of March 31, 2025	$ 157,099	$ 121,206	$ 228,335	$ 506,654

Acquisition cost

	Millions of yen							
		Development expenses		Software		Other		Total
Balance as of April 1, 2023	¥	38,579	¥	80,007	¥	32,369	¥	150,956
Balance as of March 31, 2024	¥	41,226	¥	87,033	¥	39,900	¥	168,160
Balance as of March 31, 2025	¥	50,639	¥	90,325	¥	45,071	¥	186,035

	Thousands of U.S. dollars							
		Development expenses		Software		Other		Total
Balance as of March 31, 2025	$	338,654	$	604,059	$	301,418	$	1,244,132

Accumulated amortization and accumulated impairment loss

	Millions of yen							
		Development expenses		Software		Other		Total
Balance as of April 1, 2023	¥	11,709	¥	63,547	¥	9,450	¥	84,708
Balance as of March 31, 2024	¥	18,090	¥	70,319	¥	10,133	¥	98,543
Balance as of March 31, 2025	¥	27,147	¥	72,200	¥	10,927	¥	110,275

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

	Thousands of U.S. dollars							
		Development expenses		Software		Other		Total
Balance as of March 31, 2025	$	181,549	$	482,846	$	73,076	$	737,477

11. Impairment of non-financial assets

The Group recorded impairment losses for the following groups of assets. The impairment losses are included in “Cost of sales” in the consolidated statement of profit or loss.
The Group groups assets into cash-generating units, which are the smallest units that generate largely independent cash inflows based on business units.

As of March 31, 2024

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

As of March 31, 2025

There was no material impairment loss.

12. Leases

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

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

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

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

equipment and revaluing amounts expected to be paid based on residual value guarantees as of the reporting date.
Other IT equipment leases include short-term leases and leases of low-value assets, for which right-of-use assets and lease liability are not recognized.

(1) Right-of-use assets

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

	Millions of yen			
	Type of underlying assets			
	Buildings and structures, land and other properties	Machinery, equipment and vehicles	Other	Total
2024	¥ 49,632	¥ 13,870	¥ 1,321	¥ 64,824
2025	¥ 50,821	¥ 6,615	¥ 1,259	¥ 58,697

	Thousands of U.S. dollars			
	Type of underlying assets			
	Buildings and structures, land and other properties	Machinery, equipment and vehicles	Other	Total
2025	$ 339,872	$ 44,239	$ 8,420	$ 392,543

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Underlying assets of buildings and structures, land and other properties	¥ 8,738	¥ 10,589	$ 70,815
Underlying assets of machinery, tools and fixtures	2,883	2,861	19,133
Underlying assets of other	533	498	3,330
Total depreciation of right-of-use assets	12,155	13,950	93,292
Increase in right-of-use assets	13,318	16,283	108,895

(2) Lease liabilities

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

(3) Amount recognized in profit and loss

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Interest expense on lease liabilities	¥ 783	¥ 2,086	$ 13,950
Expenses related to short-term leases	195	352	2,354
Expenses related to leases of low-value assets	941	1,253	8,380

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

(4) Cash outflow related to leases

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash outflow related to leases	¥ 18,636	¥ 21,205	$ 141,811

(5) Sale and leaseback

Information about sale and leaseback was immaterial and is therefore omitted.
Lease information for which the Group was the lessor was immaterial and is therefore omitted.

13. Other financial assets

(1) The breakdown of other financial assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Financial assets measured at fair value through profit or loss			
Derivative assets*1	¥ 1,661	¥ 1,980	$ 13,241
Other	185	205	1,371
Financial assets measured at fair value through other comprehensive income			
Shares and investments in capital	32,500	31,190	208,587
Financial assets measured at amortized cost			
Time deposits with maturities of more than three months	7,803	8,740	58,450
Other*2	49,636	41,456	277,242
Total	¥ 91,787	¥ 83,573	$ 558,905
Current assets	11,024	11,770	78,713
Non-current assets	80,762	71,802	480,185
Total	¥ 91,787	¥ 83,573	$ 558,905

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

2. The Company sustained losses (approximately ¥51 billion ($341,069 thousand)) due to breach of contract by an overseas construction subcontractor in connection with a certain overseas liquefied natural gas (LNG) tank construction project. The Company has filed a petition for arbitration on this matter with the International Chamber of Commerce (ICC). The Company plans to settle this dispute through the arbitration process and recognized a financial asset based on contractual rights within "Other" under "Other financial assets."

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

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

(i) The breakdown of major stocks and fair value

Major stocks and the fair values of financial assets measured at fair value through other comprehensive income are as follows:

	Millions of yen
	2024
IHI Investment for Aero Engine Leasing LLC	¥ 4,533
Seiwa Building Co., Ltd.	4,220
IHI Aero Engines US Co., Ltd.	3,084
AKASHI-KIKAI INDUSTRY Co., Ltd.	2,048
West Japan Railway Techsia Co., Ltd.	1,464

	Millions of yen	Thousands of U.S. dollars
	2025	2025
IHI Investment for Aero Engine Leasing LLC	¥ 4,788	$ 32,020
Seiwa Building Co., Ltd.	3,816	25,520
Panovation Energy (Shanghai) Co., Ltd.	2,169	14,505
IHI Aero Engines US Co., Ltd.	2,023	13,529
West Japan Railway Techsia Co., Ltd.	1,553	10,386

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Fair value as of the sale date	¥ 431	¥ 106	$ 709
Accumulated gains (losses)	(2,318)	(655)	(4,380)

When financial assets measured at fair value through other comprehensive income are derecognized, the accumulated gains or losses recognized in other comprehensive income are reclassified from other components of equity to retained earnings. The amounts of accumulated gains or losses, net of tax reclassified from other components of equity to retained earnings during the period were ¥(2,130) million and ¥(455) million ($(3,043) thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(iii) Dividend income

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Investments derecognized during the period	¥ 6	¥ 2	$ 13
Investments held as of the year end	357	311	2,080
Total	¥ 364	¥ 314	$ 2,100

14. Deferred taxes and income taxes

(1) Deferred taxes

(i) Deferred tax assets and liabilities
The breakdown of deferred tax assets and liabilities is as follows:

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

	Millions of yen			
	April 1, 2023	Recognized in profit or loss*	Recognized in other comprehensive income	March 31, 2024
Deferred tax assets				
Inventories	¥ 10,504	¥ (380)	¥ -	¥ 10,124
Excess of book depreciation over tax depreciation, etc.	28,644	339	-	28,984
Provisions	7,715	5,621	-	13,336
Retirement benefit liability	44,114	(348)	(6,653)	37,112
Refund liabilities	2,001	18,780	-	20,782
Tax loss carryforward	4,041	837	-	4,878
Accrued bonuses	13,839	(2,994)	-	10,844
Other	40,351	(4,181)	-	36,170
Total	¥ 151,213	¥ 17,675	¥ (6,653)	¥ 162,235
Deferred tax liabilities				
Reserve for tax purpose reduction entry of non-current assets, etc.	¥ (18,568)	¥ 1,135	¥ -	¥ (17,433)
Investments in subsidiaries, associates and joint ventures	(10,333)	1,108	(1,639)	(10,864)
Other financial assets	(7,043)	(2,796)	(2,223)	(12,062)
Other	(5,837)	706	-	(5,130)
Total	(41,782)	154	(3,862)	(45,490)
Net amount	¥ 109,430	¥ 17,829	¥ (10,516)	¥ 116,744

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

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

	Millions of yen			
	April 1, 2024	Recognized in profit or loss*	Recognized in other comprehensive income	March 31, 2025
Deferred tax assets				
Inventories	¥ 10,124	¥ 669	¥ -	¥ 10,793
Excess of book depreciation over tax depreciation, etc.	28,984	(5,897)	-	23,087
Provisions	13,336	(1,330)	-	12,006
Retirement benefit liability	37,112	1,679	(3,545)	35,246
Refund liabilities	20,782	(3,469)	-	17,312
Tax loss carryforward	4,878	5,967	-	10,846
Accrued bonuses	10,844	5,320	-	16,165
Other	36,170	6,431	-	42,602
Total	¥ 162,235	¥ 9,370	¥ (3,545)	¥ 168,060
Deferred tax liabilities				
Reserve for tax purpose reduction entry of non-current assets, etc.	¥ (17,433)	¥ (332)	¥ -	¥ (17,765)
Investments in subsidiaries, associates and joint ventures	(10,864)	(1,025)	(463)	(12,353)
Other financial assets	(12,062)	5,841	819	(5,401)
Other	(5,130)	367	-	(4,763)
Total	(45,490)	4,850	356	(40,283)
Net amount	¥ 116,744	¥ 14,221	¥ (3,189)	¥ 127,776

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

	Thousands of U.S. dollars			
	April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2025
Deferred tax assets				
Inventories	$ 67,705	$ 4,474	$ -	$ 72,179
Excess of book depreciation over tax depreciation, etc.	193,834	(39,437)	-	154,397
Provisions	89,186	(8,895)	-	80,292
Retirement benefit liability	248,191	11,229	(23,708)	235,712
Refund liabilities	138,982	(23,199)	-	115,776
Tax loss carryforward	32,622	39,905	-	72,534
Accrued bonuses	72,521	35,578		108,105
Other	241,891	43,008	-	284,906
Total	$ 1,084,966	$ 62,663	$ (23,708)	$ 1,123,922
Deferred tax liabilities				
Reserve for tax purpose reduction entry of non-current assets, etc.	$ (116,585)	$ (2,220)	$ -	$ (118,806)
Investments in subsidiaries, associates and joint ventures	(72,654)	(6,855)	(3,096)	(82,612)
Other financial assets	(80,666)	39,062	5,477	(36,120)
Other	(34,307)	2,454	-	(31,853)
Total	(304,220)	32,435	2,381	(269,397)
Net amount	$ 780,740	$ 95,105	$ (21,327)	$ 854,517

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

Of the deferred tax assets at the end of the previous consolidated fiscal year and the current consolidated fiscal year, ¥105,585 million and ¥23,976 million, ($160,342 thousand) respectively, were attributed to taxable entities which have incurred losses in the previous consolidated fiscal year or the current consolidated fiscal year.

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Tax loss carryforward	¥ 15,525	¥ 9,981	$ 66,749
Deductible temporary differences	1,702	425	2,842

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

Tax loss carryforward	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Year 1	¥ 170	¥ 111	$ 742
Year 2	20	527	3,524
Year 3	-	554	3,705
Year 4	-	183	1,224
Year 5 or later	15,334	8,604	57,540
Total	¥ 15,525	¥ 9,981	$ 66,749

(iv)Taxable temporary differences for which deferred tax liabilities are not recognized

The Group does not recognize deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, except for those related to undistributed profits scheduled to be distributed at the end of the reporting period. This is because the Group is in a position to control the timing of the reversal of the temporary differences, and it is certain that the temporary differences will not be reversed within the foreseeable future. The taxable temporary differences associated with investments in subsidiaries for unrecognized deferred tax liabilities at the end of the previous consolidated fiscal year and the current consolidated fiscal year were ¥319,032 million and ¥247,781 million ($1,657,065 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Current tax expense	¥ 20,457	¥ 33,462	$ 223,781
Deferred tax expense	(15,787)	(16,271)	(108,814)
Total	¥ 4,670	¥ 17,190	$ 114,960

Deferred tax expense includes the amount of benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period, and the write-down or reversal of the previous write-down of the deferred tax assets. The related deferred tax expense decreased by ¥504 million in the previous consolidated fiscal year and was insignificant in the current consolidated fiscal year. In addition, the change in the deferred tax expense due to the change in tax rates was insignificant in the previous consolidated fiscal year and decreased by ¥2,601 million ($17,395 thousand) in the current consolidated fiscal year.

The current tax expense includes the amount of benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period. As a result, the amounts of decrease in current tax expense were insignificant for both the previous and the current consolidated fiscal years.

(3) Reconciliation of applicable tax rate

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

	%	
	2024	2025
Income taxes at the effective statutory tax rates	30.5	30.5
Movements in unrecognized deferred tax assets	(0.9)	(1.0)
Share of profit or loss of investments accounted for using equity method	(11.3)	(7.3)
Tax credit for research and development expenses	(6.4)	(6.0)
Investments in subsidiaries, associates and joint ventures	(3.5)	1.0
Tax rate difference between subsidiaries	(3.5)	(1.9)
Non-deductible expenses for tax purposes	7.5	1.3
Withholding tax related to dividends from overseas subsidiaries	4.1	1.1
Change in tax rates	0.1	(2.4)
Other	(2.0)	0.8
Actual tax rate	14.6	16.0

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

15. Trade and other payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Notes payable - trade	¥ 5,994	¥ 3,509	$ 23,467
Accounts payable - trade	271,089	309,683	2,071,043
Electronically recorded obligations	174,892	198,917	1,330,282
Other	69,757	81,768	546,833
Total	¥ 521,734	¥ 593,878	$ 3,971,631

Trade and other payables are classified as financial liabilities measured at amortized cost.

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

16. Bonds, borrowings and other financial liabilities

(1) Breakdown

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Financial liabilities measured at amortized cost			
Bonds	¥ 158,968	¥ 128,994	$ 862,663
Short-term borrowings	143,023	177,945	1,190,029
Long-term borrowings	220,194	230,030	1,538,354
Commercial paper	60,000	89,000	595,198
Other	14,295	9,665	64,636
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	8,751	4,213	28,175
Payables associated with receivables securitization	168,270	183,105	1,224,537
Lease liabilities	71,730	66,556	445,101
Total	¥ 845,234	¥ 889,511	$ 5,948,713
Current liabilities	453,694	527,197	3,525,694
Non-current liabilities	391,539	362,313	2,423,012
Total	¥ 845,234	¥ 889,511	$ 5,948,713

Average interest rates for short-term and long-term borrowings applicable to the current consolidated fiscal year were 3.480% and 0.600%, respectively.

Long-term borrowings will be due in 2025 through 2035.

(2) Contractual terms and repayment schedule

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

			Millions of yen		Thousands of U.S. dollars		
Company	Description	Date of issuance	2024	2025	2025	Interest rate	Maturity
KHI	42nd Unsecured Bonds	July 18, 2014	¥ 10,000	-	$ -	0.791%	July 18, 2024
KHI	44th Unsecured Bonds	July 24, 2015	10,000	10,000	66,876	0.853%	July 24, 2025
KHI	46th Unsecured Bonds	July 15, 2016	10,000	10,000	66,876	0.820%	July 15, 2036
KHI	48th Unsecured Bonds	July 20, 2017	10,000	10,000	66,876	0.900%	July 17, 2037
KHI	50th Unsecured Bonds	July 20, 2018	10,000	10,000	66,876	0.400%	July 20, 2028
KHI	51st Unsecured Bonds	July 12, 2019	10,000	-	-	0.150%	July 12, 2024
KHI	52nd Unsecured Bonds	July 12, 2019	10,000	10,000	66,876	0.820%	July 12, 2039
KHI	53rd Unsecured Bonds	January 21, 2020	10,000	-	-	0.180%	January 21, 2025
KHI	54th Unsecured Bonds	January 21, 2020	10,000	10,000	66,876	0.700%	January 20, 2040
KHI	56th Unsecured Bonds	June 11, 2020	29,968	29,994	200,589	0.260%	June 11, 2025
KHI	57th Unsecured Bonds	June 11, 2020	10,000	10,000	66,876	0.480%	June 11, 2030
KHI	58th Unsecured Bonds	July 15, 2021	10,000	10,000	66,876	0.300%	July 15, 2031
KHI	59th Unsecured Bonds	July 14, 2022	9,000	9,000	60,189	0.789%	July 14, 2032
KHI	60th Unsecured Bonds	February 29, 2024	10,000	10,000	66,876	0.742%	February 28, 2029
	Total		¥ 158,968	¥ 128,994	$ 862,663		

(3) Receivables securitization

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

At the end of the previous consolidated fiscal year and the current consolidated fiscal year such transferred assets were recorded in the consolidated statement of financial position in the amount of ¥83,118 million and ¥106,166 million ($709,998 thousand) respectively as "Trade and other receivables," and ¥85,152 million and ¥76,939 million ($514,539 thousand) respectively as "Contract assets." Amounts received upon the transfer of the assets concerned are recorded as related liabilities in "Bonds, borrowings and other financial liabilities" in the same amounts, respectively. The carrying amounts of the transferred assets and the related liabilities roughly approximate fair value.

(4) Reconciliation of liabilities on financing activities

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

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

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

	Millions of yen					
			Non-cash transactions			
	April 1, 2024	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2025
Bonds	¥ 158,968	¥ (30,000)	¥ -	¥ -	¥ 26	¥ 128,994
Short-term borrowings	143,023	38,327	-	(2,961)	(444)	177,945
Long-term borrowings	220,194	8,998	-	787	50	230,030
Payables associated with receivables securitization	168,270	14,834	-	-	-	183,105
Lease liabilities	71,730	(17,290)	15,406	600	(3,889)	66,556
Commercial paper	60,000	29,000	-	-	-	89,000
Other	1,560	(1,545)	-	-	121	137
Total	¥ 823,748	¥ 42,323	¥ 15,406	¥ (1,573)	¥ (4,135)	¥ 875,769

	Thousands of U.S. dollars					
			Non-cash transactions			
	April 1, 2024	Cash flows	New contracts	Foreign currency translation	Other	March 31, 2025
Bonds	$ 1,063,118	$ (200,629)	$ -	$ -	$ 174	$ 862,663
Short-term borrowings	956,484	256,316	-	(19,802)	(2,969)	1,190,029
Long-term borrowings	1,472,574	60,175	-	5,263	334	1,538,354
Payables associated with receivables securitization	1,125,326	99,204	-	-	-	1,224,537
Lease liabilities	479,703	(115,629)	103,029	4,013	(26,008)	445,101
Commercial paper	401,257	193,941	-	-	-	595,198
Other	10,433	(10,332)	-	-	809	916
Total	$ 5,508,915	$ 283,040	$ 103,029	$ (10,520)	$ (27,653)	$ 5,856,811

(5) Financial covenants

Certain loan agreements held by the Group financial covenants. In the event of a breach of such covenants, relevant contractual obligations may be accelerated at the lender's request.

(i) The amount of equity on the consolidated statement of financial position at the end of the consolidated fiscal year shall be maintained at 75% or more as compared to the equity at the end of the previous consolidated fiscal year.

(ii) In the two consecutive fiscal years, the amount of profit or loss before tax less other income plus other expense on the consolidated statement of profit or loss shall not be a negative amount.

At the end of the current consolidated fiscal year, there were no breaches of financial covenants related to such loan agreements. Also, it is not expected to be difficult to comply with such financial covenants. Therefore, the outstanding borrowings are classified as non-current liabilities. The carrying amount of borrowings classified as non-current liabilities is ¥73,000 million ($488,196 thousand) (¥77,000 million in the previous consolidated fiscal year).

17. Employee benefits

(1) Overview of retirement benefit plans

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

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

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

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

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

Defined benefit plans for certain overseas consolidated subsidiaries have been terminated in the current consolidated fiscal year.

(2) Defined benefit plans

(i) The breakdown of amounts recognized in the consolidated statement of financial position

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Present value of defined benefit obligations	¥ 213,768	¥ 190,500	$ 1,273,992
Fair value of plan assets	139,554	124,423	832,094
Changes in the effect of the asset ceiling	-	-	-
Net defined benefit liabilities	¥ 74,213	¥ 66,077	$ 441,898
Retirement benefit liabilities	74,604	67,100	448,739
Retirement benefit assets*	390	1,023	6,841
Net defined benefit liabilities	¥ 74,213	¥ 66,077	$ 441,898

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

(ii) Changes in present value of defined benefit obligations

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Balance at the beginning of the year	¥ 208,456	¥ 213,768	$ 1,429,599
Current service cost*	10,145	9,578	64,054
Interest cost*	3,731	4,114	27,513
Remeasurement of defined benefit plans			
Actuarial gains (losses) arising from changes in demographic assumptions	(81)	(38)	(254)
Actuarial gains (losses) arising from changes in financial assumptions	(5,198)	(14,827)	(99,157)
Actuarial gains (losses) arising from experience adjustment	(311)	657	4,394
Past service cost*	-	(908)	(6,072)
Payment of benefits	(6,085)	(5,295)	(35,411)
Changes from the termination of plans	-	(16,716)	(111,790)
Other	3,112	168	1,124
Balance at the end of the year	¥ 213,768	¥ 190,500	$ 1,273,992

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

The Company's weighted average duration of the defined benefit obligations at the end of the previous consolidated fiscal year and the current consolidated fiscal year were 14.3 years and 13.3 years, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Balance at the beginning of the year	¥ 117,249	¥ 139,554	$ 933,284
Return on interest income on plan assets	2,634	3,126	20,906
Remeasurement of defined benefit plans			
Return on plan assets	16,078	(2,889)	(19,321)
Contributions by the employer	4,722	4,208	28,142
Payment of benefits	(2,661)	(2,723)	(18,210)
Changes from the termination of plans	-	(16,716)	(111,790)
Other	1,530	(137)	(916)
Balance at the end of the year	139,554	124,423	832,094

The Group plans to contribute ¥2,484 million ($16,612 thousand) to defined benefit plans for the following consolidated fiscal year.

(iv) Components of plan assets
The investment of plan assets in the Group is carried out with the aim of securing sufficient assets to ensure the payment of pension benefits and lump-sum benefits into the future by securing the required total return over the medium to long term within the range of permissible risks.
The main objective of the investment is to secure a rate of return which is sufficient to maintain sound pension finances into the future. To this end, the Expert Committee objectively reconfirms the current status of the investment of plan assets regularly. For individual assets, the Group strives to achieve results that exceed the market rate of return for each item of the investment. For assets as a whole, the objective of the investment is to at least exceed the combined rate of return for each investment item's rate of return in the market according to the asset composition ratio.
In order to achieve the investment objectives, the Group has established and strived to maintain a policy asset composition ratio (hereinafter referred to as "asset mix policies"), which is the optimal combination of assets for the future, taking into consideration the expected rate of return forecasting, standard deviation (risk), and correlation on each asset of the investment target. Although, in principle, the asset mix policies are reviewed every three years, they will be reviewed as necessary if there is a significant change in the environment surrounding the fund and for other factors.

	Millions of yen		
	2024		
	Quoted market prices in active markets		
	Yes	No	Total
Cash and cash equivalents	¥ 23,253	¥ -	¥ 23,253
Shares	59,459	-	59,459
Bonds	15,963	-	15,963
General accounts of life insurance companies	-	10,340	10,340
Other	-	30,537	30,537
Total	¥ 98,676	¥ 40,878	¥ 139,554

	Millions of yen			Thousands of U.S. dollars		
	2025			2025		
	Quoted market prices in active markets			Quoted market prices in active markets		
	Yes	No	Total	Yes	No	Total
Cash and cash equivalents	¥ 13,002	¥ -	¥ 13,002	$ 86,952	$ -	$ 86,952
Shares	66,463	-	66,463	444,479	-	444,479
Bonds	15,962	-	15,962	106,748	-	106,748
General accounts of life insurance companies	-	11,011	11,011	-	73,637	73,637
Other	-	17,983	17,983	-	120,263	120,263
Total	¥ 95,428	¥ 28,995	¥ 124,423	$ 638,186	$ 193,908	$ 832,094

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

	2024	2025
Discount rate (%)	1.65	2.22

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Increase by 0.5%	¥ (12,980)	¥ (10,669)	$ (71,350)
Decrease by 0.5%	14,352	11,752	78,593

(3) Defined contribution plans

The pension expenses related to defined contribution plans for the previous consolidated fiscal year and the current consolidated fiscal year were ¥3,394 million and ¥3,815 million ($25,513 thousand), respectively.

(4) Employee benefit expenses

Total amounts of employee benefit expenses recognized for the previous consolidated fiscal year and the current consolidated fiscal year were ¥299,711 million and ¥398,883 million ($2,667,578 thousand), respectively.

18. Provisions

(1) Statements of changes

Changes in provisions are as follows:

	Millions of yen			
	Provision for construction warranties	Provision for loss on construction contracts	Other	Total
April 1, 2024	¥ 21,315	¥ 5,675	¥ 8,209	¥ 35,200
Increase	17,961	2,302	385	20,650
Utilization	(15,214)	(2,696)	(28)	(17,939)
Reversal	(988)	(180)	(62)	(1,231)
Unwinding of provisions due to passage of time	-	-	13	13
Other	39	-	36	76
March 31, 2025	23,113	5,101	8,554	36,769
Current liabilities	23,113	5,101	7,516	35,731
Non-current liabilities	-	-	1,038	1,038
Total	¥ 23,113	¥ 5,101	¥ 8,554	¥ 36,769

	Thousands of U.S. dollars			
	Provision for construction warranties	Provision for loss on construction contracts	Other	Total
April 1, 2024	$ 142,547	$ 37,952	$ 54,899	$ 235,404
Increase	120,116	15,395	2,575	138,099
Utilization	(101,745)	(18,030)	(187)	(119,969)
Reversal	(6,607)	(1,204)	(415)	(8,232)
Unwinding of provisions due to passage of time	-	-	87	87
Other	261	-	241	508
March 31, 2025	154,571	34,114	57,206	245,897
Current liabilities	154,571	34,114	50,264	238,955
Non-current liabilities	-	-	6,942	6,942
Total	$ 154,571	$ 34,114	$ 57,206	$ 245,897

(2) Details of provisions

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

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

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

19. Paid-in capital and other equity

(1) Capital Management

The Group's basic management policy is to stably generate profits that exceed the cost of capital into the future in order to sustainably improve corporate value and strengthen the Group's financial base.
In order to do so, the Group believes that it is important to maintain an appropriate balance between continuously

conducting advanced research and development and innovative capital investment to improve long-term shareholder value and returns to shareholders by distribution of dividends while maintaining financial soundness.
In this pursuit, the Group places after-tax ROIC and net D/E ratio as significant monitoring targets.

	%	
	2024	2025
After-tax ROIC	2.8	8.0
Net D/E ratio	88.6	78.4

The Group is not subject to any significant capital regulations.

(2) Share capital and treasury shares

Changes in authorized shares and issued shares are as follows:

	Thousands of shares	
	2024	2025
Type of shares	Common shares	Common shares
Number of authorized shares	336,000	336,000
Number of issued shares		
Beginning of the year	167,921	167,921
Change during the year	-	-
End of the year	167,921	167,921
Treasury shares		
Beginning of the year	440	420
End of the year	420	785

All common shares have no par value, and all issued shares are fully paid up.
In addition, the number of treasury shares includes shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees. Such shares were 376 thousand shares and 738 thousand shares as of March 31, 2024 and March 31, 2025, respectively.

(3) Surplus

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

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

(4) Other components of equity

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

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

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

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

(5) Dividends

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

(i) Total dividends and dividends per share

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

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

The total amount of dividends declared based on the resolution of the Board of Directors Meeting on November 8, 2023 includes dividends of ¥7 million for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

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

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

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

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

(i) Total dividends and dividends per share

Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2024 General Meeting of Shareholders	Common shares	¥5,036 million ($33,679 thousand)	Retained earnings	¥30.0 ($0.20)	March 31, 2024	June 27, 2024
November 8, 2024 Board of Directors Meeting	Common shares	¥11,751 million ($78,586 thousand)	Retained earnings	¥70.0 ($0.47)	September 30, 2024	December 3, 2024

The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2024 includes dividends of ¥11 million ($74 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

The total amount of dividends declared based on the resolution of the Board of Directors Meeting on November 8, 2024 includes dividends of ¥25 million ($167 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors and others.

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

Planned Resolution	Type of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Date of record	Effective date
June 26, 2025 General Meeting of Shareholders	Common shares	¥13,430 million ($89,815 thousand)	Retained earnings	¥80.0 ($0.54)	March 31, 2025	June 27, 2025

The total amount of dividends declared based on the resolution of the General Meeting of Shareholders on June 26, 2025 includes dividends of ¥59 million ($395 thousand) for shares held by trusts of a performance-linked share compensation plan, of which beneficiaries are directors, and shares held by trusts of Incentive Plan for management positions, of which beneficiaries are employees.

20. Other comprehensive income

Changes in other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	¥ 6,597	¥ (3,337)	$ (22,317)
Before tax effects	6,597	(3,337)	(22,317)
Tax effects	(2,383)	1,060	7,089
After tax effects	4,214	(2,277)	(15,228)
Remeasurements of defined benefit plans			
Amount arising during the year	21,670	11,318	75,690
Before tax effects	21,670	11,318	75,690
Tax effects	(6,653)	(3,545)	(23,708)
After tax effects	15,017	7,773	51,983
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	1	1	7
Before tax effects	1	1	7
Tax effects	-	-	-
After tax effects	1	1	7
Items that may be reclassified to profit or loss			
Cash flow hedges			
Amount arising during the year	(23,759)	(2,343)	(15,669)
Reclassification adjustments	23,703	2,841	19,000
Before tax effects	(56)	498	3,330
Tax effects	160	(240)	(1,605)
After tax effects	103	257	1,719
Exchange differences on translation of foreign operations			
Amount arising during the year	23,302	(4,120)	(27,553)
Reclassification adjustments	-	-	-
Before tax effects	23,302	(4,120)	(27,553)
Tax effects	-	-	-
After tax effects	23,302	(4,120)	(27,553)
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	5,434	(100)	(669)
Reclassification adjustments	-	-	-
Before tax effects	5,434	(100)	(669)
Tax effects	(1,639)	(463)	(3,096)
After tax effects	3,795	(563)	(3,765)
Total other comprehensive income	¥ 46,435	¥ 1,071	$ 7,162

21. Financial instruments

(1) Financial risk management

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

(2) Credit risk

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

after impairment presented in the consolidated statement of financial position.

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

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

(ii) Credit risk exposure

(a) Total balance of assets subject to allowance for doubtful accounts

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

		Millions of yen		Thousands of U.S. dollars
Measurement method of credit losses	Classification	2024	2025	2025
Simplified approach	-	¥ 776,790	¥ 890,716	$ 5,956,771
General approach	Measured at an amount equal to the 12-month expected credit losses	91,712	90,657	606,280
	Measured at an amount equal to the lifetime expected credit losses	1,137	511	3,417
	Measured at an amount equal to the lifetime expected credit losses (credit impaired)	1,460	1,346	9,002
Total		¥ 871,100	¥ 983,231	$ 6,575,476

(b) Debt guarantees

The Group has provided guarantees for transactions with financial institutions and leasing companies entered into by equity-method entities, customers and employees as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Equity-method entities	¥ 9,974	¥ 2,392	$ 15,997
Third parties	6,021	5,618	37,571
Employees	3	1	7
Total	15,999	8,012	53,581

(iii) Changes in allowance for doubtful accounts

The amount of allowance for doubtful accounts is calculated as follows:

・Trade receivables, contract assets and lease receivables

Since the Company’s business entails a large number of counterparties, the expected credit loss is measured by adjusting historical default rates based on forecasts of future economic conditions and other factors, after classifying receivables, etc., based on the credit risk characteristics of the counterparties.

・Receivables, etc., other than trade receivables, contract assets and lease receivables

For assets for which credit risk has not increased significantly, the expected credit loss is measured by multiplying the total carrying amount by an allowance ratio based on the historical default rate.

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

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

	Millions of yen		
	Financial assets applied by the 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.

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

	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	¥ 4,994	¥ 1,460	¥ 750
Increase during period	3,595	37	(61)
Utilization	(299)	(14)	-
Other	221	(208)	(36)
Balance at the end of the year	8,512	1,274	652

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

	Thousands of U.S. dollars		
	Financial assets applied by the 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	$ 33,398	$ 9,764	$ 5,016
Increase during period	24,042	247	(408)
Utilization	(2,000)	(94)	-
Other	1,478	(1,391)	(241)
Balance at the end of the year	56,925	8,520	4,360

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

(3) Liquidity risk

(i) Details and management policy of liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in discharging its financial liabilities using cash or other financial assets.

The Group is exposed to the liquidity risk of the Group being unable to fulfill payments on the due date when the repayment obligations of its financial liabilities fall due. The Group manages liquidity risks by forming and updating its funding plans in a timely manner by each group company and appropriately ensuring sufficient funds for the repayment of financial liabilities.

In addition, the Group maintains flexible funding capabilities using a cash management system among the group companies, diversifying financing methods, adjusting the balance between long-term and short-term financing with consideration for the financing environment, securing commitment lines, etc.

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

(a) As of March 31, 2024

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

(b) As of March 31, 2025

	Millions of yen				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	¥ 536,970	¥ 557,731	¥ 254,185	¥ 190,141	¥ 113,403
Commercial paper	89,000	89,000	89,000	-	-
Payables associated with receivables securitization	183,105	183,105	168,654	14,450	-
Trade and other payables	593,878	593,878	591,456	2,421	-
Lease liabilities	66,556	71,208	16,325	37,437	17,446
Other financial liabilities	9,665	9,665	6,809	1,888	967
Total	¥ 1,479,176	¥ 1,504,588	¥ 1,126,431	¥ 246,339	¥ 131,817
Derivative liabilities	¥ 4,213	¥ 4,213	¥ 3,696	¥ 517	¥ -

	Thousands of U.S. dollars				
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 5 years	Over 5 years
Non-derivative liabilities					
Bonds and borrowings	$ 3,591,052	$ 3,729,894	$ 1,699,893	$ 1,271,591	$ 758,396
Commercial paper	595,198	595,198	595,198	-	-
Payables associated with receivables securitization	1,224,537	1,224,537	1,127,894	96,636	-
Trade and other payables	3,971,631	3,971,631	3,955,434	16,191	-
Lease liabilities	445,101	476,212	109,175	250,364	116,672
Other financial liabilities	64,636	64,636	45,536	12,626	6,467
Total	$ 9,892,169	$ 10,062,115	$ 7,533,144	$ 1,647,422	$ 881,542
Derivative liabilities	$ 28,175	$ 28,175	$ 24,717	$ 3,458	$ -

(iii) Overdraft agreements and commitment line agreements (as a debtor)

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Total amount of maximum overdraft limit and commitment line agreements	¥ 583,376	¥ 615,091	$4,113,496
Balance of executed loans	66,239	91,155	609,610
Net amount	517,137	523,936	3,503,886

(iv) Supplier finance arrangements

The Group concluded supplier finance arrangements with third-party financial institutions, whereby payments are made to third-party financial institutions under the terms and conditions of arrangements with each supplier. Suppliers can choose to be paid earlier with a discount at their own discretion from third-party financial institutions. The Group does not provide collateral assets or third-party guarantees for supplier finance arrangements.

The carrying amount of financial liabilities associated with Supplier finance arrangements is as follows:

	Millions of yen	
	As of April 1, 2024	As of March 31,2025
Carrying amount of financial liabilities that are part of supplier finance arrangements		
Trade and other payables	¥ 86,847	¥ 121,437
- for which suppliers have received payment	*	108,494
Other current liabilities	-	1,121
- for which suppliers have received payment	-	561

Notes: The Group has applied a transitional provision under "Supplier finance arrangements" (amendments to IAS 7 and IFRS 7) and information as of the beginning of the first year of adoption is not disclosed.

	Thousands of U.S. dollars	
	As of April 1, 2024	As of March 31,2025
Carrying amount of financial liabilities that are part of supplier finance arrangements		
Trade and other payables	$ 580,800	$ 812,125
- for which suppliers have received payment	*	725,567
Other current liabilities	-	7,497
- for which suppliers have received payment	-	3,752

The range of payment due dates related to Supplier finance arrangements is as follows:

	As of April 1, 2024	As of March 31,2025
Trade and other payables under supplier finance agreements	*	60-335 days after invoice date
Comparable trade and other payables that are not part of supplier finance arrangements	*	0-150 days after invoice date
Other current liabilities under supplier finance arrangements	Not applicable	200-210 days after invoice date
Comparable other current liabilities that are not part of supplier finance arrangements	Not applicable	20-30 days after invoice date

Notes: The Group has applied a transitional provision under "Supplier finance arrangements" (amendments to IAS 7 and IFRS 7) and information as of the beginning of the first year of adoption is not disclosed.

The supplier finance arrangements the Group concluded do not result in a concentration or a significant extension of payment due dates as compared to normal payment terms agreed with other suppliers that do not participate in the arrangements, and the Group does not have material liquidity risk from the supplier finance arrangements.

There was no material non-cash change in the carrying amount of financial liabilities subject to supplier finance arrangements during the current consolidated fiscal year.

(4) Market risk

(i) Foreign currency risk

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
U.S. dollar	¥ 43,831	¥ 82,067	$ 548,833
Euro	501	2,298	15,368

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
U.S. dollar	¥ (438)	¥ (820)	$ (5,484)
Euro	(5)	(22)	(147)

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

(5) Hedge accounting

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

(i) Significant derivatives designated as hedges

(a) As of March 31, 2024

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

(b) As of March 31, 2025

Hedging instruments	Millions of yen				
	Notional amount	Of which, over 1 year	Average rate	Carrying amount of hedging instruments: Derivative Assets	Carrying amount of hedging instruments: Derivative Liabilities
Interest rate risk					
Interest rate swap	¥ 17,971	¥ 14,471	1.94%	¥ 90	¥ 137
Foreign currency risk					
Exchange contracts	¥ 115,639	¥ 51,404	JPY 143.08/USD JPY 155.57/EUR	¥ 995	¥ 1,326

Hedging instruments	Thousands of U.S. dollars				
	Notional amount	Of which, over 1 year	Average rate	Carrying amount of hedging instruments: Derivative Assets	Carrying amount of hedging instruments: Derivative Liabilities
Interest rate risk					
Interest rate swap	$ 120,183	$ 96,777	1.94%	$ 602	$ 916
Foreign currency risk					
Exchange contracts	$ 773,350	$ 343,770	JPY 143.08/USD JPY 155.57/EUR	$ 6,654	$ 8,868

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Interest rate risk	¥ 37	¥ (73)	$ (488)
Foreign currency risk	318	(997)	(6,668)

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

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

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

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

(b) Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

	Millions of yen		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	¥ (9)	¥ (49)	Finance income, Finance costs
Foreign currency risk	(2,333)	2,890	Finance income, Finance costs

	Thousands of U.S. dollars		
	Gains and losses on hedges recognized in other comprehensive income	Reclassification adjustments from other components of equity into profit or loss	Line items including reclassification adjustments in the consolidated statement of profit or loss
Interest rate risk	$ (60)	$ (328)	Finance income, Finance costs
Foreign currency risk	(15,602)	19,327	Finance income, Finance costs

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

(6) Fair values of financial instruments

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

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

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

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

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

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

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

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

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

(a) As of March 31, 2024

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

(b) As of March 31, 2025

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	¥ 4,406	¥ -	¥ 26,783	¥ 31,190
Financial assets measured at fair value through profit or loss				
Derivative assets	-	1,980	-	1,980
Other	-	-	205	205
Total assets	¥ 4,406	¥ 1,980	¥ 26,988	¥ 33,376
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	4,213	-	4,213
Total liabilities	¥ -	¥ 4,213	¥ -	¥ 4,213

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Shares and investments in capital	$ 29,466	$ -	$ 179,115	$ 208,587
Financial assets measured at fair value through profit or loss				
Derivative assets	-	13,241	-	13,241
Other	-	-	1,371	1,371
Total assets	$ 29,466	$ 13,241	$ 180,486	$ 223,206
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	28,175	-	28,175
Total liabilities	$ -	$ 28,175	$ -	$ 28,175

a) Valuation techniques and significant unobservable inputs

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

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

b) Valuation process

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Balance at the beginning of the year	¥ 22,527	¥ 27,359	$ 182,967
Purchases	86	2,362	15,796
Gains and losses			
Other comprehensive income*1	4,926	(2,629)	(17,582)
Profit or loss*2	(55)	(79)	(528)
Sales	(40)	(23)	(154)
Transfer from Level 3*3	(86)	-	-
Other	0	(0)	(0)
Balance at the end of the year	27,359	26,988	180,486
Changes in unrealized gains and losses recorded in profit or loss on assets held at the end of the reporting period*2	(55)	(79)	(528)

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

(iv) Financial instruments not measured at fair value

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

	Millions of yen	
	2024	
	Carrying amount	Fair value
Long-term borrowings	¥ 220,194	¥ 218,009
Bonds	158,968	153,253
Total financial liabilities	¥ 379,162	¥ 371,262

	Millions of yen		Thousands of U.S. dollars	
	2025		2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	¥ 230,030	¥ 222,673	$ 1,538,354	$ 1,489,153
Bonds	128,994	118,788	862,663	794,409
Total financial liabilities	¥ 359,025	¥ 341,461	$ 2,401,023	$ 2,283,562

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

22. Consolidation

(1) Composition of the Group

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

Name	Address	Reportable segment	Ownership percentage of voting rights	
			As of March 31, 2024	As of March 31, 2025
NIPPI Corporation	Kanazawa-ku, Yokohama City	Aerospace Systems	100%	100%
Kawasaki Railcar Manufacturing Co., Ltd.	Hyogo-ku, Kobe City	Rolling Stock	100%	100%
Kawasaki Rail Car Lincoln, Inc.	Delaware, U.S.A.	Rolling Stock Aerospace Systems	-	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%
Kawasaki Motors, Ltd.	Akashi City, Hyogo	Powersports & Engine	100%	100%
Kawasaki Motors Corporation Japan	Akashi City, Hyogo	Powersports & Engine	100% (100%)	100% (100%)
India Kawasaki Motors Pvt. Ltd.	Maharashtra, India	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Corp., U.S.A.	Delaware, U.S.A.	Powersports & Engine	100% (100%)	100% (100%)
PT. Kawasaki Motor Indonesia	Bekasi, Indonesia	Powersports & Engine	90% (90%)	90% (90%)
Kawasaki Motores do Brasil Ltda.	Sao Paulo, Brasil	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Europe N.V.	Hoofddorp, The Netherlands	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors (Phils.) Corporation	Metro Manila, Philippines	Powersports & Engine	50% (50%)	50% (50%)
Kawasaki Motors Manufacturing Corp., U.S.A.	Nebraska, U.S.A.	Powersports & Engine	100% (100%)	100% (100%)
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Rayong, Thailand	Powersports & Engine, Precision Machinery & Robot	100% (100%)	100% (100%)
Kawasaki Motores de Mexico S.A. de C.V.	Nuevo Leon, Mexico	Powersports & Engine	100% (100%)	100% (100%)
Japan Suiso Energy, Ltd.	Minato-ku, Tokyo	Other	66.6%	66.6%
Kawasaki Trading Co., Ltd.	Chuo-ku, Kobe City	Other	77.78%	77.78%
Kawasaki Life Corporation	Chuo-ku, Kobe City	Other	100%	100%
Other subsidiaries			75 companies	76 companies

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

(2) Subsidiaries with material non-controlling interests

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

(3) Significant restrictions

Not applicable.

23. Investments accounted for using equity method

(1) Information about interest

(i) Material associates

The Group does not have any material associates.

(ii) Material joint ventures

The Group does not have any material joint ventures.

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

(a) Financial information

	Total amount of immaterial associates			Total amount of immaterial joint ventures		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025	2024	2025	2025
Profit or loss	¥ 8,810	¥ 13,114	$ 87,701	¥ 2,547	¥ 10,059	$ 67,271
Other comprehensive income	4,125	429	2,869	(328)	(991)	(6,627)
Comprehensive income	12,936	13,543	90,570	2,218	9,068	60,643

(b) Carrying amount of the equity method affiliates

The carrying amount of equity in affiliates accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥47,907 million and ¥63,373 million ($423,815 thousand), respectively.

The carrying amount of the equity in joint venture accounted for by the equity method for the previous consolidated fiscal year and the current consolidated fiscal year was ¥43,047 million and ¥44,898 million ($300,261 thousand), respectively.

(2) Significant restrictions

Not applicable.

(3) Contingent liabilities with associates and joint ventures

The Group maintains debt guarantees for certain associates’ and joint ventures’ borrowings from financial institutions, which amounted to ¥9,974 million and ¥2,392 million ($15,997 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

24. Revenue

(1) Disaggregation of revenue

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

(i) Breakdown by product type

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

Millions of yen

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

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	¥ 399,944	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 399,944
Jet Engines	167,893	-	-	-	-	-	167,893
Rolling Stock	-	222,306	-	-	-	-	222,306
Energy & Plant & Marine Machinery	-	-	306,881	-	-	-	306,881
Ship & Offshore Structure	-	-	91,256	-	-	-	91,256
Precision Machinery	-	-	-	146,825	-	-	146,825
Robot	-	-	-	94,677	-	-	94,677
Powersports & Engine	-	-	-	-	609,357	-	609,357
Other	-	-	-	-	-	90,177	90,177
Revenue from contracts with customers	¥ 567,838	¥ 222,306	¥ 398,138	¥ 241,503	¥ 609,357	¥ 90,177	¥ 2,129,321

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Aerospace	$ 2,674,674	$ -	$ -	$ -	$ -	$ -	$ 2,674,674
Jet Engines	1,122,805	-	-	-	-	-	1,122,805
Rolling Stock	-	1,486,698	-	-	-	-	1,486,698
Energy & Plant & Marine Machinery	-	-	2,052,304	-	-	-	2,052,304
Ship & Offshore Structure	-	-	610,286	-	-	-	610,286
Precision Machinery	-	-	-	981,910	-	-	981,910
Robot	-	-	-	633,164	-	-	633,164
Powersports & Engine	-	-	-	-	4,075,149	-	4,075,149
Other	-	-	-	-	-	603,070	603,070
Revenue from contracts with customers	$ 3,797,485	$ 1,486,698	$ 2,662,596	$ 1,615,081	$ 4,075,149	$ 603,070	$14,240,092

(ii) Breakdown by region

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

Millions of yen

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

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	¥ 331,809	¥ 63,550	¥ 294,096	¥ 64,342	¥ 33,390	¥ 79,325	¥ 866,514
United States	146,090	152,072	891	26,651	344,896	567	671,169
Europe	83,609	-	20,032	13,321	101,961	209	219,134
Asia	13	6,683	46,177	131,750	79,062	7,826	271,513
Other areas	6,315	-	36,940	5,437	50,047	2,248	100,989
Revenue from contracts with customers	¥ 567,838	¥ 222,306	¥ 398,138	¥ 241,503	¥ 609,357	¥ 90,177	¥ 2,129,321

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Japan	$ 2,219,013	$ 424,998	$ 1,966,803	$ 430,295	$ 223,300	$ 530,496	$ 5,794,917
United States	976,995	1,017,000	5,959	178,232	2,306,534	3,792	4,488,524
Europe	559,145	-	133,966	89,086	681,877	1,398	1,465,485
Asia	87	44,693	308,814	881,094	528,737	52,337	1,815,776
Other areas	42,232	-	247,041	36,361	334,695	15,034	675,376
Revenue from contracts with customers	$ 3,797,485	$ 1,486,698	$ 2,662,596	$ 1,615,081	$ 4,075,149	$ 603,070	$14,240,092

(iii) Refund liabilities

As of March 31, 2024

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

As of March 31, 2025

The PW1100G-JM Engine program (hereinafter referred to as "the program"), in which the Company participates through International Aero Engines, LLC (hereinafter referred to as "IAE"), a multinational collaboration on civil aero engines, has been impacted by the challenge of managing significant in-service issues, so the Company is currently working hard with IAE to remedy this situation. As a member of this program, the Company would cover its portion of the loss associated with in-service issues. As a result, ¥43,477 million ($290,758 thousand) has been recorded on "Refund liabilities" in the consolidated statement of financial position as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections.

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

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

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

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

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

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

(2) Contract balances

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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Receivables from contracts with customers	¥ 627,506	¥ 709,131	$4,742,400
Contract assets	136,706	170,556	1,140,614
Contract liabilities	265,468	363,534	2,431,178

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

Contractual assets are the rights, excluding receivables, to compensation received in exchange for fulfillment of performance obligations, measured on the basis of progress at the end of the reporting period, for contracts that are primarily fulfilled over a certain period of time. Contract assets are reclassified as receivables from contracts with customers when the right to the consideration becomes unconditional, which requires only the passage of time. Changes to contract assets occurred mainly as a result of the recognition of revenue (leading to increases in contract assets) and transfers to trade receivables (leading to decreases in contract assets).

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

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

Of revenues recognized for the previous consolidated fiscal year and the current consolidated fiscal year, amounts included in the beginning balance of contract liabilities were ¥225,223 million and ¥240,243 million ($1,606,654 thousand), respectively.

In addition, the amount of revenue recognized from performance obligations satisfied in the previous and the current fiscal years is immaterial. ds 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, 2024 (April 1, 2023 – March 31, 2024)

Millions of yen

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

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

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

Millions of yen

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	¥ 1,301,937	¥ 519,791	¥ 825,356	¥ 91,411	¥ 2,244	¥ 41,989	¥ 2,782,728

Thousands of U.S. dollars

	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total
Remaining performance obligations	$ 8,706,861	$ 3,476,165	$ 5,519,668	$ 611,322	$ 15,007	$ 280,807	$ 18,609,831

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

- Aerospace Systems: About 90% are within 4 years, and about 10% are over 4 years
- Rolling Stock: About 90% are within 1 year, and about 10% are over 1 year
- Energy Solution & Marine Engineering: About 90% are within 5 years, and about 10% are over 5 years
- Precision Machinery & Robot: Within 1 year
- Powersports & Engine: Within 1 year
- Other: Within 1 year

(4) Assets recognized from contract costs

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Assets recognized from the costs incurred to fulfill a contract	¥ 2,818	¥ 6,519	$ 43,597

Costs incurred to fulfill a contract capitalized by the Group are the recoverable amounts of costs for fulfilling contracts with customers in the commercial aircraft jet engine business. These assets are recorded in "Inventories" in the consolidated statement of financial position and are amortized in accordance with the pattern in which the related services are transferred to customers. Amortization related to capitalized costs to fulfill a contract in the previous consolidated fiscal year and the current consolidated fiscal year was ¥12,867 million and ¥535 million ($3,578 thousand), respectively.

25. Other assets and other liabilities

(1) Other assets

The breakdown of other assets is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Advance payments	¥	69,029	¥	136,368	$	911,978
Prepaid expenses		41,612		44,370		296,730
Retirement benefit asset		390		1,023		6,841
Other		23,920		20,997		140,420
Total	¥	134,952	¥	202,758	$	1,355,969
Current assets	¥	101,644	¥	168,779	$	1,128,730
Non-current assets		33,307		33,978		227,232
Total	¥	134,952	¥	202,758	$	1,355,969

(2) Other liabilities

The breakdown of other liabilities is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Accrued expenses	¥	103,364	¥	105,445	$	705,176
Deposits received		25,996		42,821		286,371
Accrued bonuses		31,177		46,240		309,236
Other		41,692		52,280		349,629
Total	¥	202,230	¥	246,787	$	1,650,418
Current liabilities	¥	185,902	¥	233,675	$	1,562,730
Non-current liabilities		16,327		13,112		87,688
Total	¥	202,230	¥	246,787	$	1,650,418

26. Selling, general and administrative expenses

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

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Salaries and allowances	¥	74,256	¥	81,407	$	544,419
Research and development expenses		53,364		48,976		327,533
Advertising expenses		20,641		23,206		155,193
Other		127,782		153,372		1,025,694
Total	¥	276,044	¥	306,963	$	2,052,852

27. Other income and expenses

(1) Other income

The breakdown of other income is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Gain on sale of fixed assets	¥	739	¥	635	$	4,247
Other		4,965		2,463		16,472
Total	¥	5,704	¥	3,098	$	20,718

(2) Other expenses

The breakdown of other expenses is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Loss on sale and disposal of fixed assets	¥	2,789	¥	1,583	$	10,587
Other		4,264		6,138		41,049
Total	¥	7,053	¥	7,722	$	51,642

28. Finance income and finance costs

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Interest income						
Financial assets measured at amortized cost	¥	2,354	¥	2,646	$	17,695
Dividend income						
Financial assets measured at fair value through other comprehensive income		364		314		2,100
Foreign exchange gain		-		-		-
Others		322		462		3,090
Total	¥	3,040	¥	3,423	$	22,892

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Interest expense						
Financial liabilities measured at amortized cost	¥	7,390	¥	12,907	$	86,317
Lease liabilities		783		2,086		13,950
Foreign exchange loss		2,606		16,094		107,631
Others		6,481		7,941		53,106
Total	¥	17,261	¥	39,028	$	261,004

29. Government grants

Government grants received by the Group relate principally to research and development activities.

Government grants received in the previous consolidated fiscal year and the current consolidated fiscal year were ¥11,591 million and ¥10,606 million ($70,929 thousand), respectively. Of this amount, the grants related to revenue were deducted from research and development expenses, and the grants related to assets were deducted from the acquisition cost of acquired assets.

30. Earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Profit attributable to owners of parent	¥ 25,377	¥ 88,001	$ 588,517

	Thousands of shares	
	2024	2025
Average number of common shares	167,491	167,479

	yen		U.S. dollars
	2024	2025	2025
Basic earnings per share	¥ 151.51	¥ 525.44	$ 3.51

Notes: 1. Diluted earnings per share are not stated because there were no potential dilutive shares.
2. The Company's shares held by trusts whose beneficiaries are directors and others recorded as treasury shares under equity are included in the number of shares held in treasury to be deducted from the calculation of the average number of shares during respective periods in computing the earnings per share. (At the end of the previous consolidated fiscal year: 376,200 shares, at the end of the current consolidated fiscal year: 738,900 shares).

31. Related party

(1) Related party transactions

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

As of March 31, 2024

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

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

As of March 31, 2025

Type	Name	Details of transactions	Transaction amount	Line item	Outstanding balance	Allowance for credit loss outstanding balance
Associate	Commercial Airplane Co., Ltd.	Sales of Company products	¥ 62,302 million ($416,652 thousand)	Accounts receivable - trade	¥ 38,733 million ($259,032 thousand)	¥ -
				Contract liabilities	¥ 5,286 million ($ 35,351 thousand)	¥ -

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

(2) Remuneration for key management personnel

Remuneration for directors is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Short-term remuneration	¥ 489	¥ 461	$ 3,083
Share-based remuneration	72	170	1,137

32. Subsequent events

(Partial sale of consolidated subsidiary shares)

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

Overview of the Share Transfer

(i)	The number of shares retained by the Company prior to the Share Transfer	20,000 shares (100% voting rights ownership)
(ii)	Number of shares to be transferred	4,000 shares
(iii)	Transfer price	¥80.0 billion
(iv)	Date of transfer	April 1, 2025

Overview of the Third-party Allotment

(i)	Number of shares to be allotted	4,000 shares
(ii)	Amount to be paid in	¥80.0 billion
(iii)	Number of shares issued after the allotment	20,000 shares
(iv)	Date of payment	April 1, 2025
(v)	The number of shares retained by the Company following the Share Transfer and the Third-party Allotment	16,000 shares (80% voting rights ownership)

(2) Effect of the event on financial results
As Kawasaki Motors will remain a consolidated subsidiary of the Company even after this transaction, the impact on consolidated profit and loss for the fiscal year ending March 31, 2026 is expected to be minor.

33. Others

(1) Semi-annual financial information

	Millions of yen	
	Six months ended September 30, 2024	Fiscal year ended March 31, 2025
Revenue	¥ 884,183	¥ 2,129,321
Profit before tax	23,736	107,518
Profit attributable to owners of parent	13,667	88,001
	Yen	
Basic earnings per share	¥ 81.59	¥ 525.44

	Thousands of U.S. dollars	
	Six months ended September 30, 2024	Fiscal year ended March 31, 2025
Revenue	$ 5,913,081	$ 14,240,092
Profit before tax	158,737	719,040
Profit attributable to owners of parent	91,400	588,517
	U.S. dollars	
Basic earnings per share	$ 0.55	$ 3.51

(2) Material lawsuits, etc.

<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.