SUBARU CORPORATION

Financial Report for

The Year Ended March 31, 2025

(Under IFRS)

1【Consolidated Financial Statements and Notes】

【Consolidated Financial Statements】

(1) Consolidated Statement of Financial Position

(Unit: Millions of yen)

	Note	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Assets			
Current assets			
Cash and cash equivalents	7	1,048,000	941,460
Trade and other receivables	8,21	376,248	411,723
Inventories	9	588,503	667,391
Income taxes receivable		12,240	17,633
Other financial assets	10	874,651	1,019,469
Other current assets		118,791	133,372
Subtotal		3,018,433	3,191,048
Assets held for sale		740	172
Total current assets		3,019,173	3,191,220
Non-current assets			
Property, plant and equipment	11	969,096	1,061,846
Intangible assets and goodwill	12	291,463	316,535
Investment property	13	21,766	21,742
Investments accounted for using equity method	14	8,165	5,410
Other financial assets	10	206,263	145,386
Other non-current assets		225,597	243,444
Deferred tax assets	25	72,626	102,663
Total non-current assets		1,794,976	1,897,026
Total assets		4,814,149	5,088,246

(Unit: Millions of yen)

	Note	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	15	384,510	425,778
Financing liabilities	16,28	69,000	47,000
Other financial liabilities	17,28	68,125	56,747
Income taxes payable		93,085	51,829
Provisions	18	178,850	194,287
Other current liabilities	21	437,372	486,822
Total current liabilities		1,230,942	1,262,463
Non-current liabilities			
Financing liabilities	16,28	330,500	352,500
Other financial liabilities	17,28	95,820	105,263
Employee benefits	19	62,498	66,661
Provisions	18	158,305	184,038
Other non-current liabilities	21	370,512	401,473
Deferred tax liabilities	25	178	140
Total non-current liabilities		1,017,813	1,110,075
Total Liabilities		2,248,755	2,372,538
Equity			
Equity attributable to owners of parent			
Capital stock	20	153,795	153,795
Capital surplus	20	160,031	160,430
Treasury stocks	20	(4,616)	(4,649)
Retained earnings	20	1,906,933	2,106,478
Other components of equity	20	347,061	298,463
Total equity attributable to owners of parent		2,563,204	2,714,517
Non-controlling interests		2,190	1,191
Total equity		2,565,394	2,715,708
Total liabilities and equity		4,814,149	5,088,246

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Unit: Millions of yen)

	Note	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Revenue	6,21	4,702,947	4,685,763
Cost of sales		(3,710,521)	(3,705,419)
Gross profit		992,426	980,344
Selling, general and administrative expenses	22	(396,864)	(420,738)
Research and development expenses		(113,508)	(142,448)
Other income	23	4,835	4,526
Other expenses	23	(17,792)	(16,386)
Share of profit (loss) of investments accounted for using equity method	14	(899)	10
Operating profit		468,198	405,308
Finance income	24	80,406	89,969
Finance costs	24	(16,030)	(46,770)
Profit before tax		532,574	448,507
Income tax expense	25	(148,004)	(110,355)
Profit for the period		384,570	338,152
Profit for the period attributable to			
Owners of parent		385,084	338,062
Non-controlling interests		(514)	90
Profit for the period		384,570	338,152
Profit for the period per share attributable to owners of parent			
Basic (yen)	26	509.20	458.03
Diluted (yen)	26	509.18	458.00

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Note	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Profit for the period		384,570	338,152
Other comprehensive income (after deduction of tax)			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		4,922	(51)
Net changes in revaluation of equity instruments measured at fair value through other comprehensive income	30	69,019	(33,248)
Share of other comprehensive income of investments accounted for using equity method	14	(128)	(207)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		109,108	(19,250)
Net changes in revaluation of debt instruments measured at fair value through other comprehensive income	30	(345)	3,845
Share of other comprehensive income of investments accounted for using equity method	14	(68)	206
Other comprehensive income (after deduction of tax) total	20	182,508	(48,705)
Comprehensive income		567,078	289,447
Comprehensive income attributable to			
Owners of parent		567,412	289,357
Non-controlling interests		(334)	90
Comprehensive income		567,078	289,447

(3) Consolidated Statement of Changes in Equity
FYE2024 (April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total Capital
		Capital stock	Capital surplus	Treasury stocks	Retained earnings	Other components of equity	Total		
Balance at the beginning of the year		153,795	160,178	(6,136)	1,623,699	169,437	2,100,973	8,974	2,109,947
Comprehensive income									
Profit for the period		—	—	—	385,084	—	385,084	(514)	384,570
Other comprehensive income (after deduction of tax)	20	—	—	—	—	182,328	182,328	180	182,508
Comprehensive income total		—	—	—	385,084	182,328	567,412	(334)	567,078
Transfer to retained earnings	20	—	—	—	4,704	(4,704)	—	—	—
Transactions with owners									
Dividends paid	27	—	—	—	(65,266)	—	(65,266)	—	(65,266)
Purchase of Treasury Stocks		—	—	(40,006)	—	—	(40,006)	—	(40,006)
Disposal of Treasury Stocks		—	4	234	—	—	238	—	238
Cancellation of treasury stock		—	(41,292)	41,292	—	—	—	—	—
Transfer from retained earnings to capital surplus		—	41,288	—	(41,288)	—	—	—	—
Changes in ownership interest in subsidiaries		—	(147)	—	—	—	(147)	(6,450)	(6,597)
Total transactions with owners		—	(147)	1,520	(106,554)	—	(105,181)	(6,450)	(111,631)
Balance at the end of the year		153,795	160,031	(4,616)	1,906,933	347,061	2,563,204	2,190	2,565,394

FYE2025 (April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total Capital
		Capital stock	Capital surplus	Treasury stocks	Retained earnings	Other components of equity	Total		
Balance at the beginning of the year		153,795	160,031	(4,616)	1,906,933	347,061	2,563,204	2,190	2,565,394
Comprehensive income									
Profit for the period		—	—	—	338,062	—	338,062	90	338,152
Other comprehensive income (after deduction of tax)	20	—	—	—	—	(48,705)	(48,705)	—	(48,705)
Comprehensive income total		—	—	—	338,062	(48,705)	289,357	90	289,447
Transfer to retained earnings	20	—	—	—	(107)	107	—	—	—
Transactions with owners									
Dividends paid	27	—	—	—	(78,736)	—	(78,736)	—	(78,736)
Purchase of Treasury Stocks		—	—	(60,003)	—	—	(60,003)	—	(60,003)
Disposal of Treasury Stocks		—	21	275	—	—	296	—	296
Cancellation of treasury stock		—	(59,695)	59,695	—	—	—	—	—
Transfer from retained earnings to capital surplus		—	59,674	—	(59,674)	—	—	—	—
Changes in ownership interest in subsidiaries		—	399	—	—	—	399	(1,089)	(690)
Total transactions with owners		—	399	(33)	(138,410)	—	(138,044)	(1,089)	(139,133)
Balance at the end of the year		153,795	160,430	(4,649)	2,106,478	298,463	2,714,517	1,191	2,715,708

(4) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Note	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Net cash provided by (used in) operating activities			
Profit before tax		532,574	448,507
Depreciation and amortization		217,780	232,541
Share of loss (profit) of investments accounted for using equity method		899	(10)
Finance income		(80,406)	(89,969)
Finance costs		16,030	46,770
Decrease (increase) in trade and other receivables		(7,320)	(31,045)
Decrease (increase) in inventories		51,811	(92,481)
Increase (decrease) in trade and other payables		(8,232)	19,792
Increase (decrease) in provisions and employee benefits		92,533	45,934
Others		14,787	24,117
Subtotal		830,456	604,156
Interest received		45,171	59,296
Dividends received		5,162	6,483
Interest paid		(2,654)	(4,605)
Income taxes paid		(110,470)	(173,194)
Net cash provided by (used in) operating activities		767,665	492,136
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits		(366,096)	(124,308)
Purchase of property, plant and equipment		(188,147)	(170,861)
Proceeds from sale of property, plant and equipment		2,845	2,175
Purchase of intangible assets and expenditure on internally generated intangible assets		(111,731)	(94,427)
Purchase of securities		(154,821)	(161,061)
Proceeds from sale of securities		127,817	137,594
Payments of loans receivable		(184,150)	(179,664)
Collection of loans receivable		173,849	189,054
Others		(3,265)	(2,579)
Net cash provided by (used in) investing activities		(703,699)	(404,077)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term borrowings	28	(201)	—
Repayments of long-term borrowings	28	(45,402)	(59,000)
Proceeds from long-term borrowings	28	119,500	59,000
Redemption of bonds	28	(10,000)	(10,000)
Proceeds from issuance of bonds	28	23,000	10,000
Repayments of lease liabilities	28	(42,719)	(47,929)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(5,327)	(690)
Purchase of treasury stock		(40,006)	(60,003)
Dividends paid to owners of parent		(65,203)	(78,642)
Others		(111)	(56)
Net cash provided by (used in) financing activities		(66,469)	(187,320)
Effect of exchange rate changes on cash and cash equivalents		70,974	△7,279
Net increase (decrease) in cash and cash equivalents		68,471	(106,540)
Cash and cash equivalents at beginning of period		979,529	1,048,000
Cash and cash equivalents at end of period	7	1,048,000	941,460

【Notes to Consolidated Financial Statements】

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Reporting Entity

SUBARU CORPORATION (“the Company”) is a public company domiciled in Japan.
The Company’s consolidated financial statements comprise the Company and its consolidated subsidiaries (“the Group”) and the Group’s interests in affiliates.
Principal manufacturing facilities are located in Japan and the United States of America.
In automotive business, the Group manufactures, sells, and repairs automobiles and related products.
In aerospace business, the Group manufactures, sells, and repairs aircrafts, space-related devices, and the parts.

2. Basis of Preparation

(1) Compliance of consolidated financial statements with IFRS Accounting Standards

The Group’s consolidated financial statements have been prepared in accordance with IFRS as prescribed in Article 312 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a “Specified Company” set forth in Article 1-2 (i) of Ordinance on Consolidated Financial Statements."
The public announcement of the consolidated financial statements for the consolidated fiscal year ended March 31, 2025 has been approved by Atsushi Osaki, the Representative Director of the Board, President and Chief Executive Officer, and Shinsuke Toda, Managing Executive Officer, Chief Financial Officer, on June 23, 2025.

(2) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency. Amounts presented in Japanese yen are rounded to the nearest million yen, except when otherwise indicated.

(3) Basis of measurement

The Group’s consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities separately stated in "3. Material Accounting Policies".

(4) Changes in presentation

Consolidated Statement of Cash Flows

“Purchase of securities” and “Payments of loans receivable”, which were included in “Purchase of other financial assets“ under “Net cash provided by (used in) investing activities” in the previous fiscal year, and “Proceeds from sale of securities” and “Collection of loans receivable”, which were included in “Proceeds from sale and collection of other financial assets“ under “Net cash provided by (used in) investing activities” in the previous fiscal year, have been presented separately because of their increased materiality in the current fiscal year.
As a result, (339,655) million yen of “Purchase of other financial assets” under “Net cash provided by (used in) investing activities” presented in the previous fiscal year, has been reclassified into (154,821) million yen of “Purchase of securities”, (184,150) million yen of “Payments of loans receivable”, and (684) million yen of “Others”. 301,676 million yen of “Proceeds from sale and collection of other financial assets” presented in the previous fiscal year, has been reclassified into 127,817 million yen of “Proceeds from sale of securities”, 173,849 million yen of “Collection of loans receivable”, and 10 million yen of “Others”.

3. Material Accounting Policies

The following accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the reporting periods presented.

(1) Basis of consolidation

1. Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
Financial statements of subsidiaries are included in the consolidated financial statements from the date when the control is obtained until the date when the control is lost.
The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company as necessary. Intragroup balances and transactions, and any unrealized gain or loss arising from intragroup transactions are eliminated in preparation of the consolidated financial statements.
Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The difference between adjustment of non-controlling interests and fair value of any consideration paid is recognized directly in equity as the interest attributed to the owners of the parent.
Non-controlling interests of consolidated subsidiaries are recognized separately from the interests of the Group.
Comprehensive income of a subsidiary is attributed to the owners of the parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.
When control over a subsidiary is lost, any gain or loss on disposal of the interest sold is recognized in profit or loss.

2. Affiliates

Affiliates are entities over which the Group has a significant influence over the decisions on financial and operating policies, but does not have control.
Investment in an affiliate is initially recognized at cost and then is accounted for using the equity method of accounting.
The financial statements of affiliates have been adjusted, if necessary, when their accounting policies differ from those of the Group.

(2) Foreign currency translation

1. Foreign currency transactions

Each company in the Group specifies its own functional currency, the currency of the primary economic environment in which the entity operates, and measures transactions based on the functional currency.
When the entity prepares non-consolidated financial statements, the foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the fiscal year end date.
Exchange differences arising from the translation and settlement are usually recognized in profit or loss. However, exchange differences arising from the translation of equity financial instruments specified as measuring fair value through other comprehensive income are recognized in other comprehensive income.

2. Financial statements of foreign operations

All the assets and liabilities of foreign operations are translated at the exchange rates at the end of the reporting period. Revenue and expenses of foreign operations are translated into Japanese yen at the average exchange rates for the period, unless exchange rates significantly fluctuate during the period. If the exchange rates significantly fluctuate, revenue and expenses of foreign operations are translated at the foreign exchange rates at the date of the transaction.

Exchange differences arising from translation of foreign operations' financial statements are recognized in other comprehensive income. When a foreign operations are disposed of, the cumulative amount of exchange differences relating to the foreign operations are recognized in profit or loss.

(3) Financial instruments

1. Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets subsequently measured at amortized cost.

The Group initially recognizes trade receivables on the date when they arise. All other financial instruments are initially recognized when the Group becomes a party to the contractual provision of a financial instrument.

Financial assets are initially measured at their fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, unless they are classified as measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

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

・A financial asset is held within a business model whose objective is to hold the asset in order to collect the contractual cash flows; and

・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.

Investments in debt instrument are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

・The financial asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

・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.

When any of the above-mentioned conditions is not met for financial assets except for equity instruments, the financial assets are classified as financial assets measured at fair value through profit or loss.

Equity instruments may be designated as financial assets measured at fair value through other comprehensive income on an individual basis, except for equity instruments held for trading purposes. The designation has been applied continuously. Equity instruments that are not designated as such are classified as measured at fair value through profit or loss.

(ii) Subsequent measurement

Financial assets are subsequently measured based on the classification of the asset as follows.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

Changes in the fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.

Changes in the fair value of debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income, except for interest income, exchange gain and loss, and impairment loss recognized in net profit and loss. Profit or loss is recognized at derecognition.

Meanwhile, changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. The dividends from relevant financial assets are recognized in profit or loss as part of the financial income. The cumulative amount recognized in other comprehensive income is reclassified not to profit or loss but to retained earnings when the financial asset is derecognized or the fair value of the asset declines significantly.

(iii) Impairment of financial assets

For impairment of financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, and contract assets, expected credit losses are recognized as a loss allowance.

The Group determines, at the end of each reporting period, whether credit risk on the asset has increased significantly since initial recognition. When the credit risk has not increased significantly since initial recognition, an amount equal to 12-month expected credit losses is measured as the loss allowance. When the credit risk has increased significantly since initial recognition, an amount equal to lifetime expected credit losses is measured as the loss allowance.

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

Expected credit losses of financial instruments are estimated using the following methods:

・An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes;

・The time value of money; and

・Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the reporting date.

The amounts of these measurements are recognized in profit or loss.

If the amount measured as expected credit losses decreases after recognition of impairment loss, the decreased amount is reversed and recognized in profit or loss.

(iv) Derecognition of financial assets

The Group derecognizes its financial assets only if the contractual rights to receive the cash flows from the financial assets expire, or if the Group transfers substantially all the risks and rewards of ownership of the financial asset.

2. Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities as financial assets measured at fair value through profit or loss, or financial assets measured at amortized cost. The Group determines the classification at initial recognition. The Group recognizes financial liabilities when the Group becomes a party to the contractual provisions of the instruments.

All the financial liabilities are initially measured at fair value. However, financial liabilities measured at amortized cost are measured at their fair value less transaction costs that are directly attributable to the acquisition.

(ii) Subsequent measurement

Financial liabilities are subsequently measured according to the classification as follows.

Derivatives are included in financial liabilities measured at fair value through profit or loss. They are subsequently measured at fair value, and changes in the fair value are recognized in profit or loss for the period.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period as part of the financial income or costs.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, i.e. when the obligation specified in the contract is discharged or canceled, or expires.

3. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legal right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. Derivatives and hedge accounting

The Group enters into forward exchange contracts in order to fix cash flows related to the recognized financial assets and liabilities and future transaction. Interest rate swaps are used in order to fix cash flows of interest paid related to the borrowings.

There are no derivatives stated above to which hedge accounting is applied.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less that is readily convertible to cash and subject to insignificant risk of change in value.

(5) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated selling expenses. The acquisition cost is generally calculated using the cost method based on the moving average method and comprises all the costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(6) Property, plant and equipment

Property, plant, and equipment is measured based on the cost model and stated at acquisition cost less accumulated depreciation and impairment losses.

The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement and site restoration, as well as borrowing costs to be capitalized.

Depreciation of assets other than land and construction in progress is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of major assets are as follows;

・Buildings and structures: 2 to 60 years
・Machinery and vehicles: 2 to 20 years
・Tools, furniture and fixtures: 2 to 20 years

The estimated useful lives, residual value, and amortization methods are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(7) Intangible assets and goodwill

1. Goodwill

The Group measures goodwill as the fair value of consideration transferred including the recognized amount of any non-controlling interests in the acquiree at the acquisition date, less the net recognized amount (usually fair value) of the identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill is not amortized. Instead, it is tested for impairment annually and if any indication of potential impairment exists. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods. Goodwill is recorded at acquisition cost less any accumulated impairment losses.

2. Capitalized development costs

Expenditures related to research activities in order to gain new scientific and technical knowledge are recognized as expenses as incurred. Development expenditure is capitalized as intangible assets only when the cost can be measured reliably, there is a technical and commercial feasibility of completing the development, it is probable that the outcome will generate a future economic benefit, and the Group has intention, ability and sufficient resources to use or sell the outcome of the development and to complete the development.
The estimated useful lives of capitalized development costs that are amortized using the straight-line method are as follows.
・Capitalized development costs: 2 to 5 years

3. Other intangible assets

The Group applies the cost method in measuring separately acquired intangible assets, which are recorded at acquisition cost at initial recognition. After initial recognition, intangible assets excluding goodwill are amortized using the straight-line method over their estimated useful lives, and are recorded at acquisition cost less accumulated amortization and impairment losses. Estimated useful lives of major intangible assets are as follows. The Group has no intangible assets with indefinite useful lives.
・Software: 2 to 10 years
The estimated useful lives and amortization methods are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(8) Lease

At the inception of the lease contract, the Group assesses whether an arrangement is a lease or contains a lease. When the right to control the use of specific assets transfers in exchange for consideration for a certain period due to a contract, it means lease or includes lease. When the Group determines if the right to control the use of specific assets transfers or not, the Group uses the definition of lease in IFRS 16.

＜Lease as a lessee＞

The Group recognizes right-of-use assets and lease liabilities at the inception of the lease.

Right-of-use assets are measured at acquisition cost at the inception of the lease. After the commencement date, right-of-use assets are measured by using the cost model at acquisition cost less accumulated depreciation and impairment losses. Right-of-use assets are amortized from the date of inception to the end of estimated useful life of the underlying leased asset if the right to use is transferred to lessee until the end of the lease term or if acquisition cost of right-of-use assets reflects the exercise of a purchase option. Otherwise right-of-use assets are amortized from the date of inception to the earlier of the end of the estimated useful life of the right-of-use assets or the end of the lease term.

Lease liabilities are measured at the present value of the lease payments that are not paid at the date of inception. After the commencement date, the carrying amount of the lease liabilities are increased to reflect interest on the lease liabilities and decreased the lease payments made. Lease liabilities are re-measured and carrying amounts of right-of-use assets are revised or the change is recognized in profit or loss if the Group reviews lease liabilities or if the modification is not accounted for as a separate lease.

As for short-term leases or leases for which the underlying asset is of low value, the Group applies IFRS 16.5, 6, and recognizes lease payments as an expense using the straight-line method over the lease term.

＜Lease as a lessor＞

Lease transactions are classified as finance leases if all the risks and rewards incidental to ownership of underlying assets are substantially transferred, and all other leases are classified as operating leases.

A receivable from customer held under a finance lease is initially recognized at the amount of the gross investment in the lease discounted at the interest rate implicit in the lease and included in Trade and other receivables in the consolidated statement of financial position.

An underlying asset subject to an operating lease is recognized in the consolidated statement of financial position, and lease payments from operating leases are recognized as revenue over the lease term.

(9) Investment property

Investment property is held to earn rentals or for capital appreciation or both. Investment property is measured by using the cost model and is recorded at acquisition cost less accumulated depreciation and impairment losses. Depreciation of an investment property other than land and construction in progress is recognized on a straight-line basis over the estimated useful lives of the asset. The estimated useful lives of major assets are as follows:

・Buildings and structures: 2 to 50 years

(10) Impairment

At the end of each fiscal year, the Group assesses the carrying amounts of non-financial assets other than inventory and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Recoverable amounts of goodwill and intangible assets that are not yet ready for use are estimated at the same time every year.

The recoverable amount of an individual asset or cash-generating units is the higher of value in use or fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. Assets not assessed individually in test of impairment are integrated into the smallest cash-generating unit that generates cash inflows which are largely independent of cash inflows from other assets or a group of assets. Cash-generating units of goodwill are determined on the basis of the units managed for the purpose of internal reporting and are within the scope of operating segments before aggregation. The goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination.

Corporate assets in the Group do not generate cash inflows independently. If there is any indication that corporate assets may be impaired, the Group practices test of impairment on the basis of the recoverable amount of the cash-generating unit to which corporate asset belongs.

When the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss. An impairment loss for a cash-generating unit is recognized by first reducing the carrying amount of any goodwill allocated to the cash-generating unit, and then reducing proportionally the carrying amount of other assets in the unit.

An impairment loss for goodwill is not reversed. The Group assesses whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased at the end of each fiscal year. An impairment loss is reversed when there has been a change in the estimates used to determine an asset's recoverable amount. Impairment losses are reversed up to the amount not exceeding the carrying amount (net of depreciation) that would have been determined if no impairment losses had been recognized in prior years.

(11) Employee benefits

1. Short-term employee benefits

For short-term employee benefits including salaries, bonuses and paid annual leave, when the employees render related services, the amounts expected to be paid in exchange for those services are recognized as expenses.

2. Retirement benefit plans

The Group sponsors a defined benefit plan and a defined contribution plan as retirement benefit plans for employees.

(a) Defined contribution plans

For defined contribution plans, when the employees render related services, the contribution payables to the defined contribution plan are recognized as expenses.

(b) Defined benefit plans

The Group has adopted lump-sum payment on retirement and defined benefit pension plans as defined benefit plans.

The present value of defined benefit obligations, related current service costs and past service costs are determined using the projected unit credit method.

The discount rates are determined by reference to market yields at the end of the reporting period on high-quality corporate bonds which have maturities corresponding to the future settlements of benefits in each year.

The net defined benefit liability (asset) is determined as the present value of the defined benefit obligation less the fair value of the plan assets. Net interest on the net defined benefit liability (asset) is recognized in profit or loss as financial expenses.

The Group recognizes the difference arising from remeasurement of present value of the defined benefit obligation and the fair value of the plan asset in other comprehensive income when it is incurred, and reclassifies it immediately to retained earnings from other components of equity.

The Group recognizes any past service cost as an expense at the earlier of the following dates.

(i) when the plan amendment or curtailment occurs; and

(ii) when related restructuring costs are recognized

(12) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Where the effect of the time value of money is material, the amount of a provision is measured at the discounted present value of the estimated future cash flow using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as finance costs.

1. Asset retirement obligations

Provisions for asset retirement obligations are recognized mainly for the estimated cost of restoring the leased site at the end of the lease term.

2. Provision for product warranties

The Group provides product warranties based on the terms and conditions of warranties granted at the time of product sales, as well as free repair services on an individual basis in accordance with the notification to the competent authority. The coverage of product warranties based on the terms and conditions of warranties is determined by the duration, mileage, cause of defects, and other factors in accordance with the terms and conditions of warranties in each country.

The Group recognizes estimated warranty costs for the product warranties when products are sold to customers based on the terms and conditions of warranties. The estimated warranty costs are recorded based on the best estimates of future occurrences, which are based on the past repair experience and past sales volume for the total cost of repairing or replacing parts due to defects occurring within the warranty period.

The estimated expenses related to the warranty items in accordance with notifications to the competent authority are recognized as provision for product warranties when it is probable that outflows of resources embodying economic benefits will be required, and reliable estimates can be made of the amount of the obligations. The estimated expenses are recorded based on the best estimate of the warranty expenses that will be incurred in the future per vehicle and the number of units subject to repair, which is calculated based on historical experience of warranty services provided in the past.

3. Provision for loss on construction contracts

The provision for losses on uncompleted construction contracts in the Aerospace segment is provided when substantial losses on the contracts are anticipated at the fiscal year end and such losses can be reliably estimated.

4. Provision for environmental measures

The provision for environmental measures is recorded for the amount of the estimated expenses for complying with environmental regulations at the end of the fiscal year.

(13) Revenue

1. Revenue from contracts with customer

The Group identifies a performance obligation in a contract with a customer, and recognizes as revenue the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to the customer. If variable consideration is included in the consideration promised in a contract with a customer, some or all of an amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue is recognized at a point in time or over a certain period of time in accordance with satisfaction of a performance obligation in a contract with a customer.

With regard to revenue from the sale of cars in automotive business, performance obligations are principally considered to be fulfilled at the time of delivery of the cars, at which point customers obtain control of the cars and revenue is recognized.

In automotive business, fare-paying extended warranty service is provided for the products as an option in addition to normal Non-Conformance Liabilities. The revenue from the extended warranty service is recognized over a certain period of time in accordance with the progress of the performance obligation.

The aerospace business has contracts with customers. Revenue from contract construction is recognized over a certain period of time based on the progress of performance obligations. The progress is measured by an input method based on the costs incurred. Payments for contracts are generally made in stages based on the contracts with customers.

2. Revenue from financial lease

When the Group is lessor as the manufacturer or dealer, cost of sales and selling profit or loss corresponding to revenue for a portion identified as sale of products are recognized in profit or loss at the inception of the leases.

Finance income from financial leases is recognized based on a pattern reflecting a constant rate of return on the net investment in the lease of the Group.

3. Revenue from operating leases

Revenue from operating leases is recognized on a straight-line basis over the lease term.

4. Interest income

Interest income is recognized using the effective interest method.

5. Dividend income

Dividend income is recognized when the right to receive the payment is established.

(14) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group complies with the conditions attached to them and the grants will be received. Government grants are recognized in profit or loss over the periods in which the related costs for which the grants are intended to compensate are recognized as expenses. With regard to government grants that are compensation for acquisition of assets, the amount of the grants is deducted from the acquisition cost of the assets.

(15) Income taxes

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

Current income taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. The amount of these taxes is calculated based on tax rates and tax laws that are enacted or substantively enacted by the end of the consolidated reporting period in the countries where the Group conducts business activities and gains net taxable profit or loss.

Deferred income taxes are recognized based on the temporary differences between the tax base for assets and liabilities and the carrying amounts at the end of the consolidated reporting period, and the carryforward of unused tax losses and unused tax credits.

Deferred tax assets are recognized for all the deductible temporary differences etc. to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized for all the taxable temporary differences in principle.

However, no deferred tax assets and liabilities are recognized on following temporary differences:

・Taxable temporary differences arising from the initial recognition of goodwill;

・Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the transaction, affects neither accounting profit nor taxable profit; and

・Taxable temporary differences associated with investments in subsidiaries and affiliates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized only to the extent that it is probable that the deferred tax assets can be recovered by future taxable profits.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply to the fiscal year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted at the end of the consolidated reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax liabilities against current tax assets, and income taxes are levied by the same taxation authority on the same taxable entity.

(16) Earnings per share

Basic earnings per share attributable to owners of parent is calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of capital stock outstanding during the reporting period, adjusted for the number of treasury stock acquired. Diluted earnings per share attributable to owners of parent is calculated by adjusting profit for the year attributable to owners of the parent and the weighted average number of capital stock with considering the influence of diluted stock.

(17) Operating segment

An operating segment is a component of the Group that engages in business activities where revenues are earned and expenses are incurred, including inter-segment transactions. The Board of Directors regularly reviews the operating results of all the operating segments for which discrete financial information is available, in order to make decisions about resources to be allocated to the segments and assess their performance.

(18) Non-current assets held for sale

An asset or asset group of which the carrying amount is expected to be recovered through a sale transaction rather than through continuous use is classified as non-current assets held for sale or disposal group if the following conditions are met: it is highly probable that the asset or asset group will be sold within one year; the asset or asset group is available for immediate sale in its present condition; and the Group management is committed to a sale plan. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount and fair value less costs to sell.

(19) Equity

1. Capital stock and capital surplus

The common shares issued by the Company are classified as equity, and the proceeds from issuance of common shares are included in capital stock and capital surplus.

2. Treasury stock

Treasury stock is measured at acquisition cost, and deducted from equity. No gain or loss is recognized on the purchase, sale or retirement of the Group's treasury stock. Any difference between the carrying amount and consideration received on the sale of treasury stock is recognized directly in capital surplus.

(20) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset, until the asset is substantially ready for its intended use or sale.

All other borrowing costs are recognized in profit or loss in the consolidated reporting period in which they are incurred.

4. Significant accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.
The estimates and the underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods.

Judgments made by management that have significant effects on the amounts reported in the consolidated financial statements are as follows:

・Recognition of intangible assets arising from development (note “3. Material Accounting Policies, (7) Intangible assets and goodwill”); and
・Accounting for contracts including lease (note “3. Material Accounting Policies, (8) Lease”).

Significant accounting estimates made by management are as follows. Please refer each note for recorded amount, the method of calculation, major assumptions, and uncertainty of estimation.
・Accounting treatments of provisions for product warranties.(note “3. Material Accounting Policies, (12) Provisions”, note “18. Provisions”); and
・Recoverability of deferred tax assets (note “3. Material Accounting Policies, (15) Income taxes”, note “25. Notes on Income Taxes”)

5. New accounting standards not yet adopted by the Group

IFRS 18 Presentation and Disclosure in Financial Statements
IFRS 18, which was issued in April 2024, will be adopted for annual reporting periods beginning on or after January 1, 2027. IFRS 18 replaces IAS 1 Presentation of Financial Statements, and IAS 1 is abolished. In IFRS 18 new regulations are set in terms of presentation and disclosure about financial results in the income statement. Additionally, with the issuing IFRS18, IAS 7 ”Statement of Cash Flows”, etc. are amended. The effect to consolidated financial statements by these adoptions is under investigation.

6. Segment information

The reportable segments are the components of the Company for which separate financial information is available that is evaluated regularly by the Board of Directors in deciding allocation of management resources and in assessing performance.
The Company recognizes Automotive as its main business, and introduces an internal company system in Aerospace division. This framework makes clearer the responsibility of each division and accelerates business execution. The Company manages the subsidiaries on the basis of this classification. Therefore, the operating segments consist of “Automotive”, “Aerospace”, and “Others” which neither belongs to Automotive nor Aerospace. The reportable segments are “Automotive” and “Aerospace” segments.
Accounting method for operating segment reported is almost the same as the description in "3. Material Accounting Policies".
Reportable segment profit or loss is based on the operating profit.
Intersegment sales and transfers are based on the current market prices.

Principal products and services of each segment are as follows:

Segment	Principal products and services
Automotive	Automobiles and relevant products
Aerospace	Aircrafts, parts of space-related devices, and relevant products
Others	Real estate lease, etc.

(1) Information about the amount of revenue, profit or loss and other material items for each segment
Operating segment information of the Group as of and for the consolidated fiscal years ended March 31, 2024 and 2025 is as follows:

FYE2024 (April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Automotive	Aerospace	Subtotal	Others	Eliminations or Corporate	Consolidated
Revenue						
(1) External customers	4,593,639	104,317	4,697,956	4,991	—	4,702,947
(2) Intersegment	2,974	—	2,974	32,782	(35,756)	—
Total revenue	4,596,613	104,317	4,700,930	37,773	(35,756)	4,702,947
Operating profit	461,524	2,667	464,191	3,633	374	468,198
Finance Income						80,406
Finance Costs						(16,030)
Profit before tax						532,574
Segment assets	4,353,458	414,161	4,767,619	69,557	(23,027)	4,814,149
Other items						
Depreciation and amortization	210,012	6,216	216,228	1,552	—	217,780
Share of profit (loss) of investments accounted for using the equity method	(792)	—	(792)	(107)	—	(899)
Investments accounted for using the equity method	6,304	—	6,304	1,861	—	8,165
Additional non-current assets	317,736	8,226	325,962	2,507	—	328,469

Note: 1. The method to calculate the operating profit (loss) of each segment is correspondent to the method to calculate the operating profit (loss) in the consolidated statement of income, and Finance income, Finance costs, and Income tax expense are not included. Operating costs which are not allocated to each segment directly are allocated on the basis of the most reasonable standard to allocate.

2. The total amount of segment assets of each segment and Eliminations or Corporate is correspondent to the amount of total assets in the consolidated statement of financial position, and Investments accounted for using the equity method, derivative assets, and deferred tax assets, etc. are included. Assets which are not allocated to each segment directly less the amount included in Eliminations or Corporate are allocated into each segment on the basis of the most reasonable standard to allocate.
3. Eliminations or Corporate includes elimination of intersegment transactions and corporate assets. Corporate assets primarily consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

FYE2025 (April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Automotive	Aerospace	Subtotal	Others	Eliminations or Corporate	Consolidated
Revenue						
(1) External customers	4,569,035	111,584	4,680,619	5,144	—	4,685,763
(2) Intersegment	2,124	—	2,124	24,420	(26,544)	—
Total revenue	4,571,159	111,584	4,682,743	29,564	(26,544)	4,685,763
Operating profit (loss)	420,410	(19,642)	400,768	3,687	853	405,308
Finance Income						89,969
Finance Costs						(46,770)
Profit before tax						448,507
Segment assets	4,579,806	464,648	5,044,454	59,200	(15,408)	5,088,246
Other items						
Depreciation and amortization	217,350	6,357	223,707	8,834	—	232,541
Share of profit (loss) of investments accounted for using the equity method	23	—	23	(13)	—	10
Investments accounted for using the equity method	3,848	—	3,848	1,562	—	5,410
Additional non-current assets	380,568	9,976	390,544	9,734	—	400,278

Note: 1. The method to calculate the operating profit of each segment is correspondent to the method to calculate the operating profit (loss) in the consolidated statement of income, and Finance income, Finance costs, and Income tax expense are not included. Operating costs which are not allocated to each segment directly are allocated on the basis of the most reasonable standard to allocate.
2. The total amount of segment assets of each segment and Eliminations or Corporate is correspondent to the amount of total assets in the consolidated statement of financial position, and Investments accounted for using the equity method, derivative assets, and deferred tax assets, etc. are included. Assets which are not allocated to each segment directly less the amount included in Eliminations or Corporate are allocated into each segment on the basis of the most reasonable standard to allocate.

3. Eliminations or Corporate includes elimination of intersegment transactions and corporate assets. Corporate assets primarily consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

(2) Information about products and services

Information about products and services is omitted since the classifications of products and services are the same as reportable segments.

(3) Information about geographic areas

The revenue and carrying amounts of non-current assets other than financial instruments and deferred tax assets based on the location of the Group as of and for the consolidated fiscal years ended March 31, 2024 and 2025 are as follows:

FYE2024 (April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Japan	North America	(U.S.A)	Europe	Asia	Others	Total
Revenue	627,530	3,706,817	3,448,840	115,655	57,620	195,325	4,702,947
Non-current assets (other than financial instruments and deferred tax assets)	1,058,823	446,948	441,977	1,512	639	－	1,507,922

Note: Revenue is based on the location of customers and classified by countries or areas.

FYE2025 (April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Japan	North America	(U.S.A)	Europe	Asia	Others	Total
Revenue	651,390	3,710,833	3,438,649	98,231	36,701	188,608	4,685,763
Non-current assets (other than financial instruments and deferred tax assets)	1,152,977	488,684	480,465	1,445	461	－	1,643,567

Note: Revenue is based on the location of customers and classified by countries or areas.

(4) Information about major customers

Information about major customers is omitted because there was no specific customer whose revenue is equal to or more than 10% of the revenue on the consolidated statement of income.

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Cash and deposits	1,046,423	911,053
Short-term investments	1,577	30,407
Total	1,048,000	941,460

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

Short-term investments held by the Group are mainly money market funds and short bonds.

There are no cash and cash equivalents which is subject to the limitation of use as of March 31, 2025.

8. Trade and other receivables

Trade and other receivables consist of the following:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Notes receivable and Accounts receivable-trade	118,175	133,489
Accounts receivable-other	41,910	40,788
Trade loans	169,296	182,682
Others	46,867	54,764
Total	376,248	411,723
Receivables expected to be collected within 12 months	238,072	253,209
Receivables expected to be collected beyond 12 months	138,176	158,514
Total	376,248	411,723

Trade and other receivables other than lease receivables and contract assets are classified as financial assets measured at amortized cost.

9. Inventories

Inventories consist of the following:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Finished goods and merchandise	362,001	413,711
Work in process	96,413	114,910
Raw materials and supplies	130,089	138,770
Total	588,503	667,391

The amounts of write-down of inventories recognized as an expense for the consolidated fiscal years ended March 31, 2024 and 2025 were 12,408 million yen and 21,967 million yen respectively.

10. Other financial assets

Other financial assets consist of the following:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Financial assets measured at amortized cost		
Debt instruments*	597,519	702,305
Financial assets measured at fair value through profit or loss		
Derivatives	28	2,746
Debt securities	42,922	48,276
Financial assets measured at fair value through other comprehensive income		
Equity securities	222,676	175,566
Debt securities	217,769	235,962
Total	1,080,914	1,164,855
Financial assets expected to be collected within 12 months	874,651	1,019,469
Financial assets expected to be collected beyond 12 months	206,263	145,386
Total	1,080,914	1,164,855

Note: Debt instruments measured at amortized cost consist of time deposits mainly.

Equity securities including stocks held to maintain or strengthen the business relationship with investees are, at initial recognition, designated as financial assets measured at fair value through other comprehensive income. Major securities included in the equity securities designated as financial assets measured at fair value through other comprehensive income for the consolidated fiscal years ended March 31, 2024 and 2025 consist of the following:

FYE2024 (as of March 31, 2024)

(Unit: Millions of yen)

	Fair value
TOYOTA MOTOR CORPORATION	170,141
The Gunma Bank, Ltd.	2,503
The Kyoritsu Co., Ltd.	1,289
TOKYO LIGHT ALLOY CO., LTD.	1,183
Mizuho Financial Group, Inc.	1,133
Sakamoto Research & Development Holdings Ltd.	1,030
NIPPON STEEL KOWA REAL ESTATE CO.,LTD.	745
Shigeru Co., Ltd.	728
CHIYODA INDUSTRIES CO., LTD.	561

FYE2025 (as of March 31, 2025)

(Unit: Millions of yen)

	Fair value
TOYOTA MOTOR CORPORATION	117,376
The Gunma Bank, Ltd.	3,510
Mizuho Financial Group, Inc.	1,507
The Kyoritsu Co., Ltd.	1,388
TOKYO LIGHT ALLOY CO., LTD.	1,260
Sakamoto Research & Development Holdings Ltd.	1,252
NIPPON STEEL KOWA REAL ESTATE CO.,LTD.	834
Shigeru Co., Ltd.	808
CHIYODA INDUSTRIES CO., LTD.	692

(Derecognition of equity securities designated as financial assets measured at fair value through other comprehensive income)
A part of the financial assets measured at fair value through other comprehensive income are sold based on the assessment of business relationship, etc. The fair value of equity securities designated as financial assets measured at fair value through other comprehensive income that are derecognized upon sale and cumulative gains and losses that have been previously recognized in equity as other comprehensive income for the consolidated fiscal years ended March 31, 2024 and 2025 consist of the following:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Fair value	635	595
Cumulative gains (losses)	181	(1)

In equity securities designated as financial assets measured at fair value through other comprehensive income, there is no amount transferred to retained earnings because of significant drop of fair value for the consolidated fiscal years ended March 31, 2024 and 2025.
Most of dividend received from equity securities designated as financial assets measured at fair value through other comprehensive income arise from the investment held as of the end of reporting period.

11. Property, plant and equipment

(1) The movement of carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses of "Property, plant and equipment" are the follows:

FYE2024 (April 1, 2023 to March 31, 2024)
Carrying amount

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Others	Total
Beginning balance	277,353	164,622	4,629	176,193	51,501	51,986	―	721,655
Acquisition	61,921	59,868	13,691	943	43,175	131,123	―	297,030
Depreciation *3	(20,129)	(44,666)	(1,775)	―	(33,898)	―	―	(98,693)
Disposals	(761)	(3,476)	(1,682)	(465)	(522)	(1,081)	―	(6,305)
Reclassification to assets held for sale	―	―	―	―	―	―	―	―
Foreign exchange differences	9,069	4,941	484	1,136	4,360	1,740	―	21,246
Others*4	(560)	2,162	(1,697)	465	(15)	(119,538)	―	(117,486)
Ending balance	326,893	183,451	13,650	178,272	64,601	64,230	―	817,447

Note: 1. Amounts of “Vehicles used for operating lease” are included in “Machinery, equipment and vehicles”.
2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.
3. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.
4. Others include transfers from inventory to vehicles, from vehicles to inventory, and from construction in progress to other property, plant, and equipment, etc.

FYE2025 (April 1, 2024 to March 31, 2025)
Carrying amount

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Others	Total
Beginning balance	326,893	183,451	13,650	178,272	64,601	64,230	—	817,447
Acquisition	53,376	141,713	69,097	6,169	23,632	144,920	—	369,810
Depreciation *3	(22,504)	(52,026)	(7,589)	—	(29,375)	—	—	(103,905)
Disposals	(838)	(7,346)	(3,304)	(1,379)	(265)	(443)	—	(10,271)
Reclassification to assets held for sale	(58)	(13)	—	(101)	—	—	—	(172)
Foreign exchange differences	(951)	(558)	(397)	(142)	(398)	(245)	—	(2,294)
Others*4	63	(38,175)	(44,826)	802	(252)	(128,883)	—	(166,445)
Ending balance	355,981	227,046	26,631	183,621	57,943	79,579	—	904,170

Note: 1. Amounts of “Vehicles used for operating lease” are included in “Machinery, equipment and vehicles”.
2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.
3. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.
4. Others include transfers from inventory to vehicles, from vehicles to inventory, and from construction in progress to each item, etc.

Acquisition costs

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Others	Total
FYE2024 (as of April 1, 2023)	561,549	741,381	6,691	185,767	483,548	52,124	129	2,024,498
FYE2024 (as of March 31, 2024)	635,544	795,445	16,511	187,846	541,448	64,230	129	2,224,642
FYE2025 (as of March 31, 2025)	683,105	859,541	30,879	193,210	533,764	79,579	129	2,349,328

Note: 1. Amounts of “Vehicles used for operating lease” are included in “Machinery, equipment and vehicles”.
2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.

Accumulated depreciation and accumulated impairment loss

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Others	Total
FYE2024 (as of April 1, 2023)	284,196	576,759	2,062	9,574	432,047	138	129	1,302,843
FYE2024 (as of March 31, 2025)	308,651	611,994	2,861	9,574	476,847	—	129	1,407,195
FYE2025 (as of March 31, 2025)	327,124	632,495	4,248	9,589	475,821	—	129	1,445,158

Note: Amounts of “Vehicles used for operating lease” are included in “Machinery, equipment and vehicles”.

(2) The carrying amount of property, plant and equipment pledged as collateral for liabilities

For the amount of property, plant and equipment pledged as collateral for liabilities, please refer to "16. Financing liabilities".

(3) Detail of Property, plant and equipment

Property, plant and equipment consist of self-owned property, plant and equipment, and right-of-use assets. Carrying amounts are as follows:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Property, plant and equipment	817,447	904,170
Right-of-use assets	151,649	157,676
The ending balance of Property, plant and equipment recorded in Consolidated Statement of Financial Position	969,096	1,061,846

(4) Commitment

For our commitments to acquire property, plant and equipment, please refer to "32. Commitments".

12. Intangible assets and goodwill

The movement of carrying amount, acquisition cost, accumulated amortization and accumulated impairment losses of Intangible assets and goodwill are as follows:

FYE2024 (April 1, 2023 to March 31, 2024)

Carrying amount

(Unit: Millions of yen)

	Software	Capitalized development costs	Others	Total
Beginning balance	59,599	139,777	44,550	243,926
Separate acquisitions	17,902	—	50,846	68,748
Internally generated	—	56,694	—	56,694
Amortization *	(18,981)	(39,192)	(1,472)	(59,645)
Disposals	(401)	—	(3,038)	(3,439)
Foreign exchange differences	1,630	—	502	2,132
Others	325	(33)	(17,245)	(16,953)
Ending balance	60,074	157,246	74,143	291,463

Note: Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

FYE2025 (April 1, 2024 to March 31, 2025)

Carrying amount

(Unit: Millions of yen)

	Software	Capitalized development costs	Others	Total
Beginning balance	60,074	157,246	74,143	291,463
Separate acquisitions	21,955	—	28,591	50,546
Internally generated	—	59,540	—	59,540
Amortization *	(20,593)	(41,475)	(1,791)	(63,859)
Disposals	(54)	(115)	(180)	(349)
Foreign exchange differences	(244)	—	(86)	(330)
Others	374	(197)	(20,653)	(20,476)
Ending balance	61,512	174,999	80,024	316,535

Note: Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

Acquisition costs

(Unit: Millions of yen)

	Software	Capitalized development costs	Others	Total
FYE2024 (as of April 1, 2023)	153,015	260,051	48,036	461,102
FYE2024 (as of March 31, 2024)	165,170	291,383	78,298	534,851
FYE2025 (as of March 31, 2025)	174,516	281,520	84,567	540,603

Accumulated depreciation and Accumulated impairment losses

(Unit: Millions of yen)

	Software	Capitalized development costs	Others	Total
FYE2024 (as of April 1, 2023)	93,416	120,274	3,485	217,176
FYE2024 (as of March 31, 2024)	105,096	134,137	4,155	243,388
FYE2025 (as of March 31, 2025)	113,004	106,521	4,543	224,068

13. Investment property

The movement of carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses of Investment property are as follows:

(1) The movement of carrying amount of Investment property

Carrying amount

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Beginning balance	20,878	21,766
Acquisition	2,084	395
Depreciation	(373)	(448)
Disposals	(1,032)	(23)
Reclassification from (to) Property, plant and equipment	345	—
Others	(136)	52
Ending balance	21,766	21,742

(2) Acquisition costs, accumulated depreciation, accumulated impairment losses, and fair value

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Acquisition costs	33,635	33,848
Accumulated depreciation	(11,182)	(11,419)
Accumulated impairment losses	(687)	(687)
Carrying amount	21,766	21,742
Fair value	38,091	38,819

The fair value of major investment property is based on the assessment by the independent appraiser certified as adequate professional in the area in which the property is located.

The assessment is based on the appraised value by discounted cash flow method or transaction prices in market of observable similar assets, etc.

The level of the fair value hierarchy of investment property is level 3.

For fair value hierarchy, please refer to "30. Fair Value".

(3) Profit and loss from investment property

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Rental income	3,526	3,556
Rental expenses	(1,927)	(1,998)
Profit	1,599	1,558

Rental income is mainly stated in "Revenue" in the consolidated statement of income.
Rental expenses are the expenses corresponding to rental income (costs related to depreciation, repairs, insurance and taxes, etc.), and stated in "Cost of sales" and "Selling, general and administrative expenses", and "Other expenses" in the consolidated statement of income.

14. Investments accounted for using the equity method

The carrying amounts of investments accounted for using the equity method are as follows:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Investments accounted for using the equity method	8,165	5,410

The Group's share of profit (loss) and other comprehensive income (loss) of investments accounted for using the equity method are as follows:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Share of profit (loss) of investments accounted for using the equity method *	(899)	10
Share of other comprehensive income (loss) of investments accounted for using the equity method	(196)	(1)
Total	(1,095)	9

Note: For the consolidated fiscal year ended March 31, 2025, one affiliate accounted for using the equity method decreased due to the sale of all stocks, and 2,319 million yen of loss on sale of investments accounted for using the equity method has been recorded as “Finance cost”.

For the consolidated fiscal years ended March 31, 2024 and 2025, there are no individually significant affiliates or joint ventures in investments accounted for using the equity method.

15. Trade and other payables

Trade and other payables consist of the following:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Notes payable and Accounts payable-trade	308,725	323,341
Electronically recorded obligations-operating	28,859	38,267
Accounts payable-other	44,118	53,923
Others	2,808	10,247
Total	384,510	425,778
Payables expected to be paid within 12 months	384,510	425,778
Payables expected to be paid beyond 12 months	—	—
Total	384,510	425,778

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

16. Financing liabilities

(1) Financing liabilities consist of the following:

Financial covenants are attached to a part of borrowings as of March 31, 2025.

The Company observes the covenants for the consolidated fiscal year ended March 31, 2025. The covenants are monitored to maintain the required level.

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)	Average interest rate*1	Payment due date
Short-term borrowings	—	—	—	
Current portion of long-term borrowings	59,000	37,000	0.57%	
Long-term borrowings	237,500	259,500	0.57%	2026-2035
Current portion of bonds	10,000	10,000	*2	*2
Bonds	93,000	93,000	*2	*2
Total	399,500	399,500		

Note: 1. Average interest rate represents the weighted-average interest rates on outstanding balances of financing liabilities as of March 31, 2025.

2. For Average interest rate and Payment due date of Bonds, please refer to (2) below.

(2) Bonds consist of the following

(Unit: Millions of yen)

Company Name	Brand	Date of issuance of bonds	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)	Interest rate	Repayment Date
The Company	2nd Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 17, 2019	15,000	15,000	0.21%	December 17, 2026
The Company	3rd Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 17, 2019	15,000	15,000	0.28%	December 17, 2029
The Company	5th Unsecured bond Limited to inter-bond transactions with a pari passu clause	September 10, 2020	10,000	10,000 (10,000)	0.17%	September 10, 2025
The Company	6th Unsecured bond Limited to inter-bond transactions with a pari passu clause	September 10, 2020	20,000	20,000	0.42%	September 10, 2030
The Company	7th Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 16, 2021	10,000	10,000	0.35%	December 16, 2031
The Company	8th Unsecured bond Limited to inter-bond transactions with a pari passu clause (Green Bond)	November 29, 2023	13,000	13,000	1.06%	November 29, 2030
The Company	9th Unsecured bond Limited to inter-bond transactions with a pari passu clause (Green Bond)	November 29, 2023	10,000	10,000	1.40%	November 29, 2033
The Company	10th Unsecured bond Limited to inter-bond transactions with a pari passu clause (Green bond)	September 4, 2024	—	10,000	1.56%	September 4, 2034

Note: () is the amount of redemption schedule within one year.

(3) Assets pledged as collateral

① Assets pledged as collateral consist of the following:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Assets pledged as collateral		
Buildings and structures	4,741	4,685
Land	3,365	33
Total	8,106	4,718

② Secured liabilities

Secured liabilities consist of the following:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Current portion of long-term borrowings	—	—
Others	1,631	1,500
Total	1,631	1,500

As is customary in Japan, bank loans are extended under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request from the bank. And in the event of delay in payment or default by the Group, the bank shall have the right to offset cash deposits about all the liabilities and to foreclose depending on the content of agreement.

17. Other financial liabilities

Other financial liabilities consist of the following:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Financial liabilities measured at amortized cost		
Liabilities related to chargeable subcontracting	20,617	23,976
Long-term accounts payable-other	1,075	559
Guarantee deposits received	6,694	6,587
Financial liabilities measured at fair value through profit or loss		
Derivatives	11,710	44
Lease liabilities		
Lease liabilities (Current)	35,798	32,727
Lease liabilities (Non-current)	88,051	98,117
Total	163,945	162,010
Liabilities expected to be paid within 12 months	68,125	56,747
Liabilities expected to be paid beyond 12 months	95,820	105,263
Total	163,945	162,010

18. Provisions

FYE2025 (April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Provision for product warranties	Provision for loss on construction contracts	Others*1	Total
Beginning balance	237,748	8,588	90,819	337,155
Increase during the year	203,465	16,051	85,998	305,514
Decrease during the year (utilized)	(199,561)	(2,010)	(55,993)	(257,564)
Decrease during the year (reversal)	(12)	―	(3,602)	(3,614)
Others*2	(2,137)	―	(1,029)	(3,166)
Ending balance	239,503	22,629	116,193	378,325
Current liabilities	100,745	22,629	70,913	194,287
Non-current liabilities	138,758	―	45,280	184,038
Total	239,503	22,629	116,193	378,325

Note: 1. Others include asset retirement obligations, provision for environmental measures, etc.
2. Others mainly include the effects of foreign exchange differences.

(Provision for product warranties)

Provision for product warranties is recognized at the total amount of the following estimations to cover warranty costs for products sold.

1. Estimated amount based on past experiences with consideration given to the expected level of future warranty costs in accordance with the terms and conditions of the warranties
2. Estimated amount calculated as the future warranty costs on specific provision in accordance with the notifications to the competent authorities, etc.

Provision for product warranties is used for expenditures based on the demand from customers and dealers. We believe that we have made sufficient provisions for the warranty costs that we expect to be incurred based on currently available information. However, since the calculation of the provision for product warranties involves the estimate of the warranty costs that would be incurred over multiple years in the future, the actual warranty costs may deviate from the estimates. This could cause the necessity of recording additional provisions for product warranties, and a significant impact on the consolidated financial statements.

(Provision for loss on construction contracts)

To cover loss on contracts in the Aerospace segment, a provision for loss on construction contracts is recognized for uncompleted construction of contracts at the consolidated fiscal year - end for which substantial losses are anticipated and such losses can be reliably estimated. The timing of expenditure depends on the progress of construction contracts in the future.

19. Employee benefits

(1) Outline of employee benefits

The Company and its consolidated domestic subsidiaries have lump-sum retirement payment plans, defined benefit pension plans, and the Company and certain domestic subsidiaries have defined contribution pension plans. In addition, in certain occasions, additional retirement payments are made to employees for their retirement.

Consolidated foreign subsidiaries primarily have defined contribution plans.

As of March 31, 2025, 48 companies including the Company and its consolidated domestic subsidiaries have lump-sum retirement payment plans, and there are 6 defined benefits pension plans, and also 26 defined contribution plans. In addition, there is 1 multi-employer defined benefits pension plan.
In contract-type corporate pension plan, the Company is obliged to comply with laws and regulations, appointments made by Minister of Ministry of Health, as well as to faithfully accomplish their duties for the participants, etc. It is prohibited that the Company signs asset management agreement for the purpose of a third party interest other than self or participants and orders specific method about the management of contribution.
In domestic corporate pension plan, the Company makes actuarial review on the basis of corporate financial position and review of asset management every five years, and raises premium when funding standard is not satisfied.
In the management of plan assets, the Company builds most appropriate portfolio for the purpose of the securement of stable income under the acceptable risks to secure employees' future benefit, and makes an effort to keep the allocation of assets based on the portfolio, and reviews the portfolio regularly in response to the change of market environment and status of funding.
Major plans of the Group are exposed to the interest rate risk, etc.

(2) Reconciliation
FYE2024 (April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Plan assets		The present value of the defined benefit obligations		Net defined benefit liabilities(assets)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Beginning balance	117,379	8,140	133,103	42,658	15,724	34,518
Current service cost	—	—	7,590	2,619	7,590	2,619
Interest income or expense	1,414	—	1,488	2,233	74	2,233
Remeasurements of net defined benefit liabilities(assets)						
(i) Return on plan assets (excluding amounts included in interest)	4,213	809	—	—	(4,213)	(809)
(ii) Actuarial gains and losses	—	—	(3,879)	685	(3,879)	685
Actuarial gains and losses arising from changes in demographic assumptions	—	—	(84)	(642)	(84)	(642)
Actuarial gains and losses arising from changes in financial assumptions	—	—	(3,795)	1,327	(3,795)	1,327
Effect of changes on foreign exchange rates	—	1,127	—	5,875	—	4,748
Contributions to the plan						
Contributions by the employer	3,674	356	—	—	(3,674)	(356)
Payments from the plan	(5,088)	(527)	(8,521)	(2,116)	(3,433)	(1,589)
Others	1	170	—	253	(1)	83
Ending balance	121,593	10,075	129,781	52,207	8,188	42,132

This reconciliation does not include other employee benefits about welfare program, etc., 1,954 million yen of beginning balance, 1,936 million yen of ending balance.

Assets about retirement benefit, 3,361 million yen of beginning balance, 10,240 million yen of ending balance are included in “Other non-current assets” of Consolidated Statement of Financial Position.

FYE2025 (April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Plan assets		The present value of the defined benefit obligations		Net defined benefit liabilities (assets)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Beginning balance	121,593	10,075	129,781	52,207	8,188	42,132
Current service cost	—	—	6,868	2,965	6,868	2,965
Interest income or expense	1,844	525	1,849	2,663	5	2,138
Remeasurements of net defined benefit liabilities(assets)						
(i) Return on plan assets (excluding amounts included in interest)	(4,988)	(220)	—	—	4,988	220
(ii) Actuarial gains and losses	—	—	(8,933)	3,127	(8,933)	3,127
Actuarial gains and losses arising from changes in demographic assumptions	—	—	4	3,305	4	3,305
Actuarial gains and losses arising from changes in financial assumptions	—	—	(8,937)	(178)	(8,937)	(178)
Effect of changes on foreign exchange rates	—	(131)	—	(776)	—	(645)
Contributions to the plan						
Contributions by the employer	4,010	485	—	—	(4,010)	(485)
Payments from the plan	(6,190)	(671)	(9,842)	(2,317)	(3,652)	(1,646)
Others	(1)	186	131	298	132	112
Ending balance	116,268	10,249	119,854	58,167	3,586	47,918

This reconciliation does not include other employee benefits about welfare program, etc., 1,936 million yen of beginning balance, 1,862 million yen of ending balance.

Assets about retirement benefit, 10,240 million yen of beginning balance, 13,297 million yen of ending balance are included in “Other non-current assets” of Consolidated Statement of Financial Position.

(3) Components of plan assets

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)			FYE2025 (as of March 31, 2025)		
	Quoted market prices in active markets			Quoted market prices in active markets		
	With	Without	Total	With	Without	Total
Cash and cash equivalents	1,195	―	1,195	1,460	―	1,460
Shares issued by Japanese companies	16,426	―	16,426	12,619	―	12,619
Shares issued by foreign companies	8,629	―	8,629	11,401	―	11,401
Subtotal	25,055	―	25,055	24,020	―	24,020
Bonds issued in Japan	64,857	―	64,857	65,810	―	65,810
Bonds issued in foreign countries	9,915	―	9,915	10,191	―	10,191
Subtotal	74,772	―	74,772	76,001	―	76,001
Life insurance - General accounts	―	4,169	4,169	―	4,252	4,252
Others	―	26,477	26,477	―	20,784	20,784
Subtotal	―	30,646	30,646	―	25,036	25,036
Total	101,022	30,646	131,668	101,481	25,036	126,517

Note: “Others” is the investment through investment funds of mult-asset, real estate, etc.

(4) Significant actuarial assumptions used to determine the present value of defined benefit obligations at the end of each consolidated fiscal year are as follows:

	FYE2024 (as of March 31, 2024)		FYE2025 (as of March 31, 2025)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Discount rate	1.5%	5.1%	2.3%	5.4%

Sensitivity analysis about effects on defined benefit obligations due to any change in actuarial assumptions mentioned above are as follows:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)		FYE2025 (as of March 31, 2025)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Discount rate				
1.0% increase	(9,817)	(5,232)	(8,744)	(5,666)
1.0% decrease	11,745	5,048	10,398	5,515

Sensitivity analysis about effects of each actuarial assumption is calculated on the basis that there are no changes in other actuarial assumptions.
Therefore, if these assumptions change in combination, the effects may be different from the amounts stated above.
In addition, approximate amounts are stated above because the projected cash flow is not taken into account for all benefit payments of the plans.
The Group expects to contribute 4,495 million yen from April 1, 2025 to March 31, 2026.
The Group's weighted-average durations of the defined benefit obligations for the consolidated fiscal years ended March 31, 2024 and 2025 were 11 years in Japan and 6 years outside Japan, and 10 years in Japan and 6 years outside Japan, respectively.

(5) Multi-employer plan
Some domestic subsidiaries participate in a pension fund, which is a multi-employer plan.
The fund is a defined benefits pension plan. However, the amount of pension assets corresponding to contributions cannot be calculated reasonably. Therefore, the method where contribution payable to the pension fund is recognized as retirement benefit expenses is adopted.
If a plan is liquidated and settled, shortfalls are collected or residual assets are distributed on the basis of the minimum base amount calculated by laws. If an employer withdraws from the multi-employer plan, liabilities and shortfalls expected due to withdrawal are collected.

Information about the multi-employer plan is as follows:

Funding status of the multi-employer plan as a whole

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Plan assets	10,398	6,437
Total amount of actuarial liabilities and minimum actuarial reserve for the purpose of pension financing calculation	9,881	4,919
Difference	517	1,518

Note: The latest figures for each consolidated fiscal year end are mainly disclosed.

Ratio of contributions by the Group to the fund in the overall plan

FYE2024 5% (Principally, April 1, 2023 to March 31, 2024)

FYE2025 7% (Principally, April 1, 2024 to March 31, 2025)

(Contributions to the multi-employer plans in the next financial year)

The Group estimates the contributions to the multi-employer plans for the consolidated fiscal year ending March 31, 2026 to be 10 million yen.

(6) Personnel expenses

Personnel expenses included in the consolidated statement of income are as follows:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Personnel expenses	393,784	417,787
Contributions to defined contribution pension plans	9,672	11,401

Personnel expenses include salaries, bonuses, social security expenses and retirement benefit expenses, etc.

20. Equity and Other components of equity

(1) Management of Capital

The Group makes investments in capital and research and development to improve corporate value through growth on a global basis.

In order to meet these funding needs, the Group makes capital management through consideration of the balance between financing liabilities and equity.

Equity Ratios as of March 31, 2024 and 2025 are as follows:

Equity means "equity attributable to owners of the parent", and Equity Ratio is obtained by dividing equity by total liabilities and equity.

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Equity	2,563,204	2,714,517
Total Liabilities and Equity	4,814,149	5,088,246
Equity Ratio	53.2%	53.3%

(2) Capital stock and capital surplus

The Companies Act of Japan provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in capital stock, and that the remaining shall be incorporated in capital reserves included in capital surplus. Capital reserves may be incorporated in capital stock upon approval of the General Meeting of Shareholders.

Number of authorized shares as of March 31, 2024 and 2025 is 1,500,000,000. The changes in the number of the paid-in outstanding shares for the consolidated fiscal years ended March 31, 2024 and 2025 are as follows:

	Number of Shares
FYE2024 (as of April 1, 2023)	769,175,873
Change*2	(15,274,300)
FYE2024 (as of March 31, 2024)	753,901,573
Change*3	(20,844,100)
FYE2025 (as of March 31, 2025)	733,057,473

Note: 1. All shares issued by the Company are no-par-value stock with no restriction on rights.
2. Decrease of 15,274,300 shares of Common stock was due to cancellation of Treasury Stock.
3. Decrease of 20,844,100 shares of Common stock was due to cancellation of Treasury Stock.

(3) Retained Earnings

The Companies Act of Japan provides that earnings in an amount equal to 10% of the cash dividends from retained earnings shall be appropriated as capital reserves or legal retained earnings on the date of distribution of retained earnings until an aggregated amount of capital reserve and legal reserve equals 25% of the capital stock. The amount of legal retained earnings can be used to compensate for deficits. Legal reserves may be used upon approval of the General Meeting of Shareholders.

(4) Treasury stock

Under the Companies Act of Japan, the number of shares and total value of treasury stock acquisition may be determined, upon approval of the General Meeting of Shareholders, within the amount available for distribution. Furthermore, treasury stock may be acquired through market transactions or tender offers in accordance with the articles of incorporation within the conditions set forth in the Companies Act, upon approval of the Board of Directors.

The changes in the treasury stock as of April 1, 2023 and March 31, 2024 and 2025 are as follows:

	Number of Shares
FYE2024 (as of April 1, 2023)	2,194,065
Increase	15,276,655
Decrease	(15,363,271)
FYE2024 (as of March 31, 2024)	2,107,449
Increase	20,845,711
Decrease	(20,929,682)
FYE2025 (as of March 31, 2025)	2,023,478

The increase of 15,276,655 treasury stock in the consolidated fiscal year ended March 31, 2024 is mainly due to purchase of treasury stock. The decrease of 15,363,271 treasury stock in the consolidated fiscal year ended March 31, 2024 is mainly due to cancellation of treasury stock.

The increase of 20,845,711 treasury stock in the consolidated fiscal year ended March 31, 2025 is mainly due to purchase of treasury stock. The decrease of 20,929,682 treasury stock in the consolidated fiscal year ended March 31, 2025 is mainly due to cancellation of treasury stock.

(5) Other Components of Equity

1. Remeasurements of defined benefit plans

The amount of remeasurements of defined benefit plans is comprised of the amounts of the difference between the actuarial assumptions and actual results at the beginning of the consolidated fiscal year, changes in actuarial assumptions and revenue from plan assets excluding amount included in interest. This amount is recognized as other comprehensive income and immediately transferred from other components of equity to retained earnings.

2. Net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income and net changes in revaluation of debt instruments measured at fair value through other comprehensive income.

Cumulative gain or loss on revaluation of financial assets measured at fair value through other comprehensive income.

3. Exchange differences on translating foreign operations

Exchange differences arising from translation of the financial statement of consolidated foreign operations from the respective functional currencies to Japanese yen, which is the presentation currency of the Group.

The changes in the components of accumulated other components of equity as of March 31, 2024 and 2025 are as follows:

(Unit: Millions of yen)

	Remeasurements of defined benefit plans	Net changes in revaluation of equity instruments measured at fair value through other comprehensive income	Net changes in revaluation of debt instruments measured at fair value through other comprehensive income	Exchange differences on translating foreign operations	Other comprehensive income under the equity method	Total
FYE2024 (as of April 1, 2023)	—	16,206	(3,044)	156,122	153	169,437
Adjustment during the year	4,922	69,015	(345)	108,932	(196)	182,328
Reclassification to retained earnings	(4,922)	(113)	—	—	331	(4,704)
FYE2024 (as of March 31, 2024)	—	85,108	(3,389)	265,054	288	347,061
Adjustment during the year	(51)	(33,248)	3,845	(19,250)	(1)	(48,705)
Reclassification to retained earnings	51	(8)	—	—	64	107
FYE2025 (as of March 31, 2025)	—	51,852	456	245,804	351	298,463

(6) Other Comprehensive Income

Each component of other comprehensive income and related tax effect including non-controlling interests for the consolidated fiscal years ended March 31, 2024 and 2025 are as follows:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)			FYE2025 (April 1, 2024 to March 31, 2025)		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit plans:						
Amount incurred during the year	7,244	(2,322)	4,922	236	(287)	(51)
Net changes	7,244	(2,322)	4,922	236	(287)	(51)
Net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income:						
Amount incurred during the year	98,174	(29,155)	69,019	(47,342)	14,094	(33,248)
Net changes	98,174	(29,155)	69,019	(47,342)	14,094	(33,248)
Share of other comprehensive income of investments accounted for using the equity method:						
Amount incurred during the year	(183)	56	(128)	(296)	89	(207)
Net changes	(183)	56	(128)	(296)	89	(207)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations:						
Amount incurred during the year	109,108	—	109,108	(19,250)	—	(19,250)
Reclassification to profit or loss	—	—	—	—	—	—
Net changes	109,108	—	109,108	(19,250)	—	(19,250)
Net changes in revaluation of debt instruments measured at fair value through other comprehensive income						
Amount incurred during the year	(1,481)	311	(1,170)	3,076	(646)	2,430
Reclassification to profit or loss	1,044	(219)	825	1,791	(376)	1,415
Net changes	(437)	92	(345)	4,867	(1,022)	3,845
Share of other comprehensive income of investments accounted for using the equity method:						
Share of other comprehensive income						
Amount incurred during the year	(68)	—	(68)	206	—	206
Reclassification to profit or loss	—	—	—	—	—	—
Net changes	(68)	—	(68)	206	—	206
Total other comprehensive income	213,837	(31,329)	182,508	(61,579)	12,874	(48,705)

The components of other comprehensive income included in non-controlling interests for the consolidated fiscal years ended March 31, 2024 and 2025 are as follows:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Exchange differences on translating foreign operations	176	―

21. Revenue

(1) Breakdown of revenue

The Group has adopted “IFRS 15 Revenue from Contracts with Customers” and recognizes revenue based on the following five―step approach.

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contracts
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations
Step 5: Recognize revenue when performance obligations are satisfied

The automotive segment is mainly engaged in manufacturing and sales of automobiles as well as providing services such as maintenance.
For sale of vehicles, revenue is recognized primarily at the time of delivery of the product as we consider that upon delivery the customer obtains control of the product and the performance obligation is satisfied. Maintenance and other service revenue are recognized over a certain period of time. Payment for the sale of a product is generally made within 30 days of the transfer of control of the product to the customer.

The contract with the customer for the sale of the product includes a clause that guarantees that the product complies with the agreed specifications and the Group recognizes the provision for product warranty for the costs related to that warranty. For details of the provision for product warranty, please refer to "3. Material Accounting Policies (12) Provisions 2. Provision for product warranty".

The aerospace segment has contracts with customers. Revenue from contract construction is recognized based on the progress of performance obligations. The progress is measured by an input method based on the costs incurred. Payments for contracts are generally made in stages based on the contracts with customers.

As described in “6. Segment Information” in the notes to the consolidated financial statements, the Group's operating segment is classified into three categories: automotive, aerospace, and others. Revenue is broken down by region based on the location of the customer. The relationship between these disaggregated revenues and the revenue of each reportable segment is as follows:

FYE2024 (April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Automotive	Aerospace	Others*3	Total
Revenue from contracts with customers				
Japan	565,678	51,571	1,642	618,891
North America	3,653,862	52,740	141	3,706,743
Europe	115,645	6	4	115,655
Asia	57,617	―	3	57,620
Others	195,315	―	10	195,325
Total	4,588,117	104,317	1,800	4,694,234
Revenue arising from other sources *2	5,522	―	3,191	8,713
Total	4,593,639	104,317	4,991	4,702,947

Note: 1. The amounts mentioned above reflect elimination of internal transactions.
2. Revenue recognized from other sources includes lease income, etc. of products that are accounted for in accordance with "IFRS 16 Leases".
3. Other segment includes real estate leasing business, etc.

FYE2025 (April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Automotive	Aerospace	Others	Total
Revenue from contracts with customers				
Japan	579,354	61,869	1,657	642,880
North America	3,655,693	49,714	53	3,705,460
Europe	98,230	1	―	98,231
Asia	36,692	―	9	36,701
Others	188,593	―	15	188,608
Total	4,558,562	111,584	1,734	4,671,880
Revenue arising from other sources *2	10,473	―	3,410	13,883
Total	4,569,035	111,584	5,144	4,685,763

Note: 1. The amounts mentioned above reflect elimination of internal transactions.
2. Revenue recognized from other sources includes lease income, etc. of products that are accounted for in accordance with "IFRS 16 Leases".
3. Other segment includes real estate leasing business, etc.

(2) Contract balances

The balances of receivables, contract assets and contract liabilities arising from contracts with customers as of March 31, 2024 and 2025:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Receivables included in Trade and other receivables	118,175	133,489
Contract assets included in Trade and other receivables	24,374	26,844
Contract liabilities included in other current liabilities	182,615	191,629
Contract liabilities included in other non-current liabilities	327,728	346,996

The contract assets mainly relate to the Group's right to the consideration for the work of contracts for aircraft production and periodic repairs in the aerospace business that have been recognized based on measurement of progress. Contract assets are transferred to receivables when all deliveries of such construction are completed.

The contract liabilities mainly relate to deferred compensation of paid extended warranty in the automotive business, and contracts for which revenue is recognized upon completion of aircraft production and periodic repairs in the aerospace business.

Of the revenues recognized in the consolidated fiscal year ended March 31, 2025, the amount included in the contract liability balance at the beginning of the consolidated fiscal year was 135,938 million yen, and the amount in the consolidated fiscal year ended March 31, 2024 was 110,836 million yen.

The amount of revenue recognized in the consolidated fiscal year ended March 31, 2025 from performance obligations satisfied (or partially satisfied) in past periods is immaterial.

(3) Transaction price allocated to the remaining performance obligations

Breakdown of the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) and revenue expected to be recognized for each period are as follows:

There are no significant amounts that are not included in the transaction price among the consideration arising from contracts with customers. In addition, as a practical expedient, transactions whose expected contract periods are equal to or less than one year on an individual basis are not included in the following breakdown calculation.

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Within 1 year	289,393	305,261
Over 1 year	737,226	827,459
Total	1,026,619	1,132,720

(4) Assets recognized from the costs to obtain or fulfil a contract with a customer

The Group has no material incremental costs incurred to obtain or fulfil a contract with a customer that should be recognized as assets.

22. Selling, general and administrative expenses

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

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024	FYE2025 (April 1, 2024 to March 31, 2025)
Advertising expenses	101,084	108,312
Salary and bonus	93,166	99,097
Depreciation and amortization expenses	35,681	38,856
Provision of allowance for vehicle environmental control	28,759	29,388
Transportation and warehousing expenses	23,892	24,784
Others	114,282	120,301
Total	396,864	420,738

23. Other income and other expenses

(1) Other income

Breakdown of other income is as follows:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Revenue from investment property	293	305
Gain on sales of property, plant and equipment	1,186	302
Others	3,356	3,919
Total	4,835	4,526

(2) Other expenses

Breakdown of other expenses is as follows:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024	FYE2025 (April 1, 2024 to March 31, 2025)
Loss on sales and retirement of property, plant and equipment	8,192	8,355
Compensation expenses	1,484	782
Others	8,116	7,249
Total	17,792	16,386

24. Finance Income and Finance Costs

(1) Finance income

Finance income for the consolidated fiscal years ended March 31, 2024 and 2025 consist of the following:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Interest income:		
Financial assets measured at amortized cost	43,414	54,413
Debt instruments measured at fair value through other comprehensive income	7,385	9,979
Gains (losses) on derivatives:		
Financial assets and financial liabilities measured at fair value through profit or loss	—	14,384
Dividends received:		
Equity instruments measured at fair value through other comprehensive income	4,683	6,189
Gains (losses) on securities and other investments:		
Financial liabilities measured at fair value through profit or loss	7,424	3,972
Debt instruments measured at fair value through other comprehensive income	326	932
Gains on foreign exchange	17,114	—
Others	60	100
Total	80,406	89,969

(2) Finance cost

Finance costs for the consolidated fiscal years ended March 31, 2024 and 2025 consist of the following:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Interest expense:		
Financial liabilities measured at amortized cost	1,027	1,866
Lease liabilities	1,498	2,244
Gains (losses) on derivatives:		
Financial assets and financial liabilities measured at fair value through profit or loss	10,615	—
Gains (losses) on securities and other investments:		
Financial liabilities measured at fair value through profit or loss	1,090	2,039
Debt instruments measured at fair value through other comprehensive income	1,370	2,723
Loss on sale of investments accounted for using the equity method	—	2,319
Losses on foreign exchange	—	34,938
Others	430	641
Total	16,030	46,770

25. Notes on Income Taxes

(1) Income Taxes

① Income tax expense recognized in profit or loss

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Current income tax expense		
Current year	174,179	126,301
Prior year adjustment	1,571	295
Total current income tax expense	175,750	126,596
Deferred income tax expense		
Recognition and reversal of temporary differences	(25,458)	(13,228)
Write-down of deferred tax assets	(2,288)	(3,013)
Total deferred income tax	(27,746)	(16,241)
Total	148,004	110,355

② Reconciliation between the statutory income tax rate and the average effective tax rate

The statutory income tax rate in Japan for the consolidated fiscal years ended March 31, 2024 and 2025 is 30.5%. The tax rates for the foreign subsidiaries are calculated based on the general tax rate in each tax jurisdiction.

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)		FYE2025 (April 1, 2024 to March 31, 2025)	
Statutory income tax rate	30.5	%	30.5	%
Permanently non-deductible items	0.4	%	0.4	%
Tax credit of research and development cost	(2.6)	%	(4.8)	%
Modification and refund of income taxes for prior periods	0.3	%	0.1	%
Difference in statutory income tax rates of foreign subsidiaries	(1.9)	%	(1.3)	%
Changes in unrecognized deferred tax assets	(0.4)	%	(0.7)	%
Undistributed profits	0.8	%	0.1	%
Others	0.7	%	0.3	%
Average effective tax rate after applying tax effect accounting	27.8	%	24.6	%

(2) Deferred Tax Assets and Deferred Tax Liabilities

① The components by major factor in deferred tax assets and deferred tax liabilities

FYE2024 (April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others (translation gains and losses, etc.)	Ending balance
Deferred tax assets					
Inventories	22,011	3,597	—	508	26,116
Depreciation of fixed assets	11,651	(75)	—	197	11,773
Retirement benefit liabilities	23,578	2,070	(2,322)	1,164	24,490
Lease liabilities	33,210	1,179	—	1,257	35,646
Deferred income of overseas subsidiaries	28,751	2,532	—	3,963	35,246
Provisions	69,213	19,952	—	1,121	90,286
Carryforward of unused tax losses	3,787	(2,094)	—	205	1,898
Others	39,572	16,742	—	5,300	61,614
Total deferred tax assets	231,773	43,903	(2,322)	13,715	287,069
Deferred tax liabilities					
Depreciation of fixed assets	10,231	2,516	—	1,486	14,233
Right of use asset	32,060	1,012	—	1,095	34,167
Retirement benefit assets	989	1,601	—	—	2,590
Deferred cost of overseas subsidiaries	50,240	1,613	—	6,793	58,646
Financial assets measured at fair value through other comprehensive income	6,188	—	28,788	434	35,410
Reserve for advanced depreciation	1,530	(52)	—	—	1,478
Intangible assets	46,003	4,646	—	329	50,978
Undistributed profits	7,487	5,426	—	64	12,977
Others	4,272	(605)	—	475	4,142
Total deferred tax liabilities	159,000	16,157	28,788	10,676	214,621
Net deferred tax assets (liabilities)	72,773	27,746	(31,110)	3,039	72,448

FYE2025 (April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehen sive income	Others (translation gains and losses, etc.)	Ending balance
Deferred tax assets					
Inventories	26,116	8,934	—	(186)	34,864
Depreciation of fixed assets	11,773	(905)	—	(10)	10,858
Retirement benefit liabilities	24,490	(2,395)	(287)	(160)	21,648
Lease liabilities	35,646	1,961	—	(292)	37,315
Deferred income of overseas subsidiaries	35,246	2,289	—	(528)	37,007
Provisions	90,286	7,568	—	(280)	97,574
Carryforward of unused tax losses	1,898	(529)	—	(10)	1,359
Others	61,614	7,025	—	1,142	69,781
Total deferred tax assets	287,069	23,948	(287)	(324)	310,406
Deferred tax liabilities					
Depreciation of fixed assets	14,233	(3,196)	—	(118)	10,919
Right of use asset	34,167	1,653	—	(260)	35,560
Retirement benefit assets	2,590	(2,590)	—	—	—
Deferred cost of overseas subsidiaries	58,646	4,288	—	(811)	62,123
Financial assets measured at fair value through other comprehensive income	35,410	—	(13,537)	360	22,233
Reserve for advanced depreciation	1,478	(49)	—	—	1,429
Intangible assets	50,978	7,160	—	(24)	58,114
Undistributed profits	12,977	687	—	(16)	13,648
Others	4,142	(246)	—	(39)	3,857
Total deferred tax liabilities	214,621	7,707	(13,537)	(908)	207,883
Net deferred tax assets (liabilities)	72,448	16,241	13,250	584	102,523

Deferred tax assets and liabilities recognized in the consolidated statement of financial position are as follows:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Deferred tax assets	72,626	102,663
Deferred tax liabilities	178	140
Net deferred tax assets (liabilities)	72,448	102,523

② Deductible temporary differences and carryforward of unused tax losses and unused tax credits for which deferred tax assets are not recognized are as follows. Deductible temporary differences and carryforward of unused tax losses are presented on a tax amount basis.

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Deductible temporary differences	7,627	8,037
Carryforward of unused tax losses	3,487	3,868
Carryforward of unused tax credits	4,842	1,799
Total	15,956	13,704

③ The components by expiry of the carryforward of unused tax losses for which deferred tax assets are not recognized are as follows. The following amounts are presented on a tax amount basis.

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Within 1 year	7	—
Within 2 years	—	82
Within 3 years	77	7
Within 4 years	—	—
Over 5 years	3,403	3,779
Total	3,487	3,868

④ The components by expiry of the carryforward of unused tax credits for which deferred tax assets are not recognized are as follows,

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Within 1 year	3,263	1,562
Within 2 years	1,579	―
Within 3 years	―	237
Within 4 years	―	―
Over 5 years	―	―
Total	4,842	1,799

⑤ The Group has recognized deferred tax liabilities for the taxable temporary differences related to investments in subsidiaries, which relate to undistributed earnings that are expected to be distributed at the end of the reporting period. For the consolidated fiscal years ended March 31, 2024 and 2025, the Group does not recognize deferred tax liabilities for taxable temporary differences related to the investment in subsidiaries, expect for the taxable temporary differences mentioned above. This is because the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary differences related to the investment in subsidiaries for which deferred tax liabilities are not recognized as of March 31, 2024 and 2025 are 642,836 million yen and 692,743 million yen, respectively.

⑥ Deferred tax assets are recognized to the extent that it is probable that taxable income will be earned against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized in principle for all taxable temporary differences.
The calculation of deferred tax assets may be affected by changes in uncertain economic conditions and other factors, and if the timing and amount of actual taxable income may differ from the estimates, this could cause a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year. In taxable entities who report a loss for the consolidated fiscal years ended March 31, 2024 and 2025, deferred tax assets exceeding deferred tax liabilities are not applicable as of March 31, 2024 and 2025.

⑦ International tax reform - the Pillar Two Model Rules
The Group has adopted a temporary exception of IAS 12 “Income Taxes” (amended on May 23, 2023), and has neither recognized nor disclosed information about deferred tax assets and deferred tax liabilities about income tax arising from the tax system regarding the Pillar Two Model Rules which the Organization for Economic Co-operation and Development (OECD) has published.

⑧ Global minimum Taxation
In Japan, where the Company is located, the Act for Partial Amendment to the Income Tax Act, etc. (Act No. 3 of 2023), which introduces Global Minimum Tax based on Pillar Two Model Rules, was enacted as of March 28, 2023. This act is applied from the fiscal year beginning April 1, 2024.
The Company evaluated the potential impact to income taxes for the consolidated fiscal years ended March 31, 2025. As a result, the Company has determined that an additional top-up tax did not arise on the basis of this rule and that the impact on the Company’s consolidated financial statements is immaterial.

⑨ Adjustment of deferred tax assets and deferred tax liabilities due to the change in the income tax rate

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, and the "Special Defense Corporate Tax" will be imposed starting from the consolidated fiscal year beginning on or after April 1, 2026. As a result, the effective statutory tax rate has been changed from 30.5% to 31.4% for the calculation of deferred tax assets and deferred tax liabilities associated with temporary differences expected to be reversed in the consolidated fiscal years beginning on or after April 1, 2026. Consequently, for the consolidated fiscal year ended March 31, 2025, income tax expense increased by 556 million yen, deferred tax assets decreased by 1,102 million yen, other components of equity decreased by 546 million yen, respectively.

26. Earnings per Share

(1) Basis for calculation of basic earnings per share attributable to owners of the parent

Basic earnings per share attributable to owners of the parent for the consolidated fiscal years ended March 31, 2024 and 2025 are calculated based on the following information.

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Profit for the year attributable to owners of the parent (millions of yen)	385,084	338,062
Weighted average number of common shares outstanding, basic (thousands of shares)	756,259	738,082
Basic earnings per share attributable to owners of the parent (yen)	509.20	458.03

(2) Basis for calculation of diluted earnings per share attributable to owners of the parent

Diluted earnings per share attributable to owners of the parent for the consolidated fiscal years ended March 31, 2024 and 2025 are calculated based on the following information.

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Profit for calculation of diluted earnings per share attributable to owners of the parent (millions of yen)	385,084	338,062
Weighted average number of common shares outstanding, basic (thousands of shares)	756,259	738,082
The number of increase of common shares by the performance-based restricted stock compensation plan (thousands of shares)	31	47
Weighted average number of common shares outstanding, diluted (thousands of shares)	756,290	738,130
Diluted earnings per share attributable to owners of the parent (yen)	509.18	458.00

27. Dividends

(1) Dividend payout

The amounts of dividends paid are as follows:

FYE2024 (April 1, 2023 to March 31, 2024)

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 92nd Ordinary General Meeting of Shareholders on June 21, 2023	Common shares	29,161	38.0	March 31, 2023	June 22, 2023	Retained earning
The Board of Directors Meeting on November 2, 2023*	Common shares	36,105	48.0	September 30, 2023	December 7, 2023	Retained earning

Note: Cash dividends per share of the Board of Directors Meeting on November 2, 2023 include a Commemorative dividends of 10.00 yen.

FYE2025 (April 1, 2024 to March 31, 2025)

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 93rd Ordinary General Meeting of Shareholders on June 19, 2024	Common shares	43,627	58.0	March 31, 2024	June 20, 2024	Retained earning
The Board of Directors Meeting on November 1, 2024*	Common shares	35,109	48.0	September 30, 2024	December 6, 2024	Retained earning

Note: Cash dividends per share of the 93rd Ordinary General Meeting of Shareholders on June 19, 2024 include a Commemorative dividends of 10.00 yen.

(2) Dividends payable for the case when resolution made on or after April 1, 2024, and 2025

Dividends payable for the case when the record date is in the consolidated fiscal year ended March 31, 2024 and 2025, effective on or after April 1, 2024, and 2025 is as follows:

FYE2024 (April 1, 2023 to March 31, 2024)

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 93rd Ordinary General Meeting of Shareholders on June 19, 2024*	Common shares	43,627	58.0	March 31, 2024	June 20, 2024	Retained earning

Note: Cash dividends per share of the Ordinary General Meeting on June 19, 2024 include a Commemorative dividends of 10.00 yen.

FYE2025 (April 1, 2024 to March 31, 2025)

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 94th Ordinary General Meeting of Shareholders on June 25, 2025	Common shares	49,006	67.0	March 31, 2025	June 26, 2025	Retained earning

Note: This plans to discuss as the proposal in Ordinary General Meeting of Shareholders on June 25, 2025.

28. Cash Flow Information

Reconciliation of liabilities arising from financing activities

FYE2024 (April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Beginning balance	Cash flow	Non-cash changes			Ending balance
			Acquisitions	Changes in foreign currency exchange rates	Others	
Short-term borrowings	194	(201)	—	7	—	—
Long-term borrowings	222,402	74,098	—	—	—	296,500
Bonds	90,000	13,000	—	—	—	103,000
Lease liabilities	114,524	(42,719)	48,165	4,884	(1,005)	123,849
Total	427,120	44,178	48,165	4,891	(1,005)	523,349

FYE2025 (April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Beginning balance	Cash flow	Non-cash changes			Ending balance
			Acquisitions	Changes in foreign currency exchange rates	Others	
Short-term borrowings	—	—	—	—	—	—
Long-term borrowings	296,500	—	—	—	—	296,500
Bonds	103,000	—	—	—	—	103,000
Lease liabilities	123,849	(47,929)	56,605	(1,117)	(564)	130,844
Total	523,349	(47,929)	56,605	(1,117)	(564)	530,344

29. Financial Risk Management

(1) Risk Management

The Group's business activities are affected by the business environment and the financial market environment. Financial instruments held or assumed during the course of the business activities are subject to inherent risks. The risks include (1) credit risk, (2) market risk and (3) liquidity risk.

The Group establishes an internal management system and implements crisis management to minimize the impact on the Group's financial condition and business performance using financial instruments.

Specifically, the Group manages those risks according to the following methods.

(2) Credit Risk

(a) Credit risk of financial assets held by the Group

Credit risk is the risk that a party to a financial instrument defaults on its contractual obligations and causes a financial loss for the Group. Specifically, the Group is exposed to the following credit risks:

1. The Group's trade receivables, lease receivables, contract assets and other receivables are exposed to the credit risk of customers and counterparties.
2. Bonds and other securities held to manage surplus funds are exposed to the credit risk of the issuers.
3. Derivative transactions conducted by the Group for the purpose of hedging foreign exchange and interest rate risks as well as banking transactions are exposed to the credit risk of the financial institutions that are counterparties to the transactions."

(b)The Group's response to the risks

Regarding credit risk of customers, the Group has a system where the due date and balances of each customer are managed and the credit status is monitored in accordance with the credit management standards of each company.

For receivables except for trade receivables, lease receivables and contract assets, the Group determines that the credit risk of a financial asset has increased significantly since initial recognition if the financial asset is 30 days or more past the contractual due date (including a request for a grace period) after the transaction date.

However, the Group does not determine that the credit risk has increased significantly if it is due to temporary demand for funds and the risk of default is low and it is obvious that the customer has the ability to meet contractual cash flow obligations in the near future based on objective data such as external ratings even if there is a delay in payment and a request for a grace period.

For debt instruments recorded as securities, the Group determines that the credit risk has increased significantly from initial recognition if the credit risk is not assessed to be low based on the rating information provided by the major rating agencies.

Expected credit losses are measured and recognized based on financial information available during the transaction and credit risk management processes, taking into account macroeconomic conditions such as the number of bankruptcies and material changes in the actual or expected performance of the debtor.

If the debtor does not pay within 90 days after the due date or the debtor commences legal liquidation proceedings due to bankruptcy, etc., it is determined as a default.

If there is a default, or if there is evidence of impairment of the issuer or debtor, such as significant financial difficulties, it is determined that the credit is impaired. The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof and determines that write-off is appropriate based on a credit check.

Even if a financial asset is written down, the collection activities are continued for fulfillment and the amounts collected are recorded in profit or loss.

The Group's receivables do not have a significant concentration of credit risk on a particular business partner or group of business partners.

Since the Group conducts derivative transactions and banking transactions only with financial institutions with high creditworthiness, there is little credit risk due to the default of the counterparties. In addition, the Group conducts surplus investment and derivative transactions only with highly rated financial institutions in order to reduce the occurrence of credit risk beforehand. The finance and accounting department obtains the approval by the applicable person set forth in the authority rules for each case based on each company's internal rules and related policies that define the details.
There are few past due receivables.

Aggregation of the net carrying value of financial assets and the amount of guarantee obligation recognized in the consolidated statement of financial position without taking into account the value of the collateral received as credit enhancement is the maximum exposure to credit risk.
The Group generally holds on products that have been sold as collateral for operating loans to customers.

(Measurement of expected credit losses on other receivables and debt instruments)
If the credit risk on other receivables and debt securities is not found to have increased significantly since initial recognition as of the closing date, the Group calculates the loss allowance for the financial instruments by estimating the 12-month expected credit losses using grouping by similar credit risk characteristics and based on historical credit loss experience and forecast information.
On the other hand, if the credit risk is found to have increased significantly since initial recognition as of the closing date, the Group calculates the loss allowance by estimating the lifetime expected credit losses for the collection of the financial instrument based on historical credit loss experience and forecast information.

(Measurement of expected credit losses on trade receivables, lease receivables, and contract assets)
For all trade receivables, lease receivables and contract assets, the loss allowance is calculated based on the lifetime expected credit losses until the trade receivables, lease receivables or contract assets, as applicable, are collected using a simplified approach and grouping by similar credit risk characteristics.
For trade receivables, the loss allowance is calculated by estimating the lifetime expected credit losses based on historical bad debt experience and forecast information on the age of receivables for each trade receivable.

(Unit: Millions of yen)

	Loss allowance for expected credit loss measured at an amount equal to 12-month expected credit losses	Loss allowance for expected credit loss measured at an amount equal to the lifetime expected credit losses			Total
		Assets that are not credit-impaired financial assets	Credit-impaired financial assets	Trade receivables, lease receivables, contract assets	
FYE2024 (Balance as of April 1, 2023)	39	162	392	161	754
Increase during the period (provision)	—	19	23	—	42
Decrease during the period (intended use)	—	—	(3)	—	(3)
Others*1	71	—	(41)	(10)	20
FYE2024 (Balance as of March 31, 2024)	110	181	371	151	813
Increase during the period (provision)	—	—	—	3	3
Decrease during the period (intended use)	—	—	(1)	—	(1)
Others*1	(29)	(11)	(23)	—	(63)
FYE2025 (Balance as of March 31, 2025)	81	170	347	154	752

Note: 1. Others mainly include the reversal of loss allowance due to collection.
2. All debt instruments measured at fair value through other comprehensive income have high credit ratings and no material provisions are recognized for them.

Guarantee contract

The Group mainly provides guarantees to subsidiaries' business partners, but credit risk is not included in the above table because it is limited and immaterial.
The amount of the guarantees is described in "34. Contingencies".

(3) Market risk

1) Foreign currency exchange risk

(Foreign currency exchange risk management)

The Group hedges foreign currency fluctuation risks of trade receivables and payables denominated in foreign currencies that are identified by currency and by month by using, in principle, forward exchange contracts and currency options. Depending on the exchange rate situation, forward exchange contracts and other transactions are used against the net position of trade receivables and trade payables denominated in foreign currencies for a maximum of six months.

(Currency sensitivity analysis)

Sensitivity analysis of the foreign currency exchange risk associated with financial instruments held at the end of the consolidated fiscal years ended March 31, 2024 and 2025 is as follows. The following scenario demonstrates the impact of a 1% appreciation (increase) of the Japanese yen against the US dollar on profit after tax, holding all variables other than the foreign currency exchange rate as constant, for foreign exchange risk exposure arising from deposits, trade receivables and payables denominated in foreign currencies of which foreign exchange differences are recognized at the end of the consolidated fiscal year in profit or loss.

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025
Impact on profit after income taxes	(2,414)	(3,319)

(4) Liquidity Risk

Liquidity Risk Management

"The Group raises funds by borrowings from financial institutions and corporate bonds. The Group is exposed to a risk that the Group would not be able to repay liabilities by the due date in the event of disruptions of financial system and financial markets or a significant reduction of credit rating by rating agencies. (Hereinafter referred to as "Liquidity risk".)

In order to ensure liquidity and stability, the Group has sufficient cash and cash equivalents as well as maintains liquidity that satisfies the level of cash required by entering into commitment line agreements, etc. with major financial institutions.

The unused portions of the committed lines are as follows:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Specified commitment line contract	201,000	201,000

(Maturity analysis of financial liabilities)

1) Non-derivative financial liabilities

Non-derivative financial liabilities by maturity as of March 31, 2024 and 2025 are as follows:

FYE2024 (as of March 31, 2024)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Trade and other payables	384,510	384,510	—	—	—	—	—	384,510
Financing liabilities	399,500	70,911	48,802	57,190	1,592	7,092	228,308	413,895
Other financial liabilities	152,235	56,415	23,155	10,785	12,485	8,541	50,722	162,103
Total	936,245	511,836	71,957	67,975	14,077	15,633	279,030	960,508

FYE2025 (as of March 31, 2025)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Trade and other payables	425,778	425,778	—	—	—	—	—	425,778
Financing liabilities	399,500	49,992	58,471	2,782	8,282	20,761	282,191	422,479
Other financial liabilities	161,966	56,703	20,823	15,623	11,335	10,566	63,454	178,504
Total	987,244	532,473	79,294	18,405	19,617	31,327	345,645	1,026,761

Financial guarantee contracts cause payment obligation on the basis of demand for performance. Guarantees to the clients are described in “34. Contingencies”.

2) Derivative financial liabilities

Derivative financial liabilities by maturity as of March 31, 2025 and 2024 are as follows:

FYE2024 (as of March 31, 2024)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Revenue	—	3,919	—	—	—	—	—	3,919
Expenditure	—	(15,629)	—	—	—	—	—	(15,629)
Derivative financial liabilities	(11,710)	(11,710)	—	—	—	—	—	(11,710)

FYE2025 (as of March 31, 2025)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Revenue	—	3,471	—	—	—	—	—	3,471
Expenditure	—	(3,515)	—	—	—	—	—	(3,515)
Derivative financial liabilities	(44)	(44)	—	—	—	—	—	(44)

30. Fair Value

(1) Definition of Fair Value Hierarchy

The Group uses a three-level hierarchy system when measuring fair value. The following is a description of the three levels of hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Unobservable inputs for the assets or liabilities

(2) Method of Fair Value Measurement

The fair values of assets and liabilities are determined based on relevant market information and through the use of an appropriate valuation method.

The measurement methods and assumptions used in the measurement of assets and liabilities are as follows:

(Cash and cash equivalents, Trade and other receivables, Trade and other payables)

Cash and cash equivalents, Trade and other receivables, and Trade and other payables are measured at amortized cost. Lease receivables are measured in accordance with IFRS 16 “Lease”.

The fair value of operating loans and lease receivables is calculated based on the present value of the receivables discounted by the interest rate, taking into account the maturity period and credit risk, for each receivable classified by a certain period. Therefore, fair value measurements are classified as Level 3 because credit risks are not observable.

The fair values of financial assets other than lease receivables and operating loans approximate their carrying amounts of those financial assets due to their short-term maturities.

(Other debt instruments)

Debt instruments (instruments measured at fair value) consist mainly of government bonds, corporate bonds, investment trust, and fund for investment partnership, etc.

The fair value of government bonds and investment trust with an active market is measured by using quoted market prices. Fair value measurement for government bonds and investment trust is classified as Level 1.

The fair value of corporate bonds, etc. is measured based on the proprietary pricing models provided by financial institutions using observable inputs in the market such as credit ratings and discount rates. Fair value measurements for other debt instruments are classified as Level 2.

The fair value of fund for investment partnership is measured by the amount corresponding to equity holding on fair value concerned, after the estimation of fair value of property of partnership. Fair value measurement for fund for investment partnership is classified as Level 3 because unobservable inputs are used.

Other debt instruments are reported as other financial assets (current), or other financial assets (non-current).

(Equity instruments)

Equity instruments consist mainly of stocks.

The fair value of equity instruments with an active market is measured by using quoted market prices.

Fair value measurement for equity instruments with an active market is classified as Level 1.

As a general rule, the fair value of equity instruments with no active market is measured mainly by using the comparable company valuation method and other appropriate valuation methods. Fair value measurement for equity instruments with no active market is classified as Level 3.

Equity instruments are reported as other financial assets (current and non-current).

Such fair value measurements are conducted in accordance with the Group accounting policy approved by the appropriate person of authority and based upon valuation methods determined by an accountant of the Group.

(Financing liabilities)
Financing liabilities are measured at amortized cost. The fair value of financing liabilities is measured by discounting future cash flows using interest rates currently available for liabilities of similar terms and remaining maturities. Fair value measurement for financing liabilities is mainly classified as Level 2.

(Derivatives)
Derivatives consist mainly of foreign currency forward exchange contracts, and interest rate swap agreements.
The fair values of derivatives are measured based on observable inputs such as foreign exchange rates and quoted prices obtained from the financial institutions. Fair value measurements for these derivatives are classified as Level 2.
Derivatives are reported as other financial assets (current) or other financial liabilities (current).

(Other financial liabilities)
Other financial liabilities other than derivatives mainly include liabilities related to chargeable subcontracting. Liabilities related to chargeable subcontracting are measured at amortized cost.
Lease liabilities are measured in accordance with IFRS 16 “Lease”.
Fair values of other financial liabilities approximate their carrying amounts.

(3) Assets and Liabilities Measured at Fair Value on a recurring basis
FYE2024 (as of March 31, 2024)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets measured at fair value through profit or loss:				
Derivatives	—	28	—	28
Debt instruments	40,610	122	2,190	42,922
Total	40,610	150	2,190	42,950
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	215,194	—	7,482	222,676
Debt instruments	82,249	135,520	—	217,769
Total	297,443	135,520	7,482	440,445
Total	338,053	135,670	9,672	483,395
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives	—	11,710	—	11,710
Total	—	11,710	—	11,710

FYE2025 (as of March 31, 2025)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets measured at fair value through profit or loss:				
Derivatives	—	2,746	—	2,746
Debt instruments	45,176	82	3,018	48,276
Total	45,176	2,828	3,018	51,022
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	166,976	—	8,590	175,566
Debt instruments	96,018	139,944	—	235,962
Total	262,994	139,944	8,590	411,528
Total	308,170	142,772	11,608	462,550
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives	—	44	—	44
Total	—	44	—	44

The Group recognizes the transfers between the levels of the fair value hierarchy at the end of the day on which an event or change in conditions that causes the transfer has occurred.
There were no material transfers between the levels.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the consolidated fiscal years ended March 31, 2024 and 2025 are as follows:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	
	Equity instruments	Debt instruments
Beginning balance	5,973	1,332
Total gains or losses:		
Profit or loss	—	171
Other comprehensive income	1,509	—
Purchases	—	687
Sales	—	—
Exchange differences on translating foreign operations	—	—
Ending Balance	7,482	2,190
Unrealized gains or losses included in profit or loss on assets held at March 31, 2024	—	80

(Unit: Millions of yen)

	FYE2025 (April 1, 2024 to March 31, 2025)	
	Equity instruments	Debt instruments
Beginning balance	7,482	2,190
Total gains or losses:		
Profit or loss	—	47
Other comprehensive income	1,108	—
Purchases	—	781
Sales	—	—
Exchange differences on translating foreign operations	—	—
Ending Balance	8,590	3,018
Unrealized gains or losses included in profit or loss on assets held at March 31, 2025	—	223

Note: 1. Gains or losses included in profit or loss for the consolidated fiscal years ended March 31, 2024 and 2025 are included in finance income and finance costs in the consolidated statement of income.

2. Gains or losses included in other comprehensive income for the consolidated fiscal years ended March 31, 2024 and 2025 are included in net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

3. Unrealized gains or losses included in profit or loss on debt instruments held at March 31, 2025, on the assets held at the end of reporting period, are included in finance income in the consolidated statement of income.

(4) Financial Assets and Financial Liabilities that are not measured at fair value

The carrying amounts and fair values of financial assets and financial liabilities that are not measured at fair value as of March 31, 2024 and 2025 are as follows:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)		FYE2025 (as of March 31, 2025)	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables				
Operating loans	169,296	174,400	182,682	184,358
Lease receivables	10,858	11,862	11,167	11,969
Account receivables and other receivables*1	196,094	―	217,874	―
Other financial asset*1&2	597,519	―	702,305	―
Financing liabilities				
Borrowings	296,500	294,597	296,500	289,687
Bonds payables	103,000	101,380	103,000	98,280
Trade and other payables*1	384,510	―	425,778	―
Other financial liabilities*1&3	28,386	―	31,122	―

Note: 1. Disclosure of fair value is omitted because the fair values approximate their carrying amounts due to their short-term maturities.

2. Items disclosed in "(3) Assets and Liabilities Measured at Fair Value on a recurring basis" are not included.

3. Other financial liabilities do not include derivatives of 11,710 million yen (March 31, 2024) and 44 million yen (March 31, 2025) and lease liabilities of 123,849 million yen (March 31, 2024) and 130,844 million yen (March 31, 2025).

4. Cash and cash equivalents are not included in this table because the carrying amounts and fair values of cash and cash equivalents are approximative.

(5) Assets and Liabilities Measured at Fair Value on a non-recurring basis

There are no assets and liabilities measured at fair value on a non-recurring basis as of March 31, 2024 and 2025.

31. Offsetting of Financial Assets and Financial Liabilities

Information about offsetting of financial assets and financial liabilities as of March 31, 2024 and 2025 is as follows:

FYE2024 (as of March 31, 2024)

(Unit: Millions of yen)

	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Amounts subject to master netting agreements or similar agreements that do not meet offsetting criteria	Net amounts
Other financial assets					
Derivatives	28	—	28	—	28
Other financial liabilities					
Derivatives	11,710	—	11,710	—	11,710

FYE2025 (as of March 31, 2025)

(Unit: Millions of yen)

	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Amounts subject to master netting agreements or similar agreements that do not meet offsetting criteria	Net amounts
Other financial assets					
Derivatives	2,746	—	2,746	(2)	2,744
Other financial liabilities					
Derivatives	44	—	44	(2)	42

Amounts that do not meet offsetting criteria are financial assets and financial liabilities subject to enforceable master netting agreements that the Group does not intend to settle on a net basis.

32. Commitment

The following table shows commitments for the purchase of assets after the reporting period:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Purchase of property, plant and equipment	140,342	88,062
Purchase of intangible assets	8,061	127,715
Total	148,403	215,777

33. Leases

(1) Information as Lessee

① Information as Lessee

(i) Costs and cash flows related to lease contracts

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Real estate	9,788	11,756
Machinery	2,341	2,576
Vehicles	22	17
Tools, furniture and fixtures	46,918	49,980
Total depreciation charge for right-of-use assets	59,069	64,329
Interest expense on lease liabilities	1,498	2,244
Lease expenses with the exemption of short-term lease*1	2,238	4,777
Lease expenses with the exemption of leases of low-value assets*2	273	216
Total lease expense (net)	63,078	71,566
Total cash outflow for leases	46,728	55,166

There is no material income from sub-leasing of right-of-use assets.

Note: 1. The Group applies IFRS 16.6 to short-term leases.
2. The Group applies IFRS 16.6 to leases of low-value assets.

(ii) Right-of-use assets included in the carrying amount of property, plant and equipment

(Unit: Millions of yen)

	FYE2024 (as of April 1, 2023)	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Real estate	55,014	55,809	72,792
Machinery	20,831	26,760	24,567
Vehicles	29	33	83
Tools, furniture and fixtures	64,317	69,047	60,234
Total carrying amount of right-of-use assets	149,191	151,649	157,676

(iii) The amount of increase and decrease of Right-of-use assets

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
The increase and decrease of Right-of-use assets	15,902	(48,395)

② Maturity analysis of lease liabilities

(Unit: Millions of yen)

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
FYE2024 (as of March 31, 2024)	135,420	37,501	20,890	9,682	11,608	8,443	47,296
FYE2025 (as of March 31, 2025)	149,920	35,265	19,008	14,456	11,335	10,468	59,388

Management policy for Liquidity Risk
Exposure to liquidity risk is managed by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet.

③ The nature of the lessee's leasing activities
The Group is the lessee under several operating leases, primarily for production tools such as molds, and network equipment and devices, as well as for real estate such as stores, company-owned houses and warehouses for the automotive business.

④ Future cash outflows to which the lessee is potentially exposed and which are not reflected in the measurement of lease liabilities
There are no material future cash outflows to which the lessee is potentially exposed and which are not reflected in the measurement of lease liabilities.

⑤ Restrictions or covenants imposed by leases
There are no restrictions or covenants imposed by leases (e.g. restrictions on dividends, additional borrowings and additional leases).

⑥ Variable lease payments
For some lease agreements, the amount of lease payment varies based on the transactions with the counterparties. The amounts of variable lease payments recognized as expenses in the consolidated fiscal years ended March 31, 2024 and 2025 are not material.

(2) Information as Lessor
① Finance Leases
A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.
A lease receivable under a finance lease is recognized at an amount equal to the net investment in the lease at the commencement date.
The Group purchases insurance to cover physical damages to vehicles.

(i) Lease income

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Selling profit or loss	65	133
Finance income on the net investment in the lease	1,141	1,130

(ii) The nature of the lessor's leasing activities (finance lease)
The Group mainly leases out vehicles under finance leases.

(iii) Significant changes in the carrying amount of the net investment in the lease
Not applicable.

(iv) Maturity analysis of the lease payments receivable

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Within 1 year	3,561	3,718
1 to 2 years	3,221	3,344
2 to 3 years	2,737	3,091
3 to 4 years	2,265	2,181
4 to 5 years	1,601	1,386
After 5 years	5	15
Total	13,390	13,735
Unearned financial income	2,705	2,707
Present value of unguaranteed residual value	173	139
The net investment in the lease	10,858	11,167

② Operating Lease

(i) Lease income

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Lease income	3,604	9,268

(ii) The nature of the lessor's leasing activities (operating lease)
The Group leases out vehicles and real estates such as office buildings under operating leases.

(iii) Maturity analysis of lease payments

(Unit: Millions of yen)

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
FYE2024 (as of March 31, 2024)	1,028	823	176	23	6	―	―
FYE2025 (as of March 31, 2025)	1,331	922	307	47	27	18	10

The Group purchases insurance to cover physical damages to vehicles.
Most of the amounts disclosed in (i) lease income are vehicle rental fees at overseas subsidiaries and real estate rental income from office buildings, etc. Vehicle rental fees are paid in full at the time the contract starts, and the possibility that lessee's option of cancellation is not exercised by lessee is not secure reasonably as for real estate rental income. Therefore, (iii) the maturity analysis of lease payments does not include the amounts related to those transactions.

34. Contingencies

(1) Guarantees

Guarantees provided by the Group to the clients are as follows:

(Unit: Millions of yen)

	FYE2024 (as of March 31, 2024)	FYE2025 (as of March 31, 2025)
Customers of SUBARU Canada Inc.	25,312	27,652
Employees	2,285	1,714
Others	508	―
Total	28,105	29,366

(2) Other Contingencies

Based on the modified agreement between the U.S.A. subsidiary of Takata Co., Ltd.(Current, TKJP Corporation) and the National Highway Traffic Safety Administration (NHTSA) of the United States dated May 4, 2016, Notification "Extended schedule of the recalls of airbag inflators manufactured by Takata Co., Ltd." released by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) of Japan dated May 27, 2016, and recall policies in other regions including China and Australia in consideration of the request by the U.S.A. and Japanese authorities, expenses for extension of recall for airbag inflators manufactured by Takata Co., Ltd. are accrued to the extent that the amount can be reasonably estimated. There is a possibility that additional accrual may be required due to events in the future.

35. Significant subsidiaries

Significant subsidiaries as of March 31, 2025

Name of Subsidiary	Location	Capital stock	Percentage of Voting Rights of The Company	Main Businesses
Fuji Machinery Co., Ltd.	Gunma	480 million yen	100.0%	Manufacture and sales of automotive parts
Ichitan Co., Ltd.	Gunma	480 million yen	100.0%	Manufacture and sales of automotive parts
KIRYU INDUSTRY Co., Ltd.	Gunma	400 million yen	100.0%	Manufacturing of repair parts for Subaru cars, Subaru vehicle rust prevention works, Manufacture of custom-build car, etc.
Subaru Logistics Co., Ltd.	Gunma	96 million yen	100.0%	Shipping, land freight and warehousing of Subaru vehicles, etc.
H.B.C. Co., Ltd.	Kanagawa	490 million yen	68.0%	Storing and shipping of Subaru vehicles
Hokkaido Subaru Inc.	Hokkaido	98 million yen	100.0%	Sales of Subaru vehicles and components
Miyagi Subaru Inc.	Miyagi	80 million yen	100.0%	Sales of Subaru vehicles and components
Niigata Subaru Inc.	Niigata	100 million yen	100.0%	Sales of Subaru vehicles and components
Kanagawa Subaru Inc.	Kanagawa	100 million yen	100.0%	Sales of Subaru vehicles and components
Chiba Subaru Inc.	Chiba	100 million yen	100.0%	Sales of Subaru vehicles and components
Tokyo Subaru Inc.	Tokyo	100 million yen	100.0%	Sales of Subaru vehicles and components
Nagoya Subaru Inc.	Aichi	100 million yen	100.0%	Sales of Subaru vehicles and components
Osaka Subaru Inc.	Osaka	100 million yen	100.0%	Sales of Subaru vehicles and components
Hiroshima Subaru Inc.	Hiroshima	92 million yen	100.0%	Sales of Subaru vehicles and components
Fukuoka Subaru Inc.	Fukuoka	50 million yen	100.0%	Sales of Subaru vehicles and components
Subaru Finance Co., Ltd.	Tokyo	2,000 million yen	100.0%	Leasing and rental of Subaru vehicles; credit and financing related to Subaru vehicles
Subaru USA Holdings Inc.	U.S.A	869,757 thousands of USD	100.0%	Provision of corporate services to US Subsidiaries
Subaru of Indiana Automotive, Inc. (SIA)	U.S.A	794,045 thousands of USD	100.0%	Purchasing of production parts for Subaru vehicles, sales of completed vehicles to Subaru of America Inc. (SOA) and others
Subaru of America, Inc. (SOA)	U.S.A	241 thousands of USD	100.0%	Sales of Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles and parts
Subaru Canada, Inc. (SCI)	Canada	30,000 thousands of CND	100.0%	Sales of Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles and parts
Subaru Europe N.V./S.A. (SE)	Belgium	87,504 thousands of EUR	100.0%	Sales of Subaru vehicles and components

Name of Subsidiary	Location	Capital stock	Percentage of Voting Rights of The Company	Main Businesses
Subaru of China Ltd. (SOC)	China	187,354 thousands of CNY	60.0%	Sales of Subaru vehicles and components
North American Subaru Inc. (NASI)	U.S.A	5 thousands of USD	100.0%	Technical investigation for Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles in North America market, automobile related regulatory compliance in the U.S.A
Yusoki Kogyo K.K.	Aichi	100 million yen	100.0%	Manufacture and sales of aircraft parts to Subaru
Fuji Aircraft Maintenance Co., Ltd.	Tokyo	30 million yen	100.0%	Inspection, service and maintenance of Aircrafts
Subaru Kohsan Co., Ltd.	Tokyo	675 million yen	100.0%	Rental and management of real estate

Note: 1. As of end of March 2025, there are 71 consolidated subsidiaries including the above 26 companies, and 6 equity method affiliates.

2. As of April 1, 2024, SUBARU IT CREATIONS CORPORATIONS was merged with the Company to address the changes in the business environment due to the rapid development and spread of digital technology.

36. Related Parties

Compensation to Key Management

Compensation paid to the directors and corporate auditors of the Company is as follows:

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)	FYE2025 (April 1, 2024 to March 31, 2025)
Short-term employee benefits	584	626
Stock compensation	134	122

37. Significant Subsequent Event

Not applicable.

2【Others】

1. Quarterly information for the current consolidated fiscal year,

	Unit	1st half	FYE2025
Revenue	(millions of yen)	2,266,158	4,685,763
Profit before tax	(millions of yen)	220,972	448,507
Profit for the period attributable to owners of parent	(millions of yen)	163,033	338,062
Profit for the period per share, basic	(yen)	219.09	458.03

2. Audit Fees

a. Fees to auditing certified public accountants, etc.

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)		FYE2025 (April 1, 2024 to March 31, 2025)	
Category	Audit fees	Non-audit fees	Audit fees	Non-audit fees
The Company	234	2	263	2
The Company's subsidiaries	18	2	18	0
Total	252	4	281	2

Notes: 1. A non-audit service provided by the Accounting Auditors to the Company is preparation of comfort letter related to the issue of bonds for the consolidated fiscal years ended March 31, 2024. A non-audit service for the consolidated subsidiary is agreed upon procedures for the consolidated fiscal years ended March 31, 2024.

2. A non-audit service provided by the Accounting Auditors to the Company is preparation of comfort letter related to the issue of bonds for the consolidated fiscal years ended March 31, 2025. A non-audit service for the consolidated subsidiary is agreed upon procedures for the consolidated fiscal years ended March 31, 2025.

b. Fees to companies in the same network as the auditing certified public accountants, etc. (except for a.)

(Unit: Millions of yen)

	FYE2024 (April 1, 2023 to March 31, 2024)		FYE2025 (April 1, 2024 to March 31, 2025)	
Category	Audit fees	Non-audit fees	Audit fees	Non-audit fees
The Company	—	16	—	7
The Company's subsidiaries	503	126	506	149
Total	503	142	506	156

Notes: Non-audit services for the consolidated subsidiaries are primarily tax related operations for the consolidated fiscal years ended March 31, 2024 and 2025.

Independent Auditor’s Report

SUBARU CORPORATION and its subsidiaries

For the Years ended March 31,
2024 and 2025

KPMG AZSA LLC
June 2025

This independent auditor’s report prepared by KPMG AZSA LLC (including the one that is signed with electoronic signatures) shall not be reprinted, disclosed, quoted, summarized, translated, cited, circulated or otherwise used, in whole or in part, to any third party including posting on the web without prior written consent as specified by KPMG AZSA LLC, except for the purpose of compliance with laws, regulations and the like, or for usage in response to an order or request from an administrative or judicial body.

Independent Auditor's Report

To the Board of Directors of SUBARU CORPORATION:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of SUBARU CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as of March 31, 2025, and the consolidated statements of income, 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 of March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Accounting Standards Board prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements 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 fiscal year. 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.

Reasonableness of the estimate of a specific provision for product warranties pursuant to notifications to the competent authority	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 18. "Provisions" to the consolidated financial statements, the Group recorded provisions for product warranties of 100,745 million yen in current liabilities and 138,758 million yen in non-current liabilities in its consolidated financial statements within the automobile segment. These amounts include a specific provision for product warranties pursuant to notifications to the competent authority, among others. The Group recognizes a specific provision for product warranties for future expenses related to the covered repairs under warranty pursuant to notifications to the competent authority when it is	The primary procedures we performed to assess whether the estimate of a specific provision for product warranties pursuant to notifications to the competent authority was reasonable are set forth below. As part of these procedures, we involved the component auditor of the subsidiary in the U.S.A., directed and supervised them, and reviewed their work to conclude on whether sufficient and appropriate audit evidence was obtained. **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Group's internal controls relevant

probable that outflows of resources embodying economic benefits will be required, and reliable estimates can be made of the amount of the obligations. The aforementioned future warranty expenses are calculated by estimating the expected number of vehicles for which warranty services will be provided (hereinafter, "Expected Number of Affected Units") and the warranty expenses that will be incurred in the future per vehicle (hereinafter, "Per-unit Future Warranty Expense") based on the historical experience of warranty services provided in the past, and multiplying these two figures. As the estimates of the Expected Number of Affected Units and the Per-unit Future Warranty Expense included significant management judgment, there was a risk that the provision for product warranties may not be properly measured. We, therefore, determined that the reasonableness of the estimate of a specific provision for product warranties pursuant to notifications to the competent authority was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	to estimating a specific provision for product warranties pursuant to notifications to the competent authority, including controls related to the determination of assumptions used for the estimate and those related to the completeness and accuracy of underlying data. **(2) Assessment of the reasonableness of the estimate of a specific provision for product warranties** In order to evaluate the appropriateness of the assumption used for the estimate and completeness and accuracy of underlying data in assessing the reasonableness of a specific provision for product warranties pursuant to notifications to the competent authority, we performed the following audit procedures: ● assessed the appropriateness of key assumptions related to the estimate of the Expected Number of Affected Units and the Per-unit Future Warranty Expense by inquiring of personnel in the relevant departments about the methods used to estimate the Expected Number of Affected Units and Per-unit Future Warranty Expense and by inspecting the meeting minutes and the supporting materials; ● assessed whether any changes in key assumptions underlying the estimate of the Per-unit Future Warranty Expense were necessary by performing a data analysis in which we compared the trend of actual warranty expenses for each claim with the provision balance; and ● assessed whether underlying data used to estimate the Expected Number of Affected Units and the Per-unit Future Warranty Expense were consistent with the supporting materials and the historical data of warranty services provided in the past.

Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements, and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors 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 Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

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

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

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

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

We communicate with corporate auditors and the board of corporate auditors 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 corporate auditors and the board of corporate auditors 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 corporate auditors and the board of corporate auditors, 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 “2. Audit Fees” included in “2【Others】” of the Financial Report.

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.

MASAKAZU HATTORI
Designated Engagement Partner
Certified Public Accountant

TAKASHI HASUMI
Designated Engagement Partner
Certified Public Accountant

SHUJI YASUZAKI
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 23, 2025