Report of Earnings and Financial Statements for the Three Months Ended June 30, 2022 (Consolidated)

<IFRS>

August 12, 2022

Listed company's name:	**Kawasaki Heavy Industries, Ltd.**
Listed on:	TSE (Prime Market), and NSE (Premier Market)
Stock code:	7012
URL:	https://global.kawasaki.com/
Representative:	Yasuhiko Hashimoto, President and Chief Executive Officer
Contact:	Takashi Torii, Executive Officer, Group Manager, Corporate Communication Group Department
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Scheduled dates:

Submission of quarterly securities filing:	August 12, 2022
Commencement of dividend payments:	-
Supplementary materials to quarterly earnings:	Available
Quarterly earnings presentation:	Conducted (for institutional investors, analysts and the press)

(Amounts in millions of yen rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Three Months ended June 30, 2022 (April 1, 2022 – June 30, 2022)

(1) Operating Results

(Percentage figures represent changes versus the year-ago period)

	Revenue		Business profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three Months Ended June 30, 2022	350,344	(1.5)	4,593	(75.2)	10,605	(37.8)	5,794	(51.3)
Three Months Ended June 30, 2021	355,570	-	18,551	-	17,063	-	11,902	-

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	yen	yen
Three Months Ended June 30, 2022	5,457	(52.4)	18,761	26.2	32.58	-
Three Months Ended June 30, 2021	11,460	-	14,866	-	68.60	-

(2) Financial Condition

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2022	2,246,868	537,827	519,800	23.1
March 31, 2022	2,174,630	524,891	505,484	23.2

2. Dividends

Record date or term	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full year
	yen	yen	yen	yen	yen
Year ended March 31, 2022	-	20.00	-	20.00	40.00
Year ending March 31, 2023	-				
Year ending March 31, 2023 (forecast)		30.00	-	20.00	50.00

Note: Revisions to the most recently announced dividend forecast: Yes
In the Company's articles of incorporation, the dates of record are set as the last day of the fiscal second quarter and the last day of the fiscal year.

3. Forecast of Consolidated Earnings for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentage figures indicate change compared with the previous fiscal year)

	Revenue		Business profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	1,690,000	12.6	56,000	84.4	52,000	87.9	32,000	153.2	191.07

Note: Revisions to the most recently announced earnings forecast: Yes

Notes

1. Changes affecting the status of material subsidiaries (scope of consolidation): None

2. Changes in accounting policies and changes in accounting estimates
   (1) Changes in accounting policies required by IFRS: None
   (2) Changes in accounting policies due to other reasons: None
   (3) Changes in accounting estimates: None

3. Number of shares issued and outstanding (common stock)

(1) Number of shares issued as of period-end (including treasury stock)

June 30, 2022:	167,921,800 shares
March 31, 2022:	167,921,800 shares

(2) Number of shares held in treasury as of period-end

June 30, 2022:	449,890 shares
March 31, 2022:	449,527 shares

(3) Average number of shares during respective periods

June 30, 2022:	167,471,974 shares
June 30, 2021:	167,041,976 shares

***The quarterly report of earnings and financial statements is exempted from quarterly review procedures based on the Financial Instruments and Exchange act.**

*Appropriate Use of Financial Forecasts and Other Important Matters

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of their preparation, and do not mean that the Company promises to achieve these figures. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to “1. Qualitative Information about Financial Statements (3) Consolidated earnings outlook” on page 11 in the Accompanying Materials.

How to Obtain Supplementary Briefing Material on Quarterly Financial Results and Details of the Quarterly Financial Results Briefing

The Company plans to conduct a briefing for institutional investors, analysts and the press by conference call on Friday August 12, 2022, and to post the briefing material on quarterly financial results to be used for the briefing on TDnet and the Company’s website simultaneously with the announcement of financial results.

Adoption of International Financial Reporting Standards (IFRS)

The Group has applied the IFRS from the first quarter of the consolidated fiscal year ending March 31, 2023. Financial figures for the first quarter of the previous consolidated fiscal year and the previous consolidated fiscal year are also presented in accordance with IFRS.

The differences between IFRS and Japanese GAAP regarding financial figures, refer to “2. Condensed Quarterly Consolidated Financial Statements and Notes (5) Notes Concerning Condensed Quarterly Consolidated Financial Statements (First-time adoption of IFRS)” on page 18 in the Accompanying Materials.

Accompanying Materials – Contents

1. Qualitative Information about Financial Statements

Forward-looking statements in the text are based on judgments made as of the end of the this quarterly consolidated accounting period. From the first quarter of this consolidated fiscal year, the Group adopted the International Financial Reporting Standards (Hereinafter referred to as “IFRS”) in place of the conventional Japanese GAAP, and the figures for the first quarter of the previous consolidated fiscal year and the previous fiscal year have been reclassified to IFRS basis for comparative analysis.

(1) Consolidated operating results

The global economy has been seeking to strike a balance between measures against infection by COVID-19 pandemic and socio-economic activities, mainly in developed countries, and continuing to pick up amid improvement in the employment and income situation, restoring personal consumption, investment in decarbonization, and increasing international air passenger demand. On the other hand, there are increasing uncertainties about the outlook of the global economy due to factors such as the prolonged situation in Ukraine, increased tensions between the United States and China, rising resource and energy prices, supply chain disruptions, and the risk of an economic downturn mainly due to the impact of monetary tightening policies in the United States and Europe.

With regard to the Japanese economy, although business capital investment and personal consumption in response to the relaxation of action restrictions has been on a recovery trend, there are concerns about an economic slowdown due to the expansion of COVID-19 “Seventh Wave” and the upward pressure on prices stemming from the depreciation of yen, and it is necessary to continue to closely monitor the situation.

In this business environment, the Group’s consolidated orders received during the first quarter of this consolidated fiscal year increased mainly due to increases in the Energy Solution & Marine Engineering segment and the Aerospace Systems segment. Revenue increased in the Motorcycle & Engine segment and other segments, but overall sales decreased from the same period of the previous fiscal year due to lower sales in the Energy Solution & Marine Engineering segment, the Aerospace Systems segment, and other segment. Business profit decreased year on year due to deteriorates in the Aerospace Systems segment and the Precision Machinery & Robot segment. Profit attributable to owners of parent decreased mainly due to a decrease in business profit despite improvement in foreign exchange gains and losses.

As a result, the Group’s consolidated orders received increased by ¥107.8 billion year on year to ¥412.0 billion, consolidated revenue decreased by ¥5.2 billion year on year to ¥350.3 billion, business profit decreased by ¥13.9 billion year on year to ¥4.5 billion, profit before tax decreased by ¥6.4 billion year on year to ¥10.6 billion, and profit attributable to owners of parent decreased by ¥6.0 billion year on year to ¥5.4 billion.

First -quarter consolidated operating performance is summarized by segment below.

Segment Information

Segment revenue, business profit, and orders received (billions of yen)

	Three months ended June 30						Orders received		
	2021(A)		2022(B)		Change (B – A)		Three months ended June 30		
	Revenue	Business profit	Revenue	Business profit	Revenue	Business profit	2021 (A)	2022 (B)	Change (B – A)
Aerospace Systems	70.0	(4.2)	63.4	(8.9)	(6.6)	(4.6)	37.4	60.4	23.0
Rolling Stock	28.7	(0.2)	26.4	(0.1)	(2.3)	0.0	9.3	11.7	2.3
Energy Solution & Marine Engineering	70.3	0.4	63.5	(0.0)	(6.8)	(0.4)	60.9	124.5	63.6
Precision Machinery & Robot	57.6	4.6	52.6	1.4	(5.0)	(3.1)	65.1	67.9	2.8
Motorcycle & Engine	113.4	14.9	126.0	12.8	12.5	(2.0)	113.5	126.0	12.5
Other	15.2	0.9	18.3	1.3	3.0	0.3	17.8	21.3	3.4
Adjustments	-	2.0	-	(2.0)	-	(4.0)	-	-	-
Total	355.5	18.5	350.3	4.5	(5.2)	(13.9)	304.2	412.0	107.8

Notes: 1. Revenue include only sales to external customers.
2. The Motorcycle & Engine segment’s orders received are equal to its revenue as production is based mainly on estimated demand.

Aerospace Systems

Regarding the business environment surrounding the Aerospace Systems segment, demand for Ministry of Defense in Japan is generally stable despite the tight defense budget. With respect to commercial aircraft, demand for the passenger, which had been sluggish due to the spread of the infection by COVID-19 pandemic, has been recovering due to an increase the number of countries prioritizing the resumption of economic activities, despite uncertainty about the outlook due to the impact of the delayed recovery in Asia and other regions and the situation in Ukraine.

Amid such an operating environment, consolidated orders received increased by ¥23.0 billion year on year to ¥60.4 billion, due to an increase in component parts of airframes for Ministry of Defense in Japan and component parts of jet engines for commercial aircraft.

Consolidated revenue decreased by ¥6.6 billion year on year to ¥63.4 billion, due to a decrease in component parts of airframes for Ministry of Defense in Japan and commercial aircraft, despite an increase in component parts of jet engines for commercial aircraft.

Business loss came to ¥8.9 billion, deteriorating ¥4.6 billion year on year, due to a deterioration in component parts of airframes for Ministry of Defense in Japan and commercial aircraft, despite an improvement in component parts of jet engines for commercial aircraft.

Rolling Stock

Regarding the business environment surrounding the Rolling Stock segment, the effect of the COVID-19 has led to a review railway-related investment plans in Japan, and delays in work processes as well as postponement of biddings overseas. In addition, although the impact on the current situation is limited, we need to keep a close watch on shortages of electronic components, logistics disruptions, and rising raw materials prices. In the medium and long term, however, relatively stable growth is expected around the world due to development of urban transportation as an environmental protection measure and to ease congestion in large cities caused by increasing population concentration, as well as demand for railway infrastructure following economic development in Asian countries.

Amid such an operating environment, consolidated orders received increased by ¥2.3 billion to ¥11.7 billion compared to the same period of the previous fiscal year, due to orders for the large-scale project such as new commuter trains for the domestic market.

Consolidated revenue decreased by ¥2.3 billion year on year to ¥26.4 billion, mainly due to a decrease in sales of railcars for the United States.

Business loss of ¥0.1 billion was on par with the previous year's result, despite a decrease in sales.

Energy Solution & Marine Engineering

The business environment surrounding the Energy Solution & Marine Engineering segment remains on a recovery track as the global economy moves from stagnation due to the COVID-19 pandemic to normalization. Demand for distributed power sources in Japan and overseas and, for energy infrastructure development in emerging countries, remains strong, while there is ongoing demand for the replacement of aging facilities for refuse incineration plants. Also, business opportunities on LPG carriers are solid. In addition, there is a growing worldwide trend toward achieving carbon neutrality, and contacts and requests for cooperation are increasing regarding decarbonization solutions, including hydrogen products of our Company's strength. On the other hand, it is necessary to pay close attention to the impact on profit and loss due to the recent high prices of raw materials, equipment and fuel costs, and transportation costs.

Amid such an operating environment, consolidated orders received increased by ¥63.6 billion from the same period of the previous fiscal year to ¥124.5 billion, mainly due to an increase in orders for LPG carries and orders for large-scale projects such as the domestic waste treatment facilities maintenance and operation business.

Consolidated revenue decreased by ¥6.8 billion year on year to ¥63.5 billion, mainly due to a decrease in the volume of work of domestic waste disposal facilities, despite an increase in the volume of work on LPG carries.

Business loss came to ¥0.0 billion, deteriorating ¥0.4 billion year on year, due to a decrease in the volume of work of domestic waste disposal facilities, despite an improvement in share of profit and loss of investment accounted for using equity method.

Precision Machinery & Robot

Regarding the business environment surrounding the Precision Machinery & Robot segment, in the precision machinery field, although the performance has continued to be strong in the construction machinery market outside China, the overall performance was sluggish due to the weak demand in the Chinese construction machinery market affected by the lockdowns associated with the Zero-COVID-19 policy and other factors. In the robotics field, while semiconductor manufacturers continue to make high-level capital investments, the performance of robots for semiconductor manufacturing equipment is stay favorable as well as general-purpose robots have continued high demand for the automation investment. On the other hand, supply constraints had continued due to supply chain issues such as insufficient supply of electronic components and lockdowns in China, however, the impact of the lockdown has been resolved and the insufficient supply of electronic components are heading toward improving.

Amid such an operating environment, consolidated orders received increased by ¥2.8 billion year on year to ¥67.9 billion, due to a weaker yen on foreign exchange rates and an increase in various robots for semiconductor manufacturing equipment and other applications, despite a decrease in hydraulic equipment for the Chinese construction machinery market.

Consolidated revenue decreased by ¥5.0 billion year on year to ¥52.6 billion due to a decrease in hydraulic equipment for the Chinese construction machinery market, despite the impact of the weaker yen on foreign exchange rates.

Business profit decreased by ¥3.1 billion year on year to ¥1.4 billion mainly due to a decrease in sales and operations during the lockdowns.

Motorcycle & Engine

The business environment surrounding the Motorcycle & Engine segment continues to be affected by the COVID-19 pandemic. Demand for off-road models such as four-wheeled vehicles continued to be strong in the United States, a major market, as in the previous fiscal year, and the European market also remained strong. On the other hand, although the Southeast Asian market has recovered compared to the same period of the previous fiscal year, the outlook remains uncertain. The supply of products is also affected by shortages of semiconductors and raw materials and disruptions in distribution.

Amid such an operating environment, consolidated revenue increased by ¥12.5 billion year on year to ¥126.0 billion mainly due to a weaker yen on foreign exchange rates, as well as an increase in motorcycles for North America and Southeast Asia, despite a decrease in four-wheeled vehicles for North America and motorcycles for Europe due to shortage of product supply.

Business profit decreased by ¥2.0 billion year on year to ¥12.8 billion due to a rise in raw materials and logistics costs and an increase in fixed costs, despite an increase in sales and a weaker yen on foreign exchange rates compared to the same period of the previous fiscal year.

Other Operations

Consolidated revenue increased by ¥3.0 billion year on year to ¥18.3 billion.

Business profit increased by ¥0.3 billion year on year to ¥1.3 billion.

In the Group Vision 2030, the Group will focus on three fields; “A Safe and Secure Remotely-Connected Society”, “Near-Future Mobility” and “Energy and Environmental Solutions” and will transform our business structure into a form which promises faster growth. The Group is making steady progress in new businesses, such as the development of surgical support robots and automated PCR testing, the development of delivery robots and unmanned transport helicopters, and the promotion of hydrogen-related projects.

(2) Consolidated financial condition

Assets, liabilities, and equity

1. Assets

Current assets were ¥1,382.0 billion, ¥61.8 billion increase from the previous fiscal year mainly due to an increase in inventories.

Non-current assets were ¥864.8 billion, ¥10.4 billion increase from the previous fiscal year mainly due to an increase in investments accounted for using equity method.

As a result, total assets were ¥2,246.8 billion, ¥72.2 billion increase from the previous fiscal year.

2. Liabilities

Interest-bearing debt was ¥641.5 billion, ¥87.5 billion increase from the previous fiscal year.

Liabilities were ¥1,709.0 billion, ¥59.3 billion increase from the previous fiscal year mainly due to an increase in interest-bearing debt.

3. Equity

Equity was ¥537.8 billion, ¥12.9 billion increase from the previous fiscal year mainly due to increases in exchange differences on translation of foreign operations.

Cash Flows

Cash and cash equivalents (Hereinafter referred to as “net cash”) during the first quarter of this consolidated fiscal year were ¥ 78.4 billion, a decrease of ¥ 38.5 billion compared to the same period of the previous fiscal year. The cash flow situations and relevant factors during the first quarter of this consolidated fiscal year are stated below.

1. Cash flows from operating activities

Cash outflows from operating activities were ¥ 61.9 billion, a decrease of ¥ 32.4 billion compared to the same period of the previous fiscal year. Major sources of operating cash flows included a decrease in trade and other receivables of ¥23.6 billion, and depreciation and amortization of ¥19.0 billion. Major uses of operating cash flows included an increase in advance payment of ¥28.3 billion, an increase in inventories of ¥27.7 billion, and a decrease in trade and other payables of ¥25.5 billion.

2. Cash flows from investing activities

Investing activities used net cash of ¥24.0 billion, which is ¥10.4 billion more than in the same period of the previous fiscal year, mainly due to purchase of property, plant and equipment.

3. Cash flows from financing activities

Financing activities provided net cash of ¥62.7 billion, which is ¥25.0 billion more than in the same period of the previous fiscal year. This was mainly due to net increase in short-term borrowings.

(3) Consolidated earnings outlook

The Company voluntarily applies the IFRS from the first quarter of the fiscal year ending March 2023, therefore, has calculated the forecast of consolidated earning outlook based on IFRS.

The outlook of revenue is expected to be ¥1,690.0 billion, ¥10.0 billion increase from the previous outlook (May 10), mainly due to the revision of the assumed exchange rate from ¥120 to ¥125 to the U.S. dollar.

In terms of profit, the Company is forecasting business profit of ¥56.0 billion, ¥3.0 billion increase from the previous outlook, profit before tax of ¥52.0 billion, and profit attributable to owners of parent of ¥32.0 billion mainly due to changes in the assumed exchange rate, despite the impact of various cost increases and the impact of the slowdown in the Chinese construction machinery market in the Precision Machinery & Robot segment. Furthermore, the Company is expecting ROIC of 5.3% and ROE of 6.4%.

The outlook of consolidated orders received is expected to be ¥1,600.0 billion, ¥30.0 billion increase from the previous outlook.

In this outlook, exchange rates are assumed to be ¥125 to the U.S. dollar and ¥130 to the euro.

Note regarding consolidated earnings outlook

The above earnings outlook is based on information available at the time of preparation, and includes risks and uncertainties. We therefore discourage making investment decisions depending solely on this outlook. Please note that actual earnings may differ materially from this outlook, due to a variety of important factors stemming from changes the external environment and/or the Company’s internal environment. Important factors that impact actual operating performance include, but are not limited to, the economic situation surrounding the Company’s scope of business, foreign exchange rates, in particular the yen/dollar exchange rate, tax codes and other regulatory system-related issues.

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Financial Position

Millions of yen

	Transition date (April 1, 2021)	As of March 31, 2022	As of June 30, 2022
Assets			
Current assets			
Cash and cash equivalents	122,166	108,511	78,495
Trade and other receivables	355,061	409,246	402,350
Contract assets	148,523	109,132	116,785
Inventories	565,860	615,476	661,022
Income taxes receivable	3,482	3,046	5,897
Other financial assets	6,660	10,606	12,575
Other current assets	23,110	64,184	104,881
Total current assets	1,224,865	1,320,204	1,382,008
Non-current assets			
Property, plant and equipment	449,155	444,375	446,743
Intangible assets	62,510	61,940	61,602
Right-of-use assets	55,504	58,524	60,109
Investments accounted for using equity method	73,464	70,438	76,988
Other financial assets	69,913	70,752	71,303
Deferred tax assets	106,430	102,209	101,919
Other non-current assets	48,835	46,183	46,192
Total non-current assets	865,814	854,425	864,860
Total assets	2,090,679	2,174,630	2,246,868
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	418,070	399,892	378,096
Bonds, borrowings and other financial liabilities	266,724	208,773	324,512
Income taxes payable	4,753	8,506	4,117
Contract liabilities	159,476	256,189	270,201
Provisions	26,918	24,409	21,636
Other current liabilities	116,244	161,951	155,467
Total current liabilities	992,187	1,059,723	1,154,032
Non-current liabilities			
Bonds, borrowings and other financial liabilities	478,002	458,068	429,735
Retirement benefit liability	115,218	107,024	107,556
Provisions	7,082	4,136	2,691
Deferred tax liabilities	1,038	1,382	994
Other non-current liabilities	17,504	19,403	14,030
Total non-current liabilities	618,847	590,014	555,009
Total liabilities	1,611,034	1,649,738	1,709,041
Equity			
Equity attributable to owners of parent			
Share capital	104,484	104,484	104,484
Capital surplus	54,542	55,525	55,525
Retained earnings	299,409	320,671	323,272
Treasury shares	(136)	(1,129)	(1,129)
Other components of equity	3,846	25,931	37,647
Total equity attributable to owners of parent	462,146	505,484	519,800
Non-controlling interests	17,498	19,407	18,026
Total equity	479,645	524,891	537,827
Total liabilities and equity	2,090,679	2,174,630	2,246,868

(2) Condensed Quarterly Consolidated Statement of Profit and Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income

Condensed Quarterly Consolidated Statements of Profit and Loss

Millions of yen

	Three months ended June 30, 2021	Three months ended June 30, 2022
Revenue	355,570	350,344
Cost of sales	291,200	292,972
Gross profit	64,369	57,372
Selling, general and administrative expenses	47,091	53,568
Share of profit (loss) of investment accounted for using equity method	(1,047)	631
Other income	3,060	1,625
Other expenses	740	1,467
Business profit	18,551	4,593
Finance income	440	7,512
Finance costs	1,928	1,500
Profit before tax	17,063	10,605
Income tax expense	5,160	4,810
Profit	11,902	5,794
Profit attributable to:		
Owners of parent	11,460	5,457
Non-controlling interests	442	336
Earnings per share		
Basic earnings per share	68.60	32.58

Condensed Quarterly Consolidated Statement of Comprehensive Income

Millions of yen

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	11,902	5,794
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	162	(575)
Remeasurements of defined benefit plans	44	457
Share of other comprehensive income of investments accounted for using equity method	(1)	(241)
Total of items that will not be reclassified to profit or loss	204	(359)
Items that may be reclassified to profit or loss		
Cash flow hedges	(241)	(3,041)
Exchange differences on translation of foreign operations	1,249	12,310
Share of other comprehensive income of investments accounted for using equity method	1,751	4,057
Total of items that may be reclassified to profit or loss	2,759	13,326
Total other comprehensive income	2,964	12,967
Comprehensive income	14,866	18,761
Comprehensive income attributable to:		
Owners of parent	14,222	17,869
Non-controlling interests	644	891

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Millions of yen

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	104,484	54,542	299,409	(136)	-	4,025
Profit			11,460			
Other comprehensive income					44	177
Comprehensive income			11,460		44	177
Purchase of treasury shares				(1)		
Dividends						
Transfer to retained earnings			176		(44)	(132)
Change in scope of consolidation						
Loss of control of subsidiaries						
Transfer to non-financial assets						
Other			3			
Total transactions with owners			180	(1)	(44)	(132)
Balance as of June 30, 2021	104,484	54,542	311,050	(137)	-	4,070

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity					
	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent		
Balance as of April 1, 2021	(179)	-	3,846	462,146	17,498	479,645
Profit				11,460	442	11,902
Other comprehensive income	(331)	2,871	2,762	2,762	202	2,964
Comprehensive income	(331)	2,871	2,762	14,222	644	14,866
Purchase of treasury shares				(1)		(1)
Dividends					(376)	(376)
Transfer to retained earnings			(176)			-
Change in scope of consolidation						
Loss of control of subsidiaries						
Transfer to non-financial assets	(142)		(142)	(142)		(142)
Other				3		3
Total transactions with owners	(142)		(319)	(140)	(376)	(516)
Balance as of June 30, 2021	(653)	2,871	6,289	476,229	17,766	493,995

Millions of yen

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2022	104,484	55,525	320,671	(1,129)	-	4,435
Profit			5,457			
Other comprehensive income					465	(792)
Comprehensive income			5,457		465	(792)
Purchase of treasury shares				(0)		
Dividends			(3,357)			
Transfer to retained earnings			465		(465)	
Change in scope of consolidation						
Loss of control of subsidiaries						
Transfer to non-financial assets						
Other			34			
Total transactions with owners			(2,856)	(0)	(465)	
Balance as of June 30, 2022	104,484	55,525	323,272	(1,129)	-	3,642

	Equity attributable to owners of parent					
	Other components of equity					
	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance as of April 1, 2022	(284)	21,780	25,931	505,484	19,407	524,891
Profit				5,457	336	5,794
Other comprehensive income	(3,291)	16,030	12,412	12,412	554	12,967
Comprehensive income	(3,291)	16,030	12,412	17,869	891	18,761
Purchase of treasury shares				(0)		(0)
Dividends				(3,357)	(560)	(3,918)
Transfer to retained earnings			(465)			-
Change in scope of consolidation					366	366
Loss of control of subsidiaries					(2,079)	(2,079)
Transfer to non-financial assets	(229)		(229)	(229)		(229)
Other				34	0	34
Total transactions with owners	(229)		(695)	(3,553)	(2,272)	(5,826)
Balance as of June 30, 2022	(3,805)	37,810	37,647	519,800	18,026	537,827

(4) Condensed Quarterly Consolidated Statement of Cash Flow

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit	11,902	5,794
Depreciation and amortization	18,682	19,005
Impairment losses	89	62
Finance income and finance costs	703	721
Share of loss (profit) of investments accounted for using equity method	1,047	(631)
Loss (gain) on sale of fixed assets	(1,543)	317
Income tax expense	5,160	4,810
Increase (decrease) in retirement benefit liability	572	(205)
Decrease (increase) in trade and other receivables	29,503	23,667
Decrease (increase) in contract assets	(21,923)	(7,652)
Decrease (increase) in inventories	(16,129)	(27,732)
Increase (decrease) in trade and other payables	(39,397)	(25,523)
Decrease (Increase) in advance payment	(5,445)	(28,373)
Increase (decrease) in contract liabilities	488	8,640
Other	(8,636)	(27,128)
Subtotal	(24,923)	(54,226)
Interest received	309	401
Dividends received	167	206
Interest paid	(1,118)	(954)
Income taxes paid	(4,010)	(7,421)
Net cash provided by (used in) operating activities	(29,575)	(61,995)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,020)	(13,315)
Proceeds from sale of property, plant and equipment	2,423	1,212
Payments for equity method investment and purchase of other financial assets	(250)	(5,111)
Proceeds from equity method investment and sale of other financial assets	436	1
Payments for acquisition of subsidiaries	(3)	(501)
Decrease due to loss of control over subsidiaries	-	(3,224)
Other	(2,161)	(3,097)
Net cash provided by (used in) investing activities	(13,577)	(24,035)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	54,987	84,208
Repayments of lease liabilities	(3,104)	(3,267)
Repayments of long-term borrowings	(4,500)	(4,000)
Dividends paid	(25)	(3,082)
Proceeds from fluidity of lease receivables	11,190	7,106
Repayment of payables under fluidity lease receivables	(18,093)	(14,596)
Dividends paid to non-controlling interests	(376)	(560)
Other	(2,377)	(3,038)
Net cash provided by (used in) financing activities	37,701	62,769
Effect of exchange rate changes on cash and cash equivalents	349	(6,754)
Net increase (decrease) in cash and cash equivalents	(5,101)	(30,015)
Cash and cash equivalents at beginning of period	122,166	108,511
Cash and cash equivalents at end of period	117,064	78,495

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

Notes on the going-concern assumption

Not applicable

Segment information

Three months ended June 30, 2021 (April 1, 2021 – June 30, 2021)

Millions of yen

	Aerospace Systems	Rolling stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Motorcycle & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	70,075	28,796	70,331	57,651	113,478	15,236	355,570	-	355,570
Intersegment revenue and transfers*1	2,333	2	3,463	3,990	138	3,980	13,908	(13,908)	-
Total revenue	72,409	28,798	73,794	61,642	113,617	19,216	369,479	(13,908)	355,570
Business profit (loss) *3	(4,255)	(209)	447	4,619	14,919	947	16,469	2,081	18,551
Finance income									440
Financial costs									(1,928)
Profit before tax									17,063

Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.
2. Eliminations and corporate of ¥2,081 million include negative ¥119 million for intersegment transactions and ¥2,201 million for general and administrative expenses not attributed reportable segments.
3. Business profit (loss) is calculated by deducting cost of sales, selling, general and administrative expenses, share of profit and loss of investments accounted for using equity method, other income, and other expenses from revenue.

Three months ended June 30, 2022 (April 1, 2022– June 30, 2022)

Millions of yen

	Aerospace Systems	Rolling stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Motorcycle & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	63,458	26,404	63,514	52,607	126,047	18,311	350,344	-	350,344
Intersegment revenue and transfers*1	2,727	5	3,455	3,980	148	4,382	14,700	(14,700)	-
Total revenue	66,185	26,410	66,970	56,588	126,195	22,694	365,044	(14,700)	350,344
Business profit (loss) *3	(8,929)	(158)	(27)	1,482	12,883	1,347	6,597	(2,004)	4,593
Finance income									7,512
Financial costs									(1,500)
Profit before tax									10,605

Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.
2. Eliminations and corporate of negative ¥2,004 million include negative ¥111 million for intersegment transactions and negative ¥1,892 million for general and administrative expenses not attributed reportable segments.
3. Business profit (loss) is calculated by deducting cost of sales, selling, general and administrative expenses, share of profit and loss of investments accounted for using equity method, other income, and other expenses from revenue.

First-time adoption of IFRS

The Group disclosed its condensed quarterly consolidated financial statements in accordance with IFRS from the first quarter of this consolidated fiscal year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are those for the consolidated fiscal year ended March 31, 2022, and IFRS transition date is April 1, 2021.

1. Mandatory exceptions and exemption provisions under IFRS 1

In principle, IFRS requires companies that adopt IFRS for the first time to apply the standards required by IFRS retrospectively. However, for some of the standards required under IFRS, IFRS 1 specifies standards for which the exemption is applied mandatorily and those for which the exemption is applied voluntarily.

Items that must apply mandatory exemptions are “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” and “classification and measurement of financial instruments,” and they are prohibited retrospective application of IFRS. Except for “derecognition of financial assets and financial liabilities,” the Group applies the exemptions prospectively from the transition date. “Derecognition of financial assets and financial liabilities” is applied prospectively from the date selected by the Group.

Major exemptions adopted by the Group when transitioning from Japanese GAAP to IFRS are as follows.

(1) Business combinations

The Group elects not to apply IFRS 3 retrospectively to the “Business combinations” that occurred before the date of transition to IFRS.

(2) Leases

The Group determines whether a contract existing at the date of transition to IFRS includes leases based on the facts and circumstances existing as of that date, and the lease liability is the present value of the remaining lease payments discounted using the lessee’s incremental borrowing rate as of the transition date. In addition, the right-of-use asset is measured as of the transition date and is equal to the lease liability.

(3) Exchange differences on translation of foreign operations

The Group deems the cumulative translation differences of all foreign operations to be zero at the transition date of IFRS.

(4) Financial instruments

The designation in accordance with IFRS 9, “Financial Instruments” for financial instruments recognized prior to the date of transition to IFRS is based on relevant facts and circumstances that existed at the date of transition to IFRS.

2. Reconciliations

In preparing the condensed quarterly consolidated financial statements based on IFRS, the Company reconcile equity, profit and loss, and comprehensive income which previously reported in the quarterly consolidated financial statements based on Japanese GAAP. The effects of this adjustment on the Group's financial condition, operating results and cash flows are as follows.

In the reconciliations below, "Reclassification" includes items that do not affect retained earnings and comprehensive income, while "Differences in recognition and measurement" include items that affect retained earnings and comprehensive income.

(1) Reconciliations of equity

(i) Transition date (April 1, 2021)

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	126,702	(4,536)	-	122,166	(a)	Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	429,673	(102,212)	27,600	355,061	(b),(c),(d),(j)	Trade and other receivables
Allowance for doubtful accounts	(3,589)	3,589	-	-	(c)	
	-	114,664	33,858	148,523	(d),(j)	Contract assets
Merchandise and finished goods	69,223	(69,223)	-	-	(e)	
Work in process	399,847	(399,847)	-	-	(e)	
Raw materials and supplies	138,215	(138,215)	-	-	(e)	
	-	607,285	(41,425)	565,860	(e),(k)	Inventories
	-	3,482	-	3,482		Income taxes receivable
	-	6,660	-	6,660	(a),(g)	Other financial assets
Other	43,314	(21,648)	1,443	23,110	(b),(g)	Other current assets
Total current assets	1,203,387	-	21,477	1,224,865		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	451,259	(10,564)	8,460	449,155	(k)	Property, plant and equipment
Intangible assets	22,427	(37)	40,120	62,510	(k)	Intangible assets
	-	10,602	44,902	55,504	(l)	Right-of-use assets
Investments and other assets						
Investment securities	12,721	(12,721)	-	-	(g)	
	-	73,464	-	73,464	(f)	Investments accounted for using equity method
Retirement benefit asset	155	(155)	-	-		
	-	58,057	11,856	69,913	(c),(g),(o)	Other financial assets
Deferred tax assets	81,587	-	24,843	106,430	(p)	Deferred tax assets
Other	165,967	(120,047)	2,916	48,835	(f),(g)	Other non-current assets
Allowance for doubtful accounts	(1,403)	1,403	-	-	(c)	
Total non-current assets	732,715	-	133,099	865,814		Total non-current assets
Total assets	1,936,103	-	154,576	2,090,679		Total assets

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	247,294	170,776	-	418,070	(b)	Trade and other payables
Electronically recorded obligations - operating	107,849	(107,849)	-	-	(b)	
Short-term borrowings	141,579	(141,579)	-	-	(h)	
Current portion of bonds payable	30,000	(30,000)	-	-	(h)	
Lease liabilities	1,061	(1,061)	-	-	(h)	
	-	207,395	59,328	266,724	(g),(h),(j),(l)	Bonds, borrowings and other financial liabilities
Income taxes payable	4,753	-	-	4,753		Income taxes payable
Contract liabilities	159,476	-	-	159,476		Contract liabilities
Provision for bonuses	18,239	(18,239)	-	-	(i)	
Provision for construction warranties	12,550	(12,550)	-	-	(i)	
Provision for loss on construction contracts	14,367	(14,367)	-	-	(i)	
	-	26,918	-	26,918	(i)	Provisions
Other	192,849	(79,441)	2,836	116,244	(b),(g),(h),(i),(m)	Other current liabilities
Total current liabilities	930,022	-	62,165	992,187		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	190,000	(190,000)	-	-	(h)	
Long-term borrowings	199,177	(199,177)	-	-	(h)	
Lease liabilities	9,532	(9,532)	-	-	(h)	
	-	421,831	56,170	478,002	(g),(h),(j),(l)	Bonds, borrowings and other financial liabilities
Retirement benefit liability	115,456	-	(238)	115,218	(n)	Retirement benefit liability
Provision for the in-service issues of commercial aircraft jet engines	5,984	(5,984)	-	-	(i)	
	-	7,082	-	7,082	(i)	Provisions
Deferred tax liabilities	1,125	-	(87)	1,038	(p)	Deferred tax liabilities
Other	41,668	(24,220)	57	17,504	(g),(n)	Other non-current liabilities
Total non-current liabilities	562,944	-	55,902	618,847		Total non-current liabilities
Total liabilities	1,492,967	-	118,067	1,611,034		Total liabilities
Net assets						Equity
Share capital	104,484	-	-	104,484		Share capital
Capital surplus	54,542	-	-	54,542		Capital surplus
Retained earnings	266,937	-	32,472	299,409	(r)	Retained earnings
Treasury shares	(136)	-	-	(136)		Treasury shares
Total accumulated other comprehensive income	(134)	-	3,980	3,846	(n),(o),(q)	Other components of equity
	425,693	-	36,453	462,146		Total equity attributable to owners of parent
Non-controlling interests	17,442	-	55	17,498		Non-controlling interests
Total net assets	443,135	-	36,509	479,645		Total equity
Total liabilities and net assets	1,936,103	-	154,576	2,090,679		Total liabilities and equity

(ii) As of June 30, 2021

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	122,051	(4,987)	-	117,064	(a)	Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	410,009	(100,772)	16,598	325,834	(b),(c),(d),(j)	Trade and other receivables
Allowance for doubtful accounts	(3,636)	3,636	-	-	(c)	
	-	128,914	41,511	170,425	(d),(j)	Contract assets
Merchandise and finished goods	66,471	(66,471)	-	-	(e)	
Work in process	410,871	(410,871)	-	-	(e)	
Raw materials and supplies	143,876	(143,876)	-	-	(e)	
	-	621,218	(39,794)	581,424	(e),(k)	Inventories
	-	4,625	-	4,625		Income taxes receivable
	-	7,552	-	7,552	(a),(g)	Other financial assets
Other	77,695	(38,968)	1,452	40,179	(b),(g)	Other current assets
Total current assets	1,227,338	-	19,767	1,247,105		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	446,866	(11,360)	8,301	443,807	(k)	Property, plant and equipment
Intangible assets	22,099	-	39,926	62,025	(k)	Intangible assets
	-	11,360	47,842	59,203	(l)	Right-of-use assets
Investments and other assets						
	-	74,442	2	74,444	(f)	Investments accounted for using equity method
	-	56,610	12,345	68,956	(c),(g),(o)	Other financial assets
	-	81,642	23,783	105,426	(p)	Deferred tax assets
Other	258,957	(214,091)	2,906	47,772	(f),(g)	Other non-current assets
Allowance for doubtful accounts	(1,396)	1,396	-	-	(c)	
Total non-current assets	726,526	-	135,109	861,635		Total non-current assets
Total assets	1,953,865	-	154,876	2,108,741		Total assets

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	202,788	171,052	-	373,840	(b)	Trade and other payables
Electronically recorded obligations - operating	112,025	(112,025)	-	-	(b)	
Short-term borrowings	138,279	(138,279)	-	-	(h)	
	-	259,439	68,475	327,915	(g),(h),(j),(l)	Bonds, borrowings and other financial liabilities
Income taxes payable	5,028	-	-	5,028		Income taxes payable
Contract liabilities	160,078	-	-	160,078		Contract liabilities
Provision for bonuses	19,347	(19,347)	-	-	(i)	
Provision for construction warranties	12,261	(12,261)	-	-	(i)	
Provision for loss on construction contracts	12,457	(12,457)	-	-	(i)	
	-	24,719	-	24,719	(i)	Provisions
Other	276,391	(160,839)	3,683	119,235	(b),(g),(h),(i),(m)	Other current liabilities
Total current liabilities	938,658	-	72,159	1,010,817		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	190,000	(190,000)	-	-	(h)	
Long-term borrowings	195,214	(195,214)	-	-	(h)	
	-	418,219	44,550	462,769	(g),(h),(j),(l)	Bonds, borrowings and other financial liabilities
Retirement benefit liability	115,610	-	183	115,794	(n)	Retirement benefit liability
Provision for the in-service issues of commercial aircraft jet engines	5,052	(5,052)	-	-	(i)	
	-	6,148	-	6,148	(i)	Provisions
	-	1,197	159	1,356	(p)	Deferred tax liabilities
Other	53,141	(35,299)	15	17,858	(g),(n)	Other non-current liabilities
Total non-current liabilities	559,019	-	44,908	603,927		Total non-current liabilities
Total liabilities	1,497,677	-	117,068	1,614,745		Total liabilities
Net assets						Equity
Share capital	104,484	-	-	104,484		Share capital
Capital surplus	54,542	-	-	54,542		Capital surplus
Retained earnings	276,806	-	34,243	311,050	(r)	Retained earnings
Treasury shares	(137)	-	-	(137)		Treasury shares
Total accumulated other comprehensive income	2,736	-	3,552	6,289	(n),(o),(q)	Other components of equity
	438,433	-	37,795	476,229		Total equity attributable to owners of parent
Non-controlling interests	17,754	-	12	17,766		Non-controlling interests
Total net assets	456,187	-	37,808	493,995		Total equity
Total liabilities and net assets	1,953,865	-	154,876	2,108,741		Total liabilities and equity

(iii) As of March 31, 2022

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	114,469	(5,957)	-	108,511	(a)	Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	418,625	(39,268)	29,890	409,246	(b),(c),(d),(j)	Trade and other receivables
Allowance for doubtful accounts	(3,908)	3,908	-	-	(c)	
	-	74,130	35,002	109,132	(d),(j)	Contract assets
Merchandise and finished goods	78,616	(78,616)	-	-	(e)	
Work in process	419,954	(419,954)	-	-	(e)	
Raw materials and supplies	160,113	(160,113)	-	-	(e)	
	-	658,684	(43,208)	615,476	(e),(k)	Inventories
	-	3,046	-	3,046		Income taxes receivable
	-	10,606	-	10,606	(a),(g)	Other financial assets
Other	109,911	(46,465)	739	64,184	(b),(g)	Other current assets
Total current assets	1,297,781	-	22,423	1,320,204		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	444,262	(10,815)	10,928	444,375	(k)	Property, plant and equipment
Intangible assets	23,413	(112)	38,638	61,940	(k)	Intangible assets
	-	10,927	47,597	58,524	(l)	Right-of-use assets
Investments and other assets						
Investment securities	14,539	(14,539)	-	-	(g)	
	-	70,436	2	70,438	(f)	Investments accounted for using equity method
Retirement benefit asset	200	(200)	-	-		
	-	57,858	12,894	70,752	(c),(g),(o)	Other financial assets
Deferred tax assets	86,249	-	15,959	102,209	(p)	Deferred tax assets
Other	157,668	(114,921)	3,437	46,183	(f),(g)	Other non-current assets
Allowance for doubtful accounts	(1,366)	1,366	-	-	(c)	
Total non-current assets	724,967	-	129,458	854,425		Total non-current assets
Total assets	2,022,748	-	151,881	2,174,630		Total assets

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	239,976	159,935	(19)	399,892	(b)	Trade and other payables
Electronically recorded obligations - operating	104,336	(104,336)	-	-	(b)	
Short-term borrowings	96,108	(96,108)	-	-	(h)	
Current portion of bonds payable	20,000	(20,000)	-	-	(h)	
Lease liabilities	1,175	(1,175)	-	-	(h)	
	-	141,069	67,704	208,773	(g),(h),(j),(l)	Bonds, borrowings and other financial liabilities
Income taxes payable	8,506	-	-	8,506		Income taxes payable
Contract liabilities	256,189	-	-	256,189		Contract liabilities
Provision for bonuses	23,938	(23,938)	-	-	(i)	
Provision for construction warranties	14,797	(14,797)	-	-	(i)	
Provision for loss on construction contracts	9,602	(9,602)	-	-	(i)	
	-	24,409	-	24,409	(i)	Provisions
Other	212,696	(55,455)	4,709	161,951	(b),(g),(h),(i),(m)	Other current liabilities
Total current liabilities	987,328	-	72,394	1,059,723		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	180,000	(180,000)	-	-	(h)	
Long-term borrowings	194,297	(194,297)	-	-	(h)	
Lease liabilities	9,899	(9,899)	-	-	(h)	
	-	404,821	53,247	458,068	(g),(h),(j),(l)	Bonds, borrowings and other financial liabilities
Retirement benefit liability	106,803	-	220	107,024	(n)	Retirement benefit liability
Provision for the in-service issues of commercial aircraft jet engines	3,054	(3,054)	-	-	(i)	
	-	4,112	24	4,136	(i)	Provisions
Deferred tax liabilities	1,593	-	(210)	1,382	(p)	Deferred tax liabilities
Other	41,249	(21,683)	(162)	19,403	(g),(n)	Other non-current liabilities
Total non-current liabilities	536,896	-	53,117	590,014		Total non-current liabilities
Total liabilities	1,524,225	-	125,512	1,649,738		Total liabilities
Net assets						Equity
Share capital	104,484	-	-	104,484		Share capital
Capital surplus	55,526	-	(0)	55,525		Capital surplus
Retained earnings	285,381	-	35,290	320,671	(r)	Retained earnings
Treasury shares	(1,129)	-	-	(1,129)		Treasury shares
Total accumulated other comprehensive income	34,917	-	(8,986)	25,931	(n),(o),(q)	Other components of equity
	479,180	-	26,303	505,484		Total equity attributable to owners of parent
Non-controlling interests	19,342	-	65	19,407		Non-controlling interests
Total net assets	498,522	-	26,369	524,891		Total equity
Total liabilities and net assets	2,022,748	-	151,881	2,174,630		Total liabilities and equity

(iv) Notes on reconciliation of equity

(Reclassification)

(a) Reclassification of cash and deposits

Time deposits with maturities of more than three months, which were included in “Cash and deposits” under Japanese GAAP, are reclassified to “Other financial assets” of current assets under IFRS.

(b) Reclassification of account receivables, electronically recorded obligations-operating, and account payable

Account receivables which were included in “Other” of current assets under Japanese GAAP, are reclassified to “Trade and other receivables” under IFRS. In addition, “Electronically recorded obligations-operating,” which were presented separately, and account payable which was included in “Other” of current liabilities under Japanese GAAP, are reclassified to “Trade and other payables” under IFRS.

(c) Reclassification of allowance for doubtful accounts

“Allowance for doubtful accounts,” which was separately presented in current assets under Japanese GAAP, is reclassified to directly deducting the item from “Trade and other receivables” etc. under IFRS. In addition, “Allowance for doubtful accounts” which was separately presented in non-current assets under Japanese GAAP, is reclassified to directly deducting the item from “Other financial assets” of non-current assets.

(d) Reclassification of contract assets

“Contract assets,” which were included in “Notes and accounts receivable - trade, and contract assets” under Japanese GAAP, are presented separately under IFRS.

(e) Reclassification of inventories

“Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” which were presented separately under Japanese GAAP, are reclassified to “Inventories” under IFRS.

(f) Reclassification of investments accounted for using equity method

“Investments accounted for using equity method,” which were included in “Other” of investments and other assets under Japanese GAAP, are presented separately under IFRS.

(g) Reclassification of other financial assets and other financial liabilities

Derivative assets, etc. which were included in “Other” of current assets under Japanese GAAP, are reclassified to “Other financial assets” of current assets under IFRS. In addition, “Investment securities,” which were presented separately under Japanese GAAP, and long-term accounts receivable, etc. which were included in “Other” of investments and other assets under Japanese GAAP, are reclassified to “Other financial assets” of non-current assets under IFRS.

Derivative liabilities, which were included in “Other” of current liabilities under Japanese GAAP, are reclassified to “Bonds, borrowings and other financial liabilities” of current liabilities under IFRS. In addition, long-term accounts payable, etc. which were included in “Other” of non-current liabilities under Japanese GAAP, are reclassified to “Bonds, borrowings and other financial liabilities” of non-current liabilities under IFRS.

(h) Reclassification of bonds payable, commercial paper, borrowings, and lease liabilities

“Short-term borrowings,” “Current portion of bonds payable,” and “Lease liabilities,” which were presented separately in current liabilities under Japanese GAAP, and commercial paper which was included in “Other” of current liabilities under Japanese GAAP, are reclassified to “Bonds, borrowings and other financial liabilities” of current liabilities under IFRS. In addition, “Bonds payable,” “Long-term borrowings,” and “Lease liabilities,” which were presented separately in non-current liabilities under Japanese GAAP, are reclassified to “Bonds, borrowings and other financial liabilities” of non-current assets under IFRS.

(i) Reclassification of provisions

“Provision for construction warranties,” and “Provision for loss on construction contracts,” which were presented separately under Japanese GAAP, are reclassified to “Provisions” of current liabilities under IFRS. In addition, “Provision for the in-service issues of commercial aircraft jet engines,” which was presented separately under Japanese GAAP, is reclassified to “Provisions” of non-current liabilities under IFRS.

“Provision for bonuses,” which was presented separately under Japanese GAAP, is reclassified to “Other current liabilities” under IFRS.

(Differences in recognition and measurement)

(j) Adjustments to receivables securitization transaction

Certain trade receivables that were derecognized regarding receivables securitization transaction under Japanese GAAP, are recognized as “Contract assets” instead of being derecognized because they do not meet the derecognition criteria under IFRS. In addition, payables associated with receivables securitization are recognized as “Bonds, borrowings and other financial liabilities” under current and non-current liabilities.

(k) Adjustments to property, plant and equipment, and intangible assets

Under Japanese GAAP, development expenses were treated as research and development expenses and expensed as “Selling, general and administrative expenses” when incurred as well as a portion of costs related to mass production of new products and models, etc. was recorded as “Work in process.” Under IFRS, development expenses that meet the criteria for capitalization are recorded as “Intangible assets.” In addition, certain expenses that were expensed as “Selling, general and administrative expenses” when incurred development expenses under Japanese GAAP are recorded as “Property, plant and equipment” as they have the criteria for capitalization under IFRS. Furthermore, since IFRS does not allow depreciation for asset acquisitions other than government subsidies, and records processed using the direct depreciation method under Japanese GAAP have been canceled.

(l) Adjustments to right-of-use assets and lease liabilities

Under Japanese GAAP, except for finance lease transactions, lease payments are expensed at the time they incurred. Under IFRS, the present value is measured based on the future lease payments at the lease commencement date and recorded as “Right-of-use assets” and “Lease liabilities.” “Lease liabilities” are included in “Bonds, borrowings and other financial liabilities” under current and non-current liabilities.

(m) Adjustments to levies

Under Japanese GAAP, expenses were recognized for items qualified as levies such as property taxes, over the fiscal year. On the other hand, under IFRS, they are recognized as “Other current liabilities” under current liabilities at the time the tax assessment is determined.

(n) Adjustments to employee benefit

With respect to retirement benefit liability, under Japanese GAAP, actuarial gains and losses and prior service costs were recognized in other comprehensive income as incurred, and for the amount prorated over a certain number of years within the average remaining service period of employees at the incurrence, actuarial gains and losses were expensed from the following fiscal year of the incurrence while prior service costs were expensed from the fiscal year in which they incurred. Under IFRS, actuarial gains and losses are recognized in other comprehensive income as incurred and immediately reclassified to “Retained earnings.” Prior service costs are recognized in profit or loss as incurred.

In addition, special holidays, etc. granted subject to a certain number of years of service, which were not accounted for under Japanese GAAP, are recorded as “Other non-current liabilities” under IFRS.

(o) Adjustments to equity financial instruments

Under Japanese GAAP, unlisted shares and investments with no market value were measured using the cost method, however, they are measured at fair value under IFRS. In addition, for equity financial assets, gains or losses on sales and impairment losses were recognized as profit or loss under Japanese GAAP, however, under IFRS, the changes in fair value are recognized as other comprehensive income when subsequent changes in fair value are designated to be presented in other comprehensive income.

(p) Adjustment to tax effects

Regarding the adoption of IFRS, “Deferred tax assets” and “Deferred tax liabilities” have increased or decreased due to the reconsideration of the recoverability of all deferred tax assets. In addition, under Japanese GAAP, tax effects arising from the elimination of unrealized profits and losses are calculated using the effective tax rate of the seller, however, under IFRS, these are calculated using the effective tax rate of the buyer.

(q) Reclassification of exchange differences on translation of foreign operations

At a first-time adoption, the Group has opted to apply the exemption provided in IFRS 1 and transferred the entire balance of cumulative exchange differences of foreign operations to “Retained earnings” at the transition date.

(r) Retained earnings

The impact of the above adjustments on retained earnings is as follows. (loss)

		Millions of yen	
Consolidated Financial Position	IFRS transition date (April 1, 2021)	As of June 30, 2021	As of March 31, 2022
(k) Adjustments to property, plant and equipment, and intangible assets	6,785	7,000	6,646
(l) Adjustments to right-of-use assets and lease liabilities	-	(466)	(132)
(m) Adjustments to levies	(3,402)	(2,558)	(3,395)
(n) Adjustments to employee benefit	(2,240)	(2,206)	8,563
(o) Adjustments to equity financial instruments	5,094	5,035	5,116
(p) Adjustment to tax effects	28,940	28,637	22,262
(q) Reclassification of exchange differences on translation of foreign operations	(931)	(931)	(931)
Other	(1,772)	(265)	(2,840)
Adjustments on retained earnings	32,472	34,243	35,290

(2) Reconciliations of profit or loss and comprehensive income

(i) Three months ended June 30, 2021 (April 1, 2021 – June 30, 2021)

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Net sales	355,631	(20)	(40)	355,570		Revenue
Cost of sales	293,604	421	(2,824)	291,200	(a),(c)	Cost of sales
Gross profit	62,027	(441)	2,783	64,369		Gross profit
Selling, general and administrative expenses	46,860	-	230	47,091	(c)	Selling, general and administrative expenses
	-	(1,049)	2	(1,047)	(a)	Share of profit (loss) of investments accounted for using equity method
	-	2,914	146	3,060	(a)	Other income
	-	755	(15)	740	(a)	Other expenses
Operating profit	15,166	666	2,718	18,551		Business Profit
Non-operating income	1,853	(1,853)	-	-	(a)	
Non-operating expenses	3,893	(3,893)	-	-	(a)	
Extraordinary income	1,633	(1,633)	-	-	(a)	
Extraordinary losses	76	(76)	-	-	(a)	
	-	572	(132)	440	(a),(d)	Finance income
	-	1,722	205	1,928	(a),(d)	Finance costs
Profit before income taxes	14,683	-	2,379	17,063		Profit before tax
Income taxes	4,332	-	828	5,160	(b),(e)	Income tax expense
Profit	10,351	-	1,550	11,902		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss：
Net unrealized losses on securities	(394)	-	557	162	(d)	Financial assets measured at fair value through other comprehensive income
Remeasurement of defined benefit plans	293	-	(249)	44	(c)	Remeasurements of defined benefit plans
	-	(1)	-	(1)		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss：
Deferred losses on hedges	(383)	-	142	(241)		Cash flow hedges
Foreign currency translation adjustment	1,796	-	(546)	1,249		Exchange differences on translation of foreign operations
Share of other comprehensive income of associates accounted for using equity method	1,749	1	-	1,751		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	3,060	-	(96)	2,964		Other comprehensive income
Comprehensive Income	13,412	-	1,454	14,866		Comprehensive income

(ii) Consolidated fiscal year ended March 31,2022 (April 1, 2021 – March 31, 2022)

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Net sales	1,500,879	-	-	1,500,879		Revenue
Cost of sales	1,244,300	-	3,314	1,247,615	(a),(c)	Cost of sales
Gross profit	256,578	-	(3,314)	253,263		Gross profit
Selling, general and administrative expenses	210,772	123	239	211,134	(c)	Selling, general and administrative expenses
	-	(14,289)	(120)	(14,410)	(a)	Share of profit (loss) of investments accounted for using equity method
	-	6,292	503	6,795	(a)	Other income
	-	7,245	(3,098)	4,147	(a)	Other expenses
Operating profit	45,805	(15,366)	(72)	30,366		Business Profit
Non-operating income	9,342	(9,342)	-	-	(a)	
Non-operating expenses	25,213	(25,213)	-	-	(a)	
Extraordinary income	1,633	(1,633)	-	-	(a)	
Extraordinary losses	715	(715)	-	-	(a)	
	-	4,684	(2,128)	2,556	(a),(d)	Finance income
	-	4,270	981	5,251	(a),(d)	Finance costs
Profit before income taxes	30,853	-	(3,182)	27,670		Profit before tax
Income taxes	6,867	-	5,966	12,834	(b),(e)	Income tax expense
Profit	23,985	-	(9,149)	14,836		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss：
Net unrealized losses on securities	(524)	-	2,874	2,350	(d)	Financial assets measured at fair value through other comprehensive income
Remeasurement of defined benefit plans	11,130	-	(848)	10,281	(c)	Remeasurements of defined benefit plans
	-	(1)	-	(1)		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss：
Deferred losses on hedges	(337)	-	211	(125)		Cash flow hedges
Foreign currency translation adjustment	16,407	-	(2,727)	13,680		Exchange differences on translation of foreign operations
Share of other comprehensive income of associates accounted for using equity method	9,218	1	-	9,220		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	35,895	-	(489)	35,405		Other comprehensive income
Comprehensive Income	59,880	-	(9,639)	50,241		Comprehensive income

(iii) Notes on reconciliation of profit and loss and comprehensive income

(Reclassification)

(a) Reclassification of presentation items

For items presented as "Non-operating income," "Non-operating expenses," "Extraordinary income" and "Extraordinary losses" under Japanese GAAP, finance-related profits or losses are recorded as "Finance income" and "Finance costs", and other items are presented as "Cost of sales," "Other income," "Other expenses," and "Share of profit (loss) of investments accounted for using equity method," under IFRS.

(b) Income tax expense

"Income taxes - current" and "Income taxes - deferred," which were separately presented under Japanese GAAP, are presented in total as "Income tax expense" under IFRS.

(Differences in recognition and measurement)

(c) Adjustment to employee benefit

Under Japanese GAAP, actuarial gains and losses and prior service costs were recognized in other comprehensive income as incurred, and for the amount prorated over a certain number of years within the average remaining service period of employees at the incurrence, actuarial gains and losses were expensed from the following fiscal year of the incurrence while prior service costs were expensed from the fiscal year in which they incurred. Under IFRS, actuarial gains and losses are recognized in other comprehensive income as incurred and immediately reclassified to "Retained earnings." Prior service costs are recognized in profit or loss as incurred.

(d) Adjustments to equity financial instruments

Under Japanese GAAP, unlisted shares and investments with no market value were measured using the cost method, however, they are measured at fair value under IFRS. In addition, for equity financial assets, gains or losses on sales and impairment losses were recognized as profit or loss under Japanese GAAP, however, under IFRS, the changes in fair value are recognized as other comprehensive income when subsequent changes in fair value are designated to be presented in other comprehensive income.

(e) Adjustment to tax effects

Regarding the adoption of IFRS, "Deferred tax assets" and "Deferred tax liabilities" have increased or decreased due to the occurrence of temporary differences and the reconsideration of the recoverability of all deferred tax assets. In addition, under Japanese GAAP, tax effects arising from the elimination of unrealized profits and losses are calculated using the effective tax rate of the seller, however, under IFRS, these are calculated using the effective tax rate of the buyer.

(3) Adjustment to Cash Flow

Major differences between the consolidated cash flows statement based on Japanese GAAP and the consolidated cash flows statement based on IFRS are as follows.

・Receivables securitization transactions that do not meet the criteria for derecognition of financial assets under IFRS have been changed the classification from cash flows from operating activities to cash flows from financing activities.

・With the application of IFRS 16, lease payments under operating leases have been changed the classification from cash flows from operating activities to cash flows from financing activities as “Repayments of lease liabilities.”

・Expenditures of development expenses that meet the criteria for capitalization under IFRS have been changed the classification from cash flows from operating activities to cash flows from investing activities.

3. Supplementary information

(1) Supplementary information on consolidated earnings forecasts for the fiscal year ending March 31, 2023

(i) Revenue and business profit (loss)

Billions of yen

Reportable segment	Outlook for the year ending March 31, 2023 (fiscal 2022)						Year ended March 31, 2022 (Fiscal 2021) (Actual)	
	Revised forecast (A)		Forecast issued May 10, 2022 (B)		Change (A – B)			
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)
Aerospace Systems	350.0	6.0	350.0	2.5	-	3.5	308.3	(10.3)
Rolling Stock	140.0	3.0	140.0	3.0	-	-	126.7	2.2
Energy Solution & Marine Engineering	330.0	2.5	330.0	2.5	-	-	313.2	(10.8)
Precision Machinery & Robot	260.0	14.5	270.0	17.0	(10.0)	(2.5)	272.4	13.9
Motorcycle & Engine	520.0	45.0	500.0	43.0	20.0	2.0	448.7	37.5
Other	90.0	4.0	90.0	4.0	-	-	98.2	3.1
Adjustments		(19.0)		(19.0)		-	(66.8)	(5.2)
Total	1,690.0	56.0	1,680.0	53.0	10.0	3.0	1,500.8	30.3

(ii) Orders received

Billions of yen

Reportable segment	Outlook for the year ending March 31, 2023 (fiscal 2022)			Year ended March 31, 2022 (Fiscal 2021) (Actual)
	Revised forecast (A)	Forecast issued May 10, 2022 (B)	Change (A – B)	
Aerospace Systems	280.0	280.0	-	383.3
Rolling Stock	80.0	80.0	-	71.5
Energy Solution & Marine Engineering	360.0	340.0	20.0	343.5
Precision Machinery & Robot	270.0	280.0	(10.0)	271.8
Motorcycle & Engine	520.0	500.0	20.0	447.9
Other	90.0	90.0	-	84.0
Total	1,600.0	1,570.0	30.0	1,602.1

Note: 1. Assumed exchange rate for the fiscal year ending March 2023: ¥125/USD, ¥130/EUR
2. The Motorcycle & Engine segment's orders received are equal to its revenue as production is based mainly on estimated demand.