

**Report of Earnings and Financial Statements for the
Six Months Ended September 30, 2022 (Consolidated)**
<IFRS>

November 10, 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
 Tel: +81 3-3435-2130

Scheduled dates:
 Submission of quarterly securities filing: November 10, 2022
 Commencement of dividend payments: December 5, 2022
 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 Six Months Ended September 30, 2022
(April 1, 2022 – September 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	%
Six Months Ended September 30, 2022	759,745	11.6	30,830	74.8	35,946	143.3	24,433	196.5
Six Months Ended September 30, 2021	681,038	-	17,640	-	14,774	-	8,241	-

	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
Six Months Ended September 30, 2022	23,763	229.1	40,142	223.0	141.89	-
Six Months Ended September 30, 2021	7,220	-	12,428	-	43.17	-

(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	%
September 30, 2022	2,331,827	558,944	540,434	23.2
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	-	30.00			
Year ending March 31, 2023 (forecast)			-	40.00	70.00

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	1,720,000	14.6	76,000	150.3	68,000	145.7	45,000	256.1	268.69

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)

September 30, 2022:	167,921,800 shares
March 31, 2022:	167,921,800 shares
 - (2) Number of shares held in treasury as of period-end

September 30, 2022:	439,339 shares
March 31, 2022:	449,527 shares
 - (3) Average number of shares during respective periods

September 30, 2022:	167,473,629 shares
September 30, 2021:	167,251,505 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 forecast” 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 on Thursday November 10, 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 second 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 19 in the Accompanying Materials.

Accompanying Materials – Contents

1. Qualitative Information about Financial Statements	5
(1) Consolidated operating results	5
(2) Consolidated financial condition	10
(3) Consolidated earnings forecast	11
2. Condensed Quarterly Consolidated Financial Statements and Notes	12
(1) Condensed Quarterly Consolidated Financial Position	12
(2) Condensed Quarterly Consolidated Statement of Profit and Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income	13
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	15
(4) Condensed Quarterly Consolidated Statement of Cash Flow	17
(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements	18
(Notes on the going-concern assumption)	18
(Segment Information)	18
(First-time adoption of IFRS)	19
3. Supplementary information	36
(1) Supplementary information on consolidated earnings forecasts for the fiscal year ending March 31, 2023	36

1. Qualitative Information about Financial Statements

Forward-looking statements in the text are based on judgments made as of the end of this quarterly consolidated accounting period. From the first quarter of the 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 second 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 is necessary to pay attention to the risk of an economic recession due to the effects of inflation and monetary tightening while it has been particularly recovering in personal consumption. In addition, it still takes time to normalize business activities in some fields even though there are signs that supply shortages and logistics disruptions have been brought under control.

In Japan, although the COVID-19 "Seventh Wave" has shrunk and the economy continues to recover led by domestic demand such as service consumption and capital investment, it is necessary to continue to closely monitor to the trends due to a historic depreciation of yen and a hike in prices due to high raw materials prices.

In this business environment, the Group’s consolidated orders received during the second quarter of this consolidated fiscal year increased mainly in the Energy Solution & Marine Engineering segment and the Motorcycle & Engine segment. Revenue increased from the same period of the previous fiscal year as a whole, due to higher sales in the Motorcycle & Engine segment, the Aerospace Systems segment and other segments.

Business profit increased year on year due to increases in the Motorcycle & Engine segment, the Energy Solution & Marine Engineering segment, and the Aerospace Systems segment, despite decreases in the Precision Machinery & Robot segment and the Rolling Stock segment. Profit attributable to owners of parent increased mainly due to an increase in business profit as well as an upturn in foreign exchange gains and losses.

As a result, the Group’s consolidated orders received increased by ¥207.1 billion year on year to ¥866.6 billion, consolidated revenue increased by ¥78.7 billion year on year to ¥759.7 billion, business profit increased by ¥13.1 billion year on year to ¥30.8 billion, profit before tax increased by ¥21.1 billion year on year to ¥35.9 billion, and profit attributable to owners of parent increased by ¥16.5 billion year on year to ¥23.7 billion.

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

Segment Information

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

	Six months ended September 30						Orders received		
	2021(A)		2022(B)		Change (B – A)		Six months ended September 30		
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)	2021 (A)	2022 (B)	Change (B – A)
Aerospace Systems	133.3	(7.6)	145.0	(3.0)	11.6	4.6	97.2	125.6	28.4
Rolling Stock	57.5	1.3	58.5	(0.0)	0.9	(1.3)	23.1	39.3	16.1
Energy Solution & Marine Engineering	130.9	(5.6)	134.5	3.1	3.5	8.7	164.2	238.4	74.1
Precision Machinery & Robot	118.2	7.8	117.6	5.5	(0.6)	(2.3)	128.1	139.5	11.4
Motorcycle & Engine	206.7	19.1	265.1	28.0	58.4	8.9	206.7	265.1	58.4
Other	34.0	2.0	38.8	1.8	4.7	(0.1)	40.0	58.4	18.4
Adjustments	-	0.5	-	(4.6)	-	(5.2)	-	-	-
Total	681.0	17.6	759.7	30.8	78.7	13.1	659.5	866.6	207.1

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 expected to increase going forward under the Ministry of Defense's policy of drastic strengthening of defense capabilities. 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 making significant progress toward recovering due to an increase the number of countries prioritizing the resumption of economic activities.

Amid such an operating environment, consolidated orders received increased by ¥28.4 billion year on year to ¥125.6 billion due to an increase in component parts of jet engines for commercial aircraft and orders received from the Ministry of Defense in Japan.

Consolidated revenue increased by ¥11.6 billion year on year to ¥145.0 billion due to an increase in component parts of jet engines for commercial aircraft, despite a decrease in component parts of airframes for commercial aircraft.

Business loss came to ¥3.0 billion, improving ¥4.6 billion year on year, due to an improvement in component parts of jet engines for commercial aircraft, despite a deteriorating in component parts of airframes for commercial aircraft.

Rolling Stock

Regarding the business environment surrounding the Rolling Stock segment, although there was an impact of a decrease in the number of railway users due to the spread of the infection by COVID-19 pandemic, the number of the users is expected to recover with progress in measures against infection by COVID-19 pandemic, and the replacement plan of aging railcars has been moving forward in Japan and overseas. On the other hand, although the impact on the current situation is limited, we need to keep a close watch on shortages of electronic components, logistics disruptions, and rising raw materials prices, while they appear to be converging. 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 ¥16.1 billion to ¥39.3 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 increased by ¥0.9 billion year on year to ¥58.5 billion mainly due to an increase in sales of railcars for Asia, despite a decrease in sales of railcars for domestic market.

Business loss came to ¥0.0 billion, deteriorating ¥1.3 billion year on year, mainly due to the impact of delays in the process of railcar's project for Long Island Rail Road in the United States, despite an increase in revenue mainly due to an increase in sales of railcars for Asia.

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 in Japan. Also, the new vessels' market is temporary out of a slump, as seen in increased orders for LPG/NH3 carriers. 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, besides the uncertainty about the current situation, such as the availability of fuel gas required for the operation of power generation facilities, it is necessary to pay attention to the impact on orders and revenues due to the recent persistently high prices of raw material, equipment, fuel, and transportation.

Amid such an operating environment, consolidated orders received increased by ¥74.1 billion from the same period of the previous fiscal year to ¥238.4 billion mainly due to an increase in orders for power generation facilities and LPG/NH3 carries and orders for large-scale projects such as the domestic waste treatment facilities maintenance and operation business.

Consolidated revenue increased by ¥3.5 billion year on year to ¥134.5 billion mainly due to an increase in the volume of work of energy business and submarines for Ministry of Defense in Japan, despite a decrease in the volume of work of domestic waste disposal facilities.

Business profit came to ¥3.1 billion, improving ¥8.7 billion year on year, mainly due to an improvement in share of profit and loss of investments accounted for using equity method, despite a decrease in the volume of work of domestic waste disposal facilities.

Precision Machinery & Robot

Regarding the business environment surrounding the Precision Machinery & Robot segment, in the precision machinery field, the performance has continued to be strong in the construction machinery market outside China, and in the Chinese construction machinery market, the demand can be seen a sign of recovery due to strong export performance even though the demand was temporarily sluggish due to the effects of 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.

Amid such an operating environment, consolidated orders received increased by ¥11.4 billion year on year to ¥139.5 billion, due to an increase in various robots for semiconductor manufacturing equipment and other applications, in addition to easing the impact of lockdowns on hydraulic equipment for the Chinese construction machinery market.

Consolidated revenue of ¥117.6 billion was on par with the previous year's result, despite an increase in sales of various robots due to sales expansion.

Business profit decreased by ¥2.3 billion year on year to ¥5.5 billion due to a decrease in hydraulic equipment for the Chinese construction machinery market, an increase in soaring costs of electronic components and materials, and a decrease in operations during the lockdowns.

Motorcycle & Engine

The business environment surrounding the Motorcycle & Engine segment continues to be affected by the COVID-19 pandemic. Although logistics disruptions are heading toward improving, we need to keep a close watch on the impact on product supply due to ongoing shortages of semiconductors and raw materials. Demand in the United States and Europe, a major market, remained strong. In addition, the Southeast Asian market has been recovering from the previous fiscal year as a whole, although it varies by country.

Amid such an operating environment, consolidated revenue increased by ¥58.4 billion year on year to ¥265.1 billion mainly due to an increase in motorcycles for North America and Southeast Asia, and four-wheeled vehicles for North America, as well as a weaker yen on foreign exchange rates, despite a decrease in motorcycles for Europe due to shortage of product supply, and the transitory impact of lockdowns in China.

Business profit increased by ¥8.9 billion year on year to ¥28.0 billion due to the impact of foreign exchange rates as well as an increase in sales of both motorcycles and four-wheeled vehicles due to the effects of the sales expansion and price increases, despite a rise in raw materials and logistics costs and an increase in fixed costs.

Other Operations

Consolidated revenue increased by ¥4.7 billion year on year to ¥38.8 billion.

Business profit decreased by ¥0.1 billion year on year to ¥1.8 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 ¥1,459.8 billion, ¥139.6 billion increase from the previous fiscal year mainly due to an increase in inventories.

Non-current assets were ¥871.9 billion, ¥17.5 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 ¥2,331.8 billion, ¥157.1 billion increase from the previous fiscal year.

2. Liabilities

Interest-bearing debt was ¥667.0 billion, ¥113.1 billion increase from the previous fiscal year.

Liabilities were ¥1,772.8 billion, ¥123.1 billion increase from the previous fiscal year mainly due to an increase in interest-bearing debt.

3. Equity

Equity was ¥558.9 billion, ¥34.0 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 second quarter of this consolidated fiscal year were ¥ 83.0 billion, an increase of ¥ 28.2 billion compared to the same period of the previous fiscal year. The cash flow situations and relevant factors during the second quarter of this consolidated fiscal year are stated below.

1. Cash flows from operating activities

Cash outflows from operating activities were ¥ 70.0 billion, an increase of ¥ 14.1 billion compared to the same period of the previous fiscal year. Major sources of operating cash flows included depreciation and amortization of ¥37.5 billion. Major uses of operating cash flows included an increase in inventories of ¥59.2 billion, an increase in advance payment of ¥27.7 billion, and an increase in contract assets of ¥20.0 billion.

2. Cash flows from investing activities

Investing activities used net cash of ¥35.4 billion, which is ¥4.7 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 ¥91.2 billion, which is ¥43.9 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 forecast

The Group voluntarily applies the IFRS from the first quarter of the consolidated fiscal year, therefore, has calculated the consolidated earnings forecast for the fiscal year ending March 2023, based on IFRS.

As a result of the higher sales and profits mainly due to sales expansion and price increases particularly in the Motorcycle & Engine segment and profitability improvement in the Aerospace Systems segment, in addition to the trend towards a weaker yen on the exchange rates, the company is forecasting revenue of ¥1,720.0 billion, ¥30.0 billion increase from the previous forecast (August 12), and business profit of ¥76.0 billion, ¥20.0 billion increase from the previous forecast.

In addition, along with the revision of business profit mentioned above, the Company is forecasting profit before tax of ¥68.0 billion, profit attributable to owners of parent of ¥45.0 billion, ROIC of 6.6%, and ROE of 8.5%.

The forecast of consolidated orders received is expected to be ¥1,900.0 billion, ¥300.0 billion increase from the previous forecast, mainly due to an unofficial order for a subway rolling stock project for the New York City Transit in the United States in the Rolling Stock segment.

In this forecast, exchange rates are assumed to be ¥140 to the U.S. dollar and ¥135 to the euro.

Note regarding consolidated earnings forecast

The above earnings forecast 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 forecast. Please note that actual earnings may differ materially from this forecast, 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 September 30, 2022
Assets			
Current assets			
Cash and cash equivalents	122,166	108,511	83,043
Trade and other receivables	355,061	409,246	428,811
Contract assets	148,523	109,132	129,131
Inventories	565,860	615,476	702,408
Income taxes receivable	3,482	3,046	1,829
Other financial assets	6,660	10,606	8,734
Other current assets	23,110	64,184	105,908
Total current assets	1,224,865	1,320,204	1,459,868
Non-current assets			
Property, plant and equipment	449,155	444,375	448,892
Intangible assets	62,510	61,940	61,986
Right-of-use assets	55,504	58,524	61,503
Investments accounted for using equity method	73,464	70,438	78,443
Other financial assets	69,913	70,752	71,735
Deferred tax assets	106,430	102,209	104,225
Other non-current assets	48,835	46,183	45,172
Total non-current assets	865,814	854,425	871,958
Total assets	2,090,679	2,174,630	2,331,827
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	418,070	399,892	397,886
Bonds, borrowings and other financial liabilities	266,724	208,773	363,205
Income taxes payable	4,753	8,506	8,707
Contract liabilities	159,476	256,189	268,513
Provisions	26,918	24,409	21,072
Other current liabilities	116,244	161,951	153,931
Total current liabilities	992,187	1,059,723	1,213,316
Non-current liabilities			
Bonds, borrowings and other financial liabilities	478,002	458,068	432,702
Retirement benefit liability	115,218	107,024	109,137
Provisions	7,082	4,136	2,359
Deferred tax liabilities	1,038	1,382	893
Other non-current liabilities	17,504	19,403	14,472
Total non-current liabilities	618,847	590,014	559,566
Total liabilities	1,611,034	1,649,738	1,772,882
Equity			
Equity attributable to owners of parent			
Share capital	104,484	104,484	104,484
Capital surplus	54,542	55,525	55,707
Retained earnings	299,409	320,671	341,748
Treasury shares	(136)	(1,129)	(1,104)
Other components of equity	3,846	25,931	39,598
Total equity attributable to owners of parent	462,146	505,484	540,434
Non-controlling interests	17,498	19,407	18,510
Total equity	479,645	524,891	558,944
Total liabilities and equity	2,090,679	2,174,630	2,331,827

**(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

For six months ended September 30, 2022 and 2021

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	681,038	759,745
Cost of sales	563,101	619,656
Gross profit	117,937	140,089
Selling, general and administrative expenses	95,894	109,854
Share of profit (loss) of investments accounted for using equity method	(7,022)	1,002
Other income	5,590	2,438
Other expenses	2,970	2,846
Business profit	17,640	30,830
Finance income	741	8,613
Finance costs	3,607	3,497
Profit before tax	14,774	35,946
Income tax expense	6,533	11,513
Profit	8,241	24,433
Profit attributable to:		
Owners of parent	7,220	23,763
Non-controlling interests	1,020	669
Earnings per share		
Basic earnings per share	43.17	141.89

For three months ended September 30, 2022 and 2021

	Millions of yen	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Revenue	325,467	409,401
Cost of sales	271,900	326,683
Gross profit	53,567	82,717
Selling, general and administrative expenses	48,803	56,285
Share of profit (loss) of investments accounted for using equity method	(5,974)	371
Other income	2,529	812
Other expenses	2,230	1,378
Business profit (loss)	(911)	26,237
Finance income	301	1,100
Finance costs	1,679	1,996
Profit (loss) before tax	(2,289)	25,341
Income tax expense	1,372	6,702
Profit (loss)	(3,661)	18,639
Profit attributable to:		
Owners of parent	(4,239)	18,305
Non-controlling interests	577	333
Earnings per share		
Basic earnings (loss) per share	(25.31)	109.30

Condensed Quarterly Consolidated Statement of Comprehensive Income
For six months ended September 30, 2022 and 2021

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	8,241	24,433
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	789	(585)
Remeasurements of defined benefit plans	(25)	680
Share of other comprehensive income of investments accounted for using equity method	(0)	(237)
Total of items that will not be reclassified to profit or loss	763	(142)
Items that may be reclassified to profit or loss		
Cash flow hedges	(184)	(7,205)
Exchange differences on translation of foreign operations	1,358	20,263
Share of other comprehensive income of investments accounted for using equity method	2,249	2,792
Total of items that may be reclassified to profit or loss	3,424	15,851
Total other comprehensive income	4,187	15,708
Comprehensive income	12,428	40,142
Comprehensive income attributable to:		
Owners of parent	11,170	38,575
Non-controlling interests	1,257	1,566

For three months ended September 30, 2022 and 2021

	Millions of yen	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Profit (loss)	(3,661)	18,639
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	626	(9)
Remeasurements of defined benefit plans	(69)	223
Share of other comprehensive income of investments accounted for using equity method	1	3
Total of items that will not be reclassified to profit or loss	558	217
Items that may be reclassified to profit or loss		
Cash flow hedges	56	(4,163)
Exchange differences on translation of foreign operations	109	7,952
Share of other comprehensive income of investments accounted for using equity method	498	(1,264)
Total of items that may be reclassified to profit or loss	664	2,524
Total other comprehensive income	1,222	2,741
Comprehensive income	(2,438)	21,380
Comprehensive income attributable to:		
Owners of parent	(3,051)	20,705
Non-controlling interests	613	675

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)

Millions of yen

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					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			7,220			
Other comprehensive income					(18)	762
Comprehensive income			7,220		(18)	762
Issuance of new shares		1,916				
Purchase of treasury shares				(1,024)		
Disposal of treasury shares						
Dividends			111		18	(130)
Transfer to retained earnings						
Change in scope of consolidation						
Loss of control of subsidiaries						
Change in ownership interest of parent due to transactions with non-controlling interests		(929)				
Transfer to non-financial assets			4			
Other		(4)				
Total transactions with owners		982	116	(1,024)	18	(130)
Balance as of September 30, 2021	104,484	55,524	306,746	(1,160)	-	4,657

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity			Total equity attributable to owners of parent		
	Cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance as of April 1, 2021	(179)	-	3,846	462,146	17,498	479,645
Profit				7,220	1,020	8,241
Other comprehensive income	(488)	3,693	3,949	3,949	237	4,187
Comprehensive income	(488)	3,693	3,949	11,170	1,257	12,428
Issuance of new shares				1,916		1,916
Purchase of treasury shares				(1,024)		(1,024)
Disposal of treasury shares						-
Dividends					(376)	(376)
Transfer to retained earnings			(111)	-		-
Change in scope of consolidation						-
Loss of control of subsidiaries						-
Change in ownership interest of parent due to transactions with non-controlling interests				(929)		(929)
Transfer to non-financial assets	(223)		(223)	(223)		(223)
Other		0	0	(0)	(166)	(166)
Total transactions with owners	(223)	0	(334)	(260)	(542)	(802)
Balance as of September 30, 2021	(890)	3,694	7,461	473,057	18,214	491,271

For six months ended September 30, 2022 (April 1, 2022– September 30, 2022)

Millions of yen

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					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			23,763			
Other comprehensive income					690	(797)
Comprehensive income			23,763		690	(797)
Issuance of new shares						
Purchase of treasury shares				(2)		
Disposal of treasury shares		(0)		26		
Dividends			(3,357)			
Transfer to retained earnings			635		(690)	55
Change in scope of consolidation						
Loss of control of subsidiaries						
Change in ownership interest of parent due to transactions with non-controlling interests		182				
Transfer to non-financial assets						
Other			34			
Total transactions with owners		182	(2,687)	24	(690)	55
Balance as of September 30, 2022	104,484	55,707	341,748	(1,104)	-	3,693

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity			Total equity attributable to owners of parent		
	Cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance as of April 1, 2022	(284)	21,780	25,931	505,484	19,407	524,891
Profit				23,763	669	24,433
Other comprehensive income	(8,114)	23,033	14,812	14,812	896	15,708
Comprehensive income	(8,114)	23,033	14,812	38,575	1,566	40,142
Issuance of new shares						-
Purchase of treasury shares				(2)		(2)
Disposal of treasury shares				26		26
Dividends				(3,357)	(560)	(3,918)
Transfer to retained earnings			(635)	-		-
Change in scope of consolidation					366	366
Loss of control of subsidiaries					(2,079)	(2,079)
Change in ownership interest of parent due to transactions with non-controlling interests				182	(190)	(8)
Transfer to non-financial assets	(509)		(509)	(509)		(509)
Other				34	0	34
Total transactions with owners	(509)		(1,145)	(3,625)	(2,464)	(6,089)
Balance as of September 30, 2022	(8,908)	44,813	39,598	540,434	18,510	558,944

(4) Condensed Quarterly Consolidated Statement of Cash Flow

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit	8,241	24,433
Depreciation and amortization	38,018	37,578
Impairment losses	223	248
Finance income and finance costs	1,276	1,851
Share of loss (profit) of investments accounted for using equity method	7,022	(1,002)
Loss (gain) on sale of fixed assets	441	339
Income tax expense	6,533	11,513
Increase (decrease) in retirement benefit liability	3,141	1,804
Decrease (increase) in trade and other receivables	10,369	4,190
Decrease (increase) in contract assets	(14,324)	(20,017)
Decrease (increase) in inventories	(48,980)	(59,266)
Increase (decrease) in trade and other payables	(53,342)	(10,805)
Decrease (Increase) in advance payment	(23,199)	(27,799)
Increase (decrease) in contract liabilities	8,284	3,988
Other	(18,598)	(24,440)
Subtotal	<u>(74,892)</u>	<u>(57,384)</u>
Interest received	521	677
Dividends received	245	241
Interest paid	(2,147)	(2,566)
Income taxes paid	(7,893)	(11,000)
Net cash provided by (used in) operating activities	<u>(84,166)</u>	<u>(70,032)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,229)	(23,993)
Proceeds from sale of property, plant and equipment	2,636	1,763
Payments for equity method investment and purchase of other financial assets	(185)	(5,306)
Proceeds from equity method investment and sale of other financial assets	705	66
Payments for acquisition of subsidiaries	(7)	(524)
Proceeds from acquisition of subsidiaries	489	-
Decrease due to loss of control over subsidiaries	-	(3,224)
Other	(5,066)	(4,229)
Net cash provided by (used in) investing activities	<u>(30,657)</u>	<u>(35,449)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	79,482	127,594
Repayments of lease liabilities	(6,745)	(7,275)
Proceeds from long-term borrowings	11,000	-
Repayments of long-term borrowings	(13,001)	(15,000)
Proceeds from issuance of bonds	10,000	9,000
Redemption of bonds	(30,000)	(20,000)
Dividends paid	(27)	(3,351)
Proceeds from fluidity of lease receivables	27,819	22,526
Repayment of payables under fluidity lease receivables	(26,929)	(18,670)
Dividends paid to non-controlling interests	(376)	(560)
Net decrease (increase) in treasury shares	(990)	0
Other	(2,965)	(3,047)
Net cash provided by (used in) financing activities	<u>47,266</u>	<u>91,213</u>
Effect of exchange rate changes on cash and cash equivalents	161	(11,199)
Net increase (decrease) in cash and cash equivalents	<u>(67,396)</u>	<u>(25,467)</u>
Cash and cash equivalents at beginning of period	122,166	108,511
Cash and cash equivalents at end of period	<u>54,769</u>	<u>83,043</u>

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

Notes on the going-concern assumption

Not applicable

Segment information

For six months ended September 30, 2021 (April 1, 2021 – September 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	133,360	57,598	130,968	118,266	206,771	34,072	681,038	-	681,038
Intersegment revenue and transfers*1	3,573	4	7,409	7,977	358	8,526	27,849	(27,849)	-
Total revenue	136,934	57,603	138,377	126,243	207,129	42,599	708,887	(27,849)	681,038
Business profit (loss) *3	(7,648)	1,331	(5,608)	7,816	19,154	2,061	17,108	531	17,640
Finance income									741
Financial costs									(3,607)
Profit before tax									14,774

Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.

2. Eliminations and corporate of ¥531 million include negative ¥276 million for intersegment transactions and ¥808 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.

For six months ended September 30, 2022 (April 1, 2022– September 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	145,000	58,563	134,507	117,644	265,190	38,838	759,745	-	759,745
Intersegment revenue and transfers*1	4,917	7	7,357	8,742	420	10,687	32,133	(32,133)	-
Total revenue	149,918	58,570	141,865	126,387	265,610	49,526	791,878	(32,133)	759,745
Business profit (loss) *3	(3,010)	(49)	3,103	5,511	28,079	1,867	35,502	(4,671)	30,830
Finance income									8,613
Financial costs									(3,497)
Profit before tax									35,946

Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.

2. Eliminations and corporate of negative ¥4,671 million include negative ¥243 million for intersegment transactions and negative ¥4,428 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 the 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, “Business combinations” 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 September 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	60,590	(5,820)	-	54,769	(a)	Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	405,928	(73,129)	13,545	346,344	(b),(c),(d),(j)	Trade and other receivables
Allowance for doubtful accounts	(3,624)	3,624	-	-	(c)	
	-	108,228	54,625	162,854	(d),(j)	Contract assets
Merchandise and finished goods	72,320	(72,320)	-	-	(e)	
Work in process	432,986	(432,986)	-	-	(e)	
Raw materials and supplies	149,766	(149,766)	-	-	(e)	
	-	655,073	(41,144)	613,929	(e),(k)	Inventories
	-	2,847	-	2,847		Income taxes receivable
	-	9,062	-	9,062	(a),(g)	Other financial assets
Other	102,887	(44,811)	1,573	59,649	(b),(g)	Other current assets
Total current assets	1,220,856	-	28,600	1,249,457		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	445,085	(11,086)	8,246	442,246	(k)	Property, plant and equipment
Intangible assets	22,113	-	39,786	61,900	(k)	Intangible assets
	-	11,099	47,633	58,732	(l)	Right-of-use assets
Investments and other assets	-	68,892	2	68,894	(f)	Investments accounted for using equity method
	-	56,025	13,065	69,090	(c),(g),(o)	Other financial assets
	-	82,673	24,380	107,054	(p)	Deferred tax assets
Other	253,287	(208,980)	2,919	47,226	(f),(g)	Other non-current assets
Allowance for doubtful accounts	(1,375)	1,375	-	-	(c)	
Total non-current assets	719,111	-	136,034	855,145		Total non-current assets
Total assets	1,939,967	-	164,634	2,104,602		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	205,673	151,271	-	356,945	(b)	Trade and other payables
Electronically recorded obligations - operating	95,809	(95,809)	-	-	(b)	
Short-term borrowings	177,461	(177,461)	-	-	(h)	
	-	275,221	78,077	353,298	(g),(h),(j),(l)	Bonds, borrowings and other financial liabilities
Income taxes payable	5,361	-	-	5,361		Income taxes payable
Contract liabilities	168,456	-	-	168,456		Contract liabilities
Provision for bonuses	16,827	(16,827)	-	-	(i)	
Provision for construction warranties	11,997	(11,997)	-	-	(i)	
Provision for loss on construction contracts	11,991	(11,991)	-	-	(i)	
	-	23,998	-	23,998	(i)	Provisions
Other	243,923	(136,403)	2,447	109,967	(b),(g),(h),(i),(m)	Other current liabilities
Total current liabilities	937,503	-	80,524	1,018,028		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	180,000	(180,000)	-	-	(h)	
Long-term borrowings	195,256	(195,256)	-	-	(h)	
	-	407,523	44,835	452,358	(g),(h),(j),(l)	Bonds, borrowings and other financial liabilities
Retirement benefit liability	118,370	-	146	118,516	(n)	Retirement benefit liability
Provision for the in-service issues of commercial aircraft jet engines	4,022	(4,022)	-	-	(i)	
	-	5,091	-	5,091	(i)	Provisions
	-	1,198	30	1,229	(p)	Deferred tax liabilities
Other	52,654	(34,535)	(13)	18,105	(g),(n)	Other non-current liabilities
Total non-current liabilities	550,303	-	44,998	595,302		Total non-current liabilities
Total liabilities	1,487,807	-	125,523	1,613,331		Total liabilities
Net assets						Equity
Share capital	104,484	-	-	104,484		Share capital
Capital surplus	55,525	-	(0)	55,524		Capital surplus
Retained earnings	271,454	-	35,292	306,746	(r)	Retained earnings
Treasury shares	(1,160)	-	-	(1,160)		Treasury shares
Total accumulated other comprehensive income	3,665	-	3,795	7,461	(n),(o),(q)	Other components of equity
	433,970	-	39,086	473,057		Total equity attributable to owners of parent
Non-controlling interests	18,189	-	24	18,214		Non-controlling interests
Total net assets	452,160	-	39,111	491,271		Total equity
Total liabilities and net assets	1,939,967	-	164,634	2,104,602		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					(b),(g),(h),(i),(m)	Other current liabilities
	212,696	(55,455)	4,709	161,951		
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)

Consolidated Financial Position	Millions of yen		
	IFRS transition date (April 1, 2021)	As of September 30, 2021	As of March 31, 2022
(k) Adjustments to property, plant and equipment, and intangible assets	6,785	6,968	6,646
(l) Adjustments to right-of-use assets and lease liabilities	-	(358)	(132)
(m) Adjustments to levies	(3,402)	(1,700)	(3,395)
(n) Adjustments to employee benefit	(2,240)	(2,262)	8,563
(o) Adjustments to equity financial instruments	5,094	5,093	5,116
(p) Adjustment to tax effects	28,940	29,952	22,262
(q) Reclassification of exchange differences on translation of foreign operations	(931)	(931)	(931)
Other	(1,772)	(1,468)	(2,840)
Adjustments on retained earnings	32,472	35,292	35,290

(2) Reconciliations of profit or loss and comprehensive income

(i) For six months ended September 30, 2021 (April 1, 2021 – September 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	681,082	(44)	-	681,038		Revenue
Cost of sales	564,582	-	(1,481)	563,101	(a),(c)	Cost of sales
Gross profit	116,500	(44)	1,481	117,937		Gross profit
Selling, general and administrative expenses	96,094	-	(199)	95,894	(c)	Selling, general and administrative expenses
	-	(7,024)	2	(7,022)	(a)	Share of profit (loss) of investments accounted for using equity method
	-	5,195	394	5,590	(a)	Other income
	-	3,754	(784)	2,970	(a)	Other expenses
Operating profit	20,406	(5,627)	2,861	17,640		Business Profit
Non-operating income	4,545	(4,545)	-	-	(a)	
Non-operating expenses	13,866	(13,866)	-	-	(a)	
Extraordinary income	1,633	(1,633)	-	-	(a)	
Extraordinary losses	223	(223)	-	-	(a)	
	-	877	(135)	741	(a),(d)	Finance income
	-	3,158	448	3,607	(a),(d)	Finance costs
Profit before income taxes	12,496	-	2,277	14,774		Profit before tax
Income taxes	6,934	-	(401)	6,533	(b),(e)	Income tax expense
Profit	5,562	-	2,678	8,241		Profit
Other comprehensive income						Other comprehensive income
Net unrealized losses on securities	(193)	-	982	789	(d)	Items that will not be reclassified to profit or loss : Financial assets measured at fair value through other comprehensive income
Remeasurement of defined benefit plans	214	-	(239)	(25)	(c)	Remeasurements of defined benefit plans
	-	(0)	-	(0)		Share of other comprehensive income of investments accounted for using equity method
Deferred losses on hedges	(339)	-	154	(184)		Items that may be reclassified to profit or loss : Cash flow hedges
Foreign currency translation adjustment	2,110	-	(751)	1,358		Exchange differences on translation of foreign operations
Share of other comprehensive income of associates accounted for using equity method	2,249	0	-	2,249		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	4,041	-	145	4,187		Total other comprehensive income
Comprehensive Income	9,603	-	2,824	12,428		Comprehensive income

(ii) For three months ended September 30, 2021 (July 1, 2021 – September 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	325,451	(24)	40	325,467		Revenue
Cost of sales	270,978	(421)	1,343	271,900	(a),(c)	Cost of sales
Gross profit	54,472	397	(1,302)	53,567		Gross profit
Selling, general and administrative expenses	49,233	-	(430)	48,803	(c)	Selling, general and administrative expenses
	-	(5,974)	(0)	(5,974)	(a)	Share of profit (loss) of investments accounted for using equity method
	-	2,281	247	2,529	(a)	Other income
	-	2,998	(768)	2,230	(a)	Other expenses
Operating profit	5,239	(6,294)	143	(911)		Business Profit (loss)
Non-operating income	2,692	(2,692)	-	-	(a)	
Non-operating expenses	9,972	(9,972)	-	-	(a)	
Extraordinary income	-	-	-	-	(a)	
Extraordinary losses	146	(146)	-	-	(a)	
	-	304	(3)	301	(a),(d)	Finance income
	-	1,435	243	1,679	(a),(d)	Finance costs
Loss before income taxes	(2,186)	-	(102)	(2,289)		Profit (loss) before tax
Income taxes	2,602	-	(1,230)	1,372	(b),(e)	Income tax expense
Loss	(4,789)	-	1,127	(3,661)		Profit (loss)
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss:
Net unrealized gains on securities	201	-	425	626	(d)	Financial assets measured at fair value through other comprehensive income
Remeasurement of defined benefit plans	(79)	-	9	(69)	(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 gains on hedges	44	-	12	56		Cash flow hedges
Foreign currency translation adjustment	314	-	(205)	109		Exchange differences on translation of foreign operations
Share of other comprehensive income of associates accounted for using equity method	499	(1)	-	498		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	980	-	241	1,222		Total other comprehensive income
Comprehensive Income	(3,808)	-	1,369	(2,438)		Comprehensive income

(iii) For 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		Total 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	Forecast for the year ending March 31, 2023 (fiscal 2022)						Year ended March 31, 2022 (Fiscal 2021) (Actual)	
	Revised forecast (A)		Forecast issued August 12, 2022 (B)		Change (A – B)			
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)
Aerospace Systems	360.0	10.5	350.0	6.0	10.0	4.5	298.2	(10.3)
Rolling Stock	140.0	1.0	140.0	3.0	-	(2.0)	126.6	2.2
Energy Solution & Marine Engineering	320.0	5.5	330.0	2.5	(10.0)	3.0	297.3	(10.8)
Precision Machinery & Robot	260.0	16.0	260.0	14.5	-	1.5	252.6	13.9
Motorcycle & Engine	550.0	56.0	520.0	45.0	30.0	11.0	447.9	37.5
Other	90.0	4.0	90.0	4.0	-	-	78.0	3.1
Adjustments		(17.0)		(19.0)		2.0		(5.2)
Total	1,720.0	76.0	1,690.0	56.0	30.0	20.0	1,500.8	30.3

(ii) Orders received

Billions of yen

Reportable segment	Forecast for the year ending March 31, 2023 (fiscal 2022)			Year ended March 31, 2022 (Fiscal 2021) (Actual)
	Revised forecast (A)	Forecast issued August 12, 2022 (B)	Change (A – B)	
Aerospace Systems	300.0	280.0	20.0	383.3
Rolling Stock	300.0	80.0	220.0	71.5
Energy Solution & Marine Engineering	390.0	360.0	30.0	343.5
Precision Machinery & Robot	270.0	270.0	-	271.8
Motorcycle & Engine	550.0	520.0	30.0	447.9
Other	90.0	90.0	-	84.0
Total	1,900.0	1,600.0	300.0	1,602.1

Note: 1. Assumed exchange rate for the fiscal year ending March 2023: ¥140/USD, ¥135/EUR

2. The Motorcycle & Engine segment's orders received are equal to its revenue as production is based mainly on estimated demand.