

**Report of Earnings and Financial Statements for the
Fiscal Year Ended March 31, 2023 (Consolidated)**
<IFRS>

May 10, 2023

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: TSE (Prime Market), and NSE (Premier Market)
 Stock code: 7012
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Scheduled dates:
 Ordinary general meeting of shareholders: June 28, 2023
 Submission of financial statements: June 28, 2023
 Commencement of dividend payments: June 29, 2023
 Supplementary materials to financial results: Available
 Financial Results 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 Fiscal Year Ended March 31, 2023
(April 1, 2022 – March 31, 2023)

(1) Operating Results

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

	Revenue		Business profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	1,725,609	15.0	82,355	171.2	70,349	154.2	55,290	272.7
Year ended March 31, 2022	1,500,879	-	30,366	-	27,670	-	14,836	-

	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
Year ended March 31, 2023	53,029	319.6	81,833	62.9	316.63	-
Year ended March 31, 2022	12,638	-	50,241	-	75.51	-

	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of business profit to revenue
	%	%	%
Year ended March 31, 2023	9.8	3.0	4.8
Year ended March 31, 2022	2.6	1.3	2.0

For reference: Share of profit (loss) of investments accounted for using equity method
 Year ended March 31, 2023: ¥3,314 million
 Year ended March 31, 2022: ¥(14,410) million

(2) Financial Condition

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	yen
As of March 31, 2023	2,457,725	596,872	576,201	23.4	3,440.39
As of March 31, 2022	2,174,630	524,891	505,484	23.2	3,018.31

(3) Cash Flow Position

	(Millions of yen)			
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Year ended March 31, 2023	23,617	(77,457)	85,305	138,420
Year ended March 31, 2022	156,890	(58,396)	(108,904)	108,511

2. Dividends

Record date or term	Dividend per share					Total dividends paid (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	1Q	2Q	3Q	Year-end	Full year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Year ended March 31, 2022	-	20.00	-	20.00	40.00	6,715	53.0	1.4
Year ended March 31, 2023	-	30.00	-	60.00	90.00	15,109	28.4	2.8
Year ending March 31, 2024 (forecast)	-	40.00	-	40.00	80.00		28.5	

Note: 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, 2024

(April 1, 2023 – March 31, 2024)

(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	1,900,000	10.1	78,000	(5.3)	70,000	(0.5)	47,000	(11.4)	280.63

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

March 31, 2023:	167,921,800 shares
March 31, 2022:	167,921,800 shares
 - (2) Number of shares held in treasury as of period-end

March 31, 2023:	440,255 shares
March 31, 2022:	449,527 shares
 - (3) Average number of shares during respective periods

March 31, 2023:	167,477,726 shares
March 31, 2022:	167,361,902 shares

(Reference) Financial Results of the Company for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Operating Results

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	791,099	(11.3)	(1,542)	-	2,970	(69.0)	11,998	(43.6)
Year ended March 31, 2022	892,203	(18.8)	(15,804)	-	9,578	-	21,269	-

	Earnings per share	Earnings per share – diluted
	yen	yen
Year ended March 31, 2023	71.63	-
Year ended March 31, 2022	127.08	-

(2) Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of March 31, 2023	1,522,841	272,022	17.9	1,624.19
As of March 31, 2022	1,471,397	266,870	18.1	1,593.52

For reference: Shareholders' equity As of March 31, 2023 ¥272,022 million
As of March 31, 2022 ¥266,870 million

*** Report of Earnings and Financial Statements are not subject to audit.**

*** 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. Overview of operating results (4) Consolidated earnings forecast” on page 12 in the Accompanying Materials.

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

The Company plans to conduct a presentation for institutional investors, analysts and the press on Wednesday, May 10, 2023, and to post the presentation material on financial results to be used for the presentation 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 IFRS from the first quarter of the consolidated fiscal year ended March 31, 2023. Financial figures for the previous consolidated fiscal year are also presented in accordance with IFRS. The differences between IFRS and Japanese GAAP regarding financial figures, refer to “3. Consolidated Financial Statements and Notes (5) Notes Concerning Consolidated Financial Statements (First-time adoption of IFRS)” on page 20 in the Accompanying Materials.

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1. Overview of operating results

Forward-looking statements in the text are based on judgments made as of the end of this consolidated fiscal year. 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 previous fiscal year have been reclassified to IFRS basis for comparative analysis.

(1) Consolidated operating results

The global economy has remained strong due to factors such as an increase in air travel demand resulting from easing of travel restrictions in each country and an expansion of domestic demand following the end of China's Zero-COVID-19 policy. In Japan, the economy also has been recovering gradually mainly in service consumption and inbound tourists due to the relaxation of various regulations related to COVID-19. In addition, the bankruptcy of a financial institution in the United States led to concerns about a temporary adverse impact on the financial system and the real economy, but the impact has remained relatively minor at this point in time.

On the other hand, we need to keep a close watch on the global economic outlook and its impact on the domestic economy, since there is a growing sense of caution about an economic slowdown due to high inflation and monetary tightening, particularly in European and American countries.

In this business environment, the Group’s consolidated orders received in the fiscal year ended March 31, 2023, increased mainly due to increases in the Rolling Stock segment and the Powersports & Engine segment. Revenue increased from the previous fiscal year as a whole, due to higher sales in the Powersports & Engine segment, the Aerospace Systems segment, etc. Business profit increased year on year mainly due to increases in the Powersports & Engine segment, the Aerospace Systems segment, and the Energy Solution & Marine Engineering segment, despite a decrease in the Precision Machinery & Robot segment. Profit attributable to owners of parent increased due to an increase in business profit, despite a deterioration in foreign exchange gains and losses.

As a result, the Group’s consolidated orders received increased by ¥435.3 billion year on year to ¥2,037.4 billion, consolidated revenue increased by ¥224.7 billion year on year to ¥1,725.6 billion, business profit increased by ¥51.9 billion year on year to ¥82.3 billion, and profit attributable to owners of parent increased by ¥40.3 billion year on year to ¥53.0 billion. Before-tax ROIC was 7.7%, after-tax ROIC was 5.7%, and ROE was 9.8%.* In addition, the current cost of capital (WACC) is estimated to be in the 4% range, and we have secured a higher after-tax ROIC than this.

*Before-tax ROIC = $\text{EBIT}(\text{profit before tax} + \text{interest expenses}) \div \text{invested capital}$
(average of net interest-bearing debt at the beginning and end of the fiscal year + average of shareholders' equity at the beginning and end of the fiscal year)

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

For the entire group, in order to promote dialogue with capital markets from the perspective of promoting management that is conscious of the cost of capital, we disclose after-tax ROIC and WACC (weighted average cost of capital) in addition to before-tax ROIC in fiscal year 2022 and will unify them into after-tax ROIC from fiscal year 2023 onward.

Consolidated operating performance in the fiscal year ended March 31, 2023, is summarized by segment below.

From the third quarter of the consolidated fiscal year, the previous reportable segment of "Motorcycle & Engine" has been changed the name to "Powersports & Engine" for the purpose of aligning with the Group's business strategy. This change is a change in the name of the reportable segments and it has no impact on segment information.

Segment Information

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

	Years ended March 31						Orders received		
	2022(A)		2023(B)		Change (B – A)		Years ended March 31		
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)	2022 (A)	2023 (B)	Change (B – A)
Aerospace Systems	298.2	(10.3)	348.8	14.8	50.6	25.2	383.3	345.5	(37.7)
Rolling Stock	126.6	2.2	131.9	1.3	5.2	(0.8)	71.5	313.2	241.7
Energy Solution & Marine Engineering	297.3	(10.8)	314.5	3.9	17.2	14.7	343.5	439.0	95.4
Precision Machinery & Robot	252.6	13.9	252.6	8.7	0.0	(5.1)	271.8	262.0	(9.8)
Powersports & Engine	447.9	37.5	591.1	71.5	143.2	34.0	447.9	591.1	143.2
Other	78.0	3.1	86.3	(1.8)	8.3	(4.9)	84.0	86.4	2.4
Adjustments	-	(5.2)	-	(16.2)	-	(10.9)	-	-	-
Total	1,500.8	30.3	1,725.6	82.3	224.7	51.9	1,602.1	2,037.4	435.3

Notes: 1. Revenue include only sales to external customers.

2. The Powersports & 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 was sluggish due to the spread of the infection by COVID-19 pandemic, but is making significant progress toward recovering as more countries are prioritizing the resumption of economic activities.

Amid such an operating environment, consolidated orders received decreased by ¥37.7 billion to ¥345.5 billion compared to the previous fiscal year, when large scale orders for the Ministry of Defense in Japan were received, despite an increase in component parts of jet engines for commercial aircraft.

Consolidated revenue increased by ¥50.6 billion year on year to ¥348.8 billion mainly due to an increase in component parts of airframes and jet engines for commercial aircraft.

Business profit came to ¥14.8 billion, improving ¥25.2 billion year on year, mainly due to an increase in component parts of airframes and jet engines 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 due to the convergence of the infection, and investments in rolling stock are resuming 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 in large cities in overseas markets, as well as demand for railway infrastructure following economic development in Asian countries.

Amid such an operating environment, consolidated orders received increased by ¥241.7 billion to ¥313.2 billion compared to the previous fiscal year mainly due to orders for option contract for new generation subway cars for the New York City Transit.

Consolidated revenue increased by ¥5.2 billion year on year to ¥131.9 billion mainly due to an increase in sales of railcars for the United States and domestic market.

Business profit of ¥1.3 billion was on par with the previous year's result, 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 the revenue.

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, demand for LPG/NH3 carriers is expected to be strong. 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 the Company's strength. On the other hand, besides the uncertainty about the current situation, such as the stability of fuel gas supply required for the operation of power generation facilities, it is necessary to pay attention to the impact on orders and revenues due to the recent persistently high prices of raw material, equipment, fuel, and transportation.

Amid such an operating environment, consolidated orders received increased by ¥95.4 billion from the previous fiscal year to ¥439.0 billion mainly due to order for submarine for Ministry of Defense in Japan and increases in orders for LPG/NH3 carriers and power generation facilities.

Consolidated revenue increased by ¥17.2 billion year on year to ¥314.5 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 ¥3.9 billion, improving ¥14.7 billion year on year, mainly due to higher sales in energy business and submarines for Ministry of Defense in Japan and 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, while the performance has continued to be strong in the construction machinery market outside China, demand in the Chinese construction machinery market was sluggish due to the effects of lockdowns associated with the Zero-COVID-19 policy and other factors. In the robotics field, although demand for robots for semiconductor manufacturing equipment has slowed down due to the impact of the recent decline in the semiconductor market, centered on memory and economic frictions between the United States and China, the performance was favorable for the full year. Also, general industrial robots have continued high demand for the automation investment globally .

Amid such an operating environment, consolidated orders received decreased by ¥9.8 billion year on year to ¥262.0 billion mainly due to a decrease in hydraulic equipment for the Chinese construction machinery market, despite an increase in various robots.

Consolidated revenue of ¥252.6 billion was on par with the previous year's result, mainly due to an

increase in sales of various robots resulting from sales expansion and easing of component supply shortages, despite a decrease in sales of hydraulic equipment for the Chinese construction machinery market.

Business profit decreased by ¥5.1 billion year on year to ¥8.7 billion due to an increase in soaring costs of electronic components and materials, a temporary decrease in operations during the lockdowns in China, and a decrease in hydraulic equipment for the Chinese construction machinery market.

Powersports & Engine

Regarding the business environment surrounding the Powersports & Engine segment, the impact on the marketplace from the spread of the infection by the COVID-19 pandemic has gradually weakened. Although we still need to keep a close watch on the remaining impact on product supply due to shortages of semiconductors etc., logistics disruptions have settled down. Demand in the United States, the major market, is slightly slowing down, however, it is going strong for the time being. 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 ¥143.2 billion year on year to ¥591.1 billion mainly due to an increase in motorcycles for North America and Southeast Asia, four-wheeled vehicles for North America, and general-purpose engines as well as a weaker yen on foreign exchange rates.

Business profit increased by ¥34.0 billion year on year to ¥71.5 billion due to the steady progress in price pass-through despite a rise in raw materials and logistics costs and an increase in fixed costs, the sales expansion of motorcycles, four-wheeled vehicles and general-purpose engines and the impact of foreign exchange rates.

Other Operations

Consolidated revenue increased by ¥8.3 billion year on year to ¥86.3 billion.

Business loss came to ¥1.8 billion, deteriorating ¥4.9 billion year on year.

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

(2) Consolidated financial condition

Assets, liabilities, and equity

1. Assets

Current assets were ¥1,570.3 billion, ¥250.1 billion increase from the previous fiscal year mainly due to an increase in inventories, trade and other receivables, and contract assets.

Non-current assets were ¥887.3 billion, ¥32.9 billion increase from the previous fiscal year mainly due to an increase in right-of-use assets.

As a result, total assets were ¥2,457.7 billion, ¥283.0 billion increase from the previous fiscal year.

2. Liabilities

Interest-bearing debt was ¥589.8 billion, ¥35.9 billion increase from the previous fiscal year.

Liabilities were ¥1,860.8 billion, ¥211.1 billion increase from the previous fiscal year mainly due to an increase in bonds, borrowings and other financial liabilities.

3. Equity

Equity was ¥596.8 billion, ¥71.9 billion increase from the previous fiscal year mainly due to the recording of profit attributable to owners of parent.

(3) Cash flows

Cash flows

Cash and cash equivalents (Hereinafter referred to as “net cash”) at the end of this fiscal year were ¥138.4 billion, an increase of ¥29.9 billion compared to the previous fiscal year. The cash flow situations and relevant factors in this fiscal year are stated below.

1. Cash flows from operating activities

Operating activities provided net cash of ¥23.6 billion, ¥133.2 billion decrease from the previous fiscal year. Major sources of operating cash flows included depreciation and amortization of ¥77.3 billion and an increase in trade and other payables of ¥42.2 billion. Major uses of operating cash flows included an increase in inventories of ¥64.2 billion, an increase in contract assets of ¥50.2 billion, and an increase in trade and other receivables of ¥59.3 billion.

2. Cash flows from investing activities

Investing activities used net cash of ¥77.4 billion, which is ¥19.0 billion more than in the previous fiscal year. This was mainly due to purchase of property, plant and equipment, as well as intangible assets.

3. Cash flows from financing activities

Financing activities provided net cash of ¥85.3 billion, which is ¥194.2 billion more than in the previous fiscal year. This was mainly due to proceeds from fluidity of lease receivables.

(4) Consolidated earnings forecast

With respect to the earnings forecasts for the fiscal year ending March 31, 2024, the Company is expecting revenue of ¥1,900.0 billion, a ¥174.4 billion year on year increase, mainly due to an increase in the revenue caused by a further recovery in passenger demand in the Aerospace Systems segment, although revenue will decrease in the Powersports & Engine segment.

In terms of profit, the Company is forecasting business profit of ¥78.0 billion and profit attributable to owners of parent of ¥47.0 billion. Furthermore, the Company is expecting after-tax ROIC of 4.9% and ROE of 7.9%. These forecasts are based on the expectation for an increase in profit mainly due to an increase in the revenue in the Aerospace Systems segment, although profits are expected to decrease due to an increase in sales promotion expenses in the Powersports & Engine segment.

The forecast of consolidated orders received is expected to decrease ¥137.4 billion year on year to ¥1,900.0 billion.

In this forecast, exchange rates are assumed to be ¥130 to the U.S. dollar and ¥140 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. Basic rationale for selecting accounting standards

Considering the progress of global business activities, the Group voluntarily applies International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended March 31, 2023, to enhance the global comparability of financial statements in the capital market and to improve the group management by standardizing the accounting process within the group.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

	Millions of yen		
	Transition date (As of April 1, 2021)	As of March 31, 2022	As of March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	122,166	108,511	138,420
Trade and other receivables	355,061	409,246	470,398
Contract assets	148,523	109,132	159,422
Inventories	565,860	615,476	690,431
Income taxes receivable	3,482	3,046	551
Other financial assets	6,660	10,606	10,741
Other current assets	23,110	64,184	100,385
Total current assets	1,224,865	1,320,204	1,570,350
Non-current assets			
Property, plant and equipment	449,155	444,375	451,010
Intangible assets	62,510	61,940	66,248
Right-of-use assets	55,504	58,524	68,422
Investments accounted for using equity method	73,464	70,438	77,440
Other financial assets	69,913	70,752	70,224
Deferred tax assets	106,430	102,209	110,264
Other non-current assets	48,835	46,183	43,763
Total non-current assets	865,814	854,425	887,374
Total assets	2,090,679	2,174,630	2,457,725
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	418,070	399,892	452,250
Bonds, borrowings and other financial liabilities	266,724	208,773	340,176
Income taxes payable	4,753	8,506	18,071
Contract liabilities	159,476	256,189	256,247
Provisions	26,918	24,409	22,897
Other current liabilities	116,244	161,951	219,019
Total current liabilities	992,187	1,059,723	1,308,661
Non-current liabilities			
Bonds, borrowings and other financial liabilities	478,002	458,068	445,082
Retirement benefit liability	115,218	107,024	91,552
Provisions	7,082	4,136	1,942
Deferred tax liabilities	1,038	1,382	833
Other non-current liabilities	17,504	19,403	12,779
Total non-current liabilities	618,847	590,014	552,190
Total liabilities	1,611,034	1,649,738	1,860,852
Equity			
Equity attributable to owners of parent			
Share capital	104,484	104,484	104,484
Capital surplus	54,542	55,525	55,716
Retained earnings	299,409	320,671	380,255
Treasury shares	(136)	(1,129)	(1,107)
Other components of equity	3,846	25,931	36,852
Total equity attributable to owners of parent	462,146	505,484	576,201
Non-controlling interests	17,498	19,407	20,670
Total equity	479,645	524,891	596,872
Total liabilities and equity	2,090,679	2,174,630	2,457,725

**(2) Consolidated Statement of Profit and Loss and
Consolidated Statement of Comprehensive Income**

Consolidated Statement of Profit and Loss

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2023
Revenue	1,500,879	1,725,609
Cost of sales	1,247,615	1,391,787
Gross profit	253,263	333,822
Selling, general and administrative expenses	211,134	252,311
Share of profit (loss) of investments accounted for using equity method	(14,410)	3,314
Other income	6,795	4,850
Other expenses	4,147	7,320
Business profit	30,366	82,355
Finance income	2,556	2,291
Finance costs	5,251	14,297
Profit before tax	27,670	70,349
Income tax expense	12,834	15,058
Profit	14,836	55,290
Profit attributable to:		
Owners of parent	12,638	53,029
Non-controlling interests	2,198	2,261
Earnings per share		
Basic earnings per share	75.51	316.63

Consolidated Statement of Comprehensive Income

	Millions of yen	
	Year ended March 31, 2022	Year ended March 31, 2023
Profit	14,836	55,290
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,350	(363)
Remeasurements of defined benefit plans	10,281	14,353
Share of other comprehensive income of investments accounted for using equity method	(1)	0
Total of items that will not be reclassified to profit or loss	12,630	13,989
Items that may be reclassified to profit or loss		
Cash flow hedges	(125)	1,932
Exchange differences on translation of foreign operations	13,680	10,112
Share of other comprehensive income of investments accounted for using equity method	9,220	508
Total of items that may be reclassified to profit or loss	22,775	12,553
Total other comprehensive income	35,405	26,542
Comprehensive income	50,241	81,833
Comprehensive income attributable to:		
Owners of parent	47,186	78,785
Non-controlling interests	3,055	3,048

(3) Consolidated Statement of Changes in Equity

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			12,638			
Other comprehensive income					10,224	2,343
Comprehensive income			12,638		10,224	2,343
Issuance of new shares		1,916				
Purchase of treasury shares				(994)		
Disposal of treasury shares		2		1		
Transfer of loss on disposal of treasury shares		0	(0)			
Dividends			(3,357)			
Transfer to retained earnings			12,158		(10,224)	(1,933)
Change in scope of consolidation						
Loss of control of subsidiaries						
Change in ownership interest of parent due to transactions with non-controlling interests		(936)				
Transfer to non-financial assets						
Other			(177)			
Total transactions with owners		982	8,623	(992)	(10,224)	(1,933)
Balance as of March 31, 2022	104,484	55,525	320,671	(1,129)	-	4,435

	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				12,638	2,198	14,836
Other comprehensive income	200	21,779	34,548	34,548	857	35,405
Comprehensive income	200	21,779	34,548	47,186	3,055	50,241
Issuance of new shares				1,916		1,916
Purchase of treasury shares				(994)		(994)
Disposal of treasury shares				3		3
Transfer of loss on disposal of treasury shares				-		-
Dividends				(3,357)	(936)	(4,294)
Transfer to retained earnings			(12,158)	-		-
Change in scope of consolidation					795	795
Loss of control of subsidiaries						-
Change in ownership interest of parent due to transactions with non-controlling interests				(936)	(1,004)	(1,940)
Transfer to non-financial assets	(305)		(305)	(305)		(305)
Other		0	0	(176)		(176)
Total transactions with owners	(305)	0	(12,463)	(3,849)	(1,145)	(4,995)
Balance as of March 31, 2022	(284)	21,780	25,931	505,484	19,407	524,891

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			53,029			
Other comprehensive income					14,235	(370)
Comprehensive income			53,029		14,235	(370)
Issuance of new shares						
Purchase of treasury shares				(4)		
Disposal of treasury shares		(0)		26		
Transfer of loss on disposal of treasury shares		0	(0)			
Dividends			(8,394)			
Transfer to retained earnings			14,191		(14,235)	43
Change in scope of consolidation						
Loss of control of subsidiaries						
Change in ownership interest of parent due to transactions with non-controlling interests		190				
Transfer to non-financial assets						
Other			756			
Total transactions with owners		190	6,554	22	(14,235)	43
Balance as of March 31, 2023	104,484	55,716	380,255	(1,107)	-	4,109

	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				53,029	2,261	55,290
Other comprehensive income	1,603	10,286	25,755	25,755	787	26,542
Comprehensive income	1,603	10,286	25,755	78,785	3,048	81,833
Issuance of new shares						-
Purchase of treasury shares				(4)		(4)
Disposal of treasury shares				26		26
Transfer of loss on disposal of treasury shares				-		-
Dividends				(8,394)	(964)	(9,358)
Transfer to retained earnings			(14,191)	-		-
Change in scope of consolidation					366	366
Loss of control of subsidiaries					(2,079)	(2,079)
Change in ownership interest of parent due to transactions with non-controlling interests				190	891	1,082
Transfer to non-financial assets	(643)		(643)	(643)		(643)
Other				756		756
Total transactions with owners	(643)		(14,834)	(8,067)	(1,785)	(9,852)
Balance as of March 31, 2023	676	32,066	36,852	576,201	20,670	596,872

(4) Consolidated Statement of Cash Flow

Millions of yen

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Profit	14,836	55,290
Depreciation and amortization	76,998	77,374
Impairment losses	728	4,606
Finance income and finance costs	2,172	7,312
Share of loss (profit) of investments accounted for using equity method	14,410	(3,314)
Loss (gain) on sale of fixed assets	(554)	1,042
Income tax expense	12,834	15,058
Increase (decrease) in retirement benefit liability	4,778	1,281
Decrease (increase) in trade and other receivables	(38,213)	(59,334)
Decrease (increase) in contract assets	39,412	(50,291)
Decrease (increase) in inventories	(37,984)	(64,217)
Increase (decrease) in trade and other payables	(11,848)	42,213
Decrease (increase) in advance payment	(31,707)	(28,508)
Increase (decrease) in contract liabilities	92,072	(3,730)
Increase (decrease) in other current liabilities	40,939	43,231
Other	(8,122)	5,962
Subtotal	170,751	43,975
Interest received	1,755	3,328
Dividends received	865	332
Interest paid	(4,318)	(5,005)
Income taxes paid	(12,164)	(19,013)
Net cash provided by (used in) operating activities	156,890	23,617
Cash flows from investing activities		
Purchase of property, plant and equipment	(58,943)	(58,943)
Proceeds from sale of property, plant and equipment	2,929	2,180
Purchase of intangible assets	(8,700)	(11,001)
Payments for equity method investment and purchase of other financial assets	(2,042)	(6,702)
Proceeds from equity method investment and sale of other financial assets	6,347	160
Payments for acquisition of subsidiaries	-	(648)
Decrease due to loss of control over subsidiaries	-	(3,224)
Proceeds from acquisition of subsidiaries	489	-
Other	1,522	722
Net cash provided by (used in) investing activities	(58,396)	(77,457)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(74,247)	36,664
Repayments of lease liabilities	(13,436)	(14,545)
Proceeds from long-term borrowings	15,500	18,500
Repayments of long-term borrowings	(17,001)	(21,987)
Proceeds from issuance of bonds	10,000	9,000
Redemption of bonds	(30,000)	(20,000)
Dividends paid	(3,384)	(8,383)
Proceeds from fluidity of lease receivables	62,749	130,662
Repayment of payables under fluidity lease receivables	(56,186)	(37,861)
Dividends paid to non-controlling interests	(913)	(964)
Other	(1,983)	(5,777)
Net cash provided by (used in) financing activities	(108,904)	85,305
Effect of exchange rate changes on cash and cash equivalents	(3,244)	(1,556)
Net increase (decrease) in cash and cash equivalents	(13,654)	29,909
Cash and cash equivalents at beginning of period	122,166	108,511
Cash and cash equivalents at end of period	108,511	138,420

(5) Notes Concerning Consolidated Financial Statements

Notes on the going-concern assumption

Not applicable

Segment information

Year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

	Millions of yen								
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Powersports & Engine	Other	Total	Eliminations and corporate *2	Consolidated total
Revenue from external customers	298,212	126,684	297,306	252,678	447,927	78,070	1,500,879	-	1,500,879
Intersegment revenue and transfers*1	10,123	33	15,936	19,746	845	20,164	66,850	(66,850)	-
Total revenue	308,335	126,718	313,243	272,425	448,773	98,234	1,567,730	(66,850)	1,500,879
Business profit (loss) *3	(10,346)	2,250	(10,884)	13,928	37,523	3,151	35,623	(5,257)	30,366
Finance income									2,556
Finance costs									(5,251)
Profit before tax									27,670
Other items									
Depreciation and amortization	30,906	1,567	6,184	10,835	17,521	1,285	68,301	8,696	76,998
Impairment loss	-	-	728	-	-	-	728	-	728
Share of profit (loss) of investments accounted for using equity method	-	17	(11,261)	(3,437)	81	156	(14,442)	32	(14,410)

Notes: 1. Intersegment revenue and transfers are recorded at normal market prices.

2. Eliminations and corporate of negative ¥5,257 million include negative ¥517 million for intersegment transactions and negative ¥4,740 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.

Year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Millions of yen

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

Notes: 1. Intersegment revenue and transfers are recorded at normal market prices.

2. Eliminations and corporate of negative ¥16,256 million include negative ¥838 million for intersegment transactions and negative ¥15,418 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.

Per share data

Basis for calculating basic earnings per share attributable to owners of parent is as follows:

	Year ended March 31, 2022	Year ended March 31, 2023
Profit attributable to owners of parent (Millions of yen)	12,638	53,029
Average number of common shares (Thousands of shares)	167,361	167,477
Basic earnings per share (yen)	75.51	316.63

Notes: 1. Diluted earnings per share are not stated because there are no potential shares.

2. The company's shares held by trusts whose beneficiaries are directors and others recorded as treasury shares under equity include the number of shares held in treasury to be deducted from the calculation of the average number of shares during respective periods in computing the earnings per share. (At the end of the previous consolidated fiscal year: 409,600 shares, at the end of this consolidated fiscal year: 398,600 shares).

Material subsequent events

Not applicable.

First-time adoption of IFRS

The Group disclosed its consolidated financial statements in accordance with IFRS from 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, “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 the facts and circumstances that existed at the date of transition to IFRS.

2. Reconciliations

In preparing the consolidated financial statements based on IFRS, the Company reconcile equity, profit and loss, and comprehensive income which previously reported in the 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 (As of 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 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

(iii) 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 presented separately 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 presented separately 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 expensed at the time the tax assessment is determined and recognized as “Other current liabilities” under current liabilities.

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

(2) Reconciliations of profit or loss and comprehensive income

(i) 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
Net unrealized losses on securities	(524)	-	2,874	2,350	(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	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
Deferred losses on hedges	(337)	-	211	(125)		Items that may be reclassified to profit or loss: 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

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

(Reclassification)

(a) Reclassification of line 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.

4. Supplementary information on consolidated earnings forecasts for the fiscal year ending March 31, 2024

(i) Revenue and business profit (loss)

Billions of yen

Reportable segment	Forecast for the year ending March 31, 2024 (fiscal 2023) (A)		Year ended March 31, 2023 (fiscal 2022) (Actual) (B)		Change (A – B)	
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	Revenue	Business profit (loss)
Aerospace Systems	440.0	24.0	348.8	14.8	91.2	9.2
Rolling Stock	190.0	4.0	131.9	1.3	58.1	2.7
Energy Solution & Marine Engineering	340.0	9.0	314.5	3.9	25.5	5.1
Precision Machinery & Robot	260.0	10.0	252.6	8.7	7.4	1.3
Powersports & Engine	580.0	47.0	591.1	71.5	(11.1)	(24.5)
Other	90.0	2.0	86.3	(1.8)	3.7	3.8
Adjustments		(18.0)		(16.2)		(1.8)
Total	1,900.0	78.0	1,725.6	82.3	174.4	(4.3)

(ii) Orders received

Billions of yen

Reportable segment	Forecast for the year ending March 31, 2024 (fiscal 2023) (A)		Year ended March 31, 2023 (fiscal 2022) (Actual) (B)		Change (A – B)
	Revenue	Business profit (loss)	Revenue	Business profit (loss)	
Aerospace Systems	540.0		345.5		194.5
Rolling Stock	80.0		313.2		(233.2)
Energy Solution & Marine Engineering	330.0		439.0		(109.0)
Precision Machinery & Robot	270.0		262.0		8.0
Powersports & Engine	580.0		591.1		(11.1)
Other	100.0		86.4		13.6
Total	1,900.0		2,037.4		(137.4)

Note: 1. Assumed exchange rate for the fiscal year ending March 31, 2024: ¥130/USD, ¥140/EUR

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