

**Report of Earnings and Financial Statements for the
Three Months Ended June 30, 2023 (Consolidated)**
<IFRS>

August 8, 2023

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/>
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Scheduled dates:
 Submission of quarterly securities filing: August 8, 2023
 Commencement of dividend payments: -
 Supplementary materials to quarterly earnings: Available
 Quarterly earnings presentation: Conducted (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2023
(April 1, 2023 – June 30, 2023)

(1) Operating Results

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

| | Revenue | | Business profit | | Profit before tax | | Profit | |
|----------------------------------|-----------------|-------|-----------------|--------|-------------------|--------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three Months Ended June 30, 2023 | 405,340 | 15.7 | 10,253 | 123.2 | 14,966 | 41.1 | 9,447 | 63.0 |
| Three Months Ended June 30, 2022 | 350,344 | (1.5) | 4,593 | (75.2) | 10,605 | (37.8) | 5,794 | (51.3) |

| | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|----------------------------------|---|--------|----------------------------|------|--------------------------|----------------------------|
| | Millions of yen | % | Millions of yen | % | yen | yen |
| Three Months Ended June 30, 2023 | 9,089 | 66.5 | 19,179 | 2.2 | 54.27 | - |
| Three Months Ended June 30, 2022 | 5,457 | (52.4) | 18,761 | 26.2 | 32.58 | - |

(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 | % |
| As of June 30, 2023 | 2,480,770 | 605,244 | 584,768 | 23.6 |
| As of March 31, 2023 | 2,457,725 | 596,872 | 576,201 | 23.4 |

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, 2023 | - | 30.00 | - | 60.00 | 90.00 |
| Year ending March 31, 2024 | - | | | | |
| Year ending March 31, 2024 (forecast) | | 40.00 | - | 40.00 | 80.00 |

Note: Revisions to the most recently announced dividend forecast: None

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) | 280.62 |

Note: Revisions to the most recently announced earnings forecast: None

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)

| | |
|-----------------|--------------------|
| June 30, 2023: | 167,921,800 shares |
| March 31, 2023: | 167,921,800 shares |
 - (2) Number of shares held in treasury as of period-end

| | |
|-----------------|----------------|
| June 30, 2023: | 440,794 shares |
| March 31, 2023: | 440,255 shares |
 - (3) Average number of shares during respective periods

| | |
|----------------|--------------------|
| June 30, 2023: | 167,481,211 shares |
| June 30, 2022: | 167,471,974 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 Material on Quarterly Financial Results and Details of the Quarterly Financial Results

The Company plans to conduct a presentation for institutional investors, analysts and the press on Tuesday, August 8, 2023, and to post the presentation material on quarterly financial results to be used for the presentation on TDnet and the Company’s website simultaneously with the announcement of financial results.

Accompanying Materials – Contents

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1. Qualitative Information about Financial Statements

(1) Consolidated operating results

The global economy has not seen a significant economic slowdown, as the unemployment rate stays at a low level in the United States as well as the inflation rate is declining due to monetary tightening. In Japan, the Nikkei Stock Average has remained at a high level, reaching its highest level since the collapse of the bubble economy, supported by increasing inbound demand due to the elimination of border control measures associated with COVID-19 and rising wages due to high prices.

On the other hand, we need to keep a close watch on the future trend of domestic and global economy, including increased downside risks to the economy due to sluggish real estate market in China as well as the impact of uncertain foreign exchange rates.

In this business environment, the Group's consolidated orders received during the first quarter of this consolidated fiscal year increased mainly due to increases in the Aerospace Systems segment and the Powersports & Engine segment. Revenue increased from the same period of the previous fiscal year as a whole, due to higher sales in the Powersports & Engine segment, the Rolling Stock segment, the Aerospace Systems segment, etc.

Business profit increased year on year mainly due to improvements in the Energy Solution & Marine Engineering segment and the Aerospace Systems segment, despite a deterioration in the Precision Machinery & Robot segment. Profit attributable to owners of parent increased due to an increase in business profit.

As a result, the Group's consolidated orders received increased by ¥45.2 billion year on year to ¥457.3 billion, consolidated revenue increased by ¥54.9 billion year on year to ¥405.3 billion, business profit increased by ¥5.6 billion year on year to ¥10.2 billion, profit before tax increased by ¥4.3 billion year on year to ¥14.9 billion, and profit attributable to owners of parent increased by ¥3.6 billion year on year to ¥9.0 billion.

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

Segment Information

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

| | Three months ended June 30 | | | | | | Orders received | | |
|--------------------------------------|----------------------------|------------------------|---------|------------------------|----------------|------------------------|----------------------------|----------|----------------|
| | 2022(A) | | 2023(B) | | Change (B – A) | | Three months ended June 30 | | |
| | Revenue | Business profit (loss) | Revenue | Business profit (loss) | Revenue | Business profit (loss) | 2022 (A) | 2023 (B) | Change (B – A) |
| Aerospace Systems | 63.4 | (8.9) | 80.2 | (4.6) | 16.7 | 4.2 | 60.4 | 118.7 | 58.2 |
| Rolling Stock | 26.4 | (0.1) | 43.5 | (0.0) | 17.1 | 0.1 | 11.7 | 16.4 | 4.7 |
| Energy Solution & Marine Engineering | 63.5 | (0.0) | 70.7 | 5.8 | 7.2 | 5.8 | 124.5 | 102.3 | (22.1) |
| Precision Machinery & Robot | 52.6 | 1.4 | 49.3 | (2.5) | (3.2) | (4.0) | 67.9 | 54.0 | (13.9) |
| Powersports & Engine | 126.0 | 12.8 | 143.9 | 14.3 | 17.9 | 1.4 | 126.0 | 143.9 | 17.9 |
| Other | 18.3 | 1.3 | 17.5 | 0.6 | (0.7) | (0.7) | 21.3 | 21.7 | 0.4 |
| Adjustments | - | (2.0) | - | (3.3) | - | (1.3) | - | - | - |
| Total | 350.3 | 4.5 | 405.3 | 10.2 | 54.9 | 5.6 | 412.0 | 457.3 | 45.2 |

Notes: 1. Revenue includes 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 from 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 both commercial aircraft airframes and jet engines is increasing due to the recovery of air passenger demand to nearly pre-COVID levels and the strong COVID-19 rebound demand for commercial aircraft airframes.

Amid such an operating environment, consolidated orders received increased by ¥58.2 billion year on year to ¥118.7 billion mainly due to increases in orders received from Ministry of Defense in Japan and component parts of airframes and jet engines for commercial aircraft.

Consolidated revenue increased by ¥16.7 billion year on year to ¥80.2 billion mainly due to increases in sales for Ministry of Defense in Japan and component parts of airframes and jet engines for commercial aircraft.

Business loss came to ¥4.6 billion, improving ¥4.2 billion year on year, mainly due to an increase in the revenue.

Rolling Stock

Regarding the business environment surrounding the Rolling Stock segment, the number of railway users has recovered due to the convergence of the infection by COVID-19 pandemic, and investments in rolling stock are resuming both 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 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 ¥4.7 billion to ¥16.4 billion compared to the same period of the previous fiscal year mainly due to an increase in projects for Asia and the domestic market.

Consolidated revenue increased by ¥17.1 billion year on year to ¥43.5 billion mainly due to an increase in sales of railcars for the United States, despite a decrease in sales of railcars for domestic market.

Business loss of ¥0.0 billion was on par with the same period of the previous fiscal year's result, mainly due to a decrease in domestic operations, 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, 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 decreased by ¥22.1 billion to ¥102.3 billion compared to the same period of the previous fiscal year, when large-scale orders such as the domestic waste disposal facilities maintenance and operation business and LPG/NH₃ carriers were received, despite orders for naval ships equipment for Ministry of Defense in Japan.

Consolidated revenue increased by ¥7.2 billion year on year to ¥70.7 billion mainly due to an increase in the volume of work of energy business and LPG/NH₃ carriers.

Business profit came to ¥5.8 billion, improving ¥5.8 billion year on year, mainly due to higher sales of energy business and an increase in share of profit of investments accounted for using equity method.

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 impact of the prolonged real estate recession and other factors. In the robotics field, demand for robots for semiconductor manufacturing equipment is continuously slowed down due to the impact of the decline in the semiconductor market, centered on memory and economic frictions between the United States and China. The timing of its recovery is difficult to predict, but it is expected to recover from fiscal year 2024 while factoring in new demand related to AI and green investment. Also, there is a strong sense of uncertainty due to the impact of monetary tightening on inflation, particularly in Europe and the United States, and the general industrial robots are currently experiencing a slowdown in growth, but demand for automation is potentially increasing due to a rise in labor costs.

Amid such an operating environment, consolidated orders received decreased by ¥13.9 billion year on year to ¥54.0 billion mainly due to decreases in robots for semiconductor manufacturing equipment, general industrial robots, and hydraulic equipment for the Chinese construction machinery market.

Consolidated revenue decreased by ¥3.2 billion year on year to ¥49.3 billion mainly due to decreases in robots for semiconductor manufacturing equipment and hydraulic equipment for the Chinese construction machinery market.

Business loss came to ¥2.5 billion, deteriorating ¥4.0 billion year on year, mainly due to a decrease

in the revenue.

Powersports & Engine

Regarding the business environment surrounding the Powersports & Engine segment, although the impact on the marketplace from the spread of the infection by the COVID-19 pandemic has settled down, demand continues to be strong in the major markets, the United States and Europe. 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 ¥17.9 billion year on year to ¥143.9 billion mainly due to increases in motorcycles for Europe, four-wheeled vehicles for North America, and general-purpose engines as well as a weaker yen on foreign exchange rates, despite a decrease in motorcycles for Southeast Asia.

Business profit increased by ¥1.4 billion year on year to ¥14.3 billion mainly due to the sales expansion of motorcycles and four-wheeled vehicles and the impact of foreign exchange rates, despite an increase in sales promotion expenses and fixed costs.

Other Operations

Consolidated revenue decreased by ¥0.7 billion year on year to ¥17.5 billion.

Business profit decreased by ¥0.7 billion year on year to ¥0.6 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 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 ¥1,567.5 billion, ¥2.7 billion decrease from the previous fiscal year mainly due to a decrease in cash and cash equivalents.

Non-current assets were ¥913.1 billion, ¥25.8 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 ¥2,480.7 billion, ¥23.0 billion increase from the previous fiscal year.

2. Liabilities

Interest-bearing debt was ¥666.0 billion, ¥76.1 billion increase from the previous fiscal year.

Liabilities were ¥1,875.5 billion, ¥14.6 billion increase from the previous fiscal year mainly due to an increase in interest-bearing debt.

3. Equity

Equity was ¥605.2 billion, ¥8.3 billion increase from the previous fiscal year mainly due to an increase in exchange differences on translation of foreign operations.

Cash flows

Cash and cash equivalents (Hereinafter referred to as “net cash”) during the first quarter of this consolidated fiscal year were ¥91.8 billion, an increase of ¥13.3 billion compared to the same period of the previous fiscal year. The cash flow situations during the first quarter of this consolidated fiscal year are stated below.

1. Cash flows from operating activities

Cash outflows from operating activities were ¥22.4 billion, an increase of ¥39.5 billion compared to the same period of the previous fiscal year. Major sources of operating cash flows included a decrease in contract assets of ¥27.8 billion, depreciation and amortization of ¥21.3 billion, and an increase in contract liabilities of ¥15.7 billion. Major uses of operating cash flows included a decrease in other current liabilities of ¥33.8 billion, an increase in inventories of ¥19.4 billion, an increase in other current assets of ¥18.7 billion, and a decrease in trade and other payables of ¥17.9 billion.

2. Cash flows from investing activities

Investing activities used net cash of ¥21.9 billion, which is ¥2.0 billion less than in the same period of the previous fiscal year. This was mainly due to purchase of property, plant and equipment.

3. Cash flows from financing activities

Financing activities provided net cash of ¥1.9 billion, which is ¥60.8 billion less than in the same period of the previous fiscal year. This was mainly due to an increase in short-term borrowings.

(3) Consolidated earnings forecast

With respect to the earnings forecasts for the fiscal year ending March 31, 2024, the Company has reduced its forecasts in the Precision Machinery & Robot segment reflecting the impact of the slump in the Chinese construction machinery market and delayed recovery of the semiconductor market. However, order-based business has improved as expected, including improved performance of the ship & offshore structure business in the Energy Solution & Marine Engineering segment, the Company has left its forecast unchanged from the previous forecast (May 10).

The exchange rates assumed in this forecast are ¥130 to the U.S. dollar and ¥140 to the euro, which are unchanged from the previous forecast.

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 in 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 Statement of Financial Position

| | Millions of yen | |
|---|-------------------------|------------------------|
| | As of March 31, 2023 | As of June 30, 2023 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 138,420 | 91,879 |
| Trade and other receivables | 470,398 | 491,155 |
| Contract assets | 159,422 | 131,614 |
| Inventories | 690,431 | 719,180 |
| Income taxes receivable | 551 | 2,292 |
| Other financial assets | 10,741 | 9,278 |
| Other current assets | 100,385 | 122,184 |
| Total current assets | 1,570,350 | 1,567,585 |
| Non-current assets | | |
| Property, plant and equipment | 451,010 | 459,717 |
| Intangible assets | 66,248 | 68,679 |
| Right-of-use assets | 68,422 | 69,368 |
| Investments accounted for using equity method | 77,440 | 85,571 |
| Other financial assets | 70,224 | 76,832 |
| Deferred tax assets | 110,264 | 109,357 |
| Other non-current assets | 43,763 | 43,658 |
| Total non-current assets | 887,374 | 913,184 |
| Total assets | 2,457,725 | 2,480,770 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 452,250 | 436,820 |
| Bonds, borrowings and other financial liabilities | 340,176 | 409,777 |
| Income taxes payable | 18,071 | 5,934 |
| Contract liabilities | 256,247 | 277,664 |
| Provisions | 22,897 | 21,658 |
| Other current liabilities | 219,019 | 194,626 |
| Total current liabilities | 1,308,661 | 1,346,482 |
| Non-current liabilities | | |
| Bonds, borrowings and other financial liabilities | 445,082 | 417,687 |
| Retirement benefit liability | 91,552 | 92,839 |
| Provisions | 1,942 | 1,907 |
| Deferred tax liabilities | 833 | 921 |
| Other non-current liabilities | 12,779 | 15,688 |
| Total non-current liabilities | 552,190 | 529,043 |
| Total liabilities | 1,860,852 | 1,875,525 |
| Equity | | |
| Equity attributable to owners of parent | | |
| Share capital | 104,484 | 104,484 |
| Capital surplus | 55,716 | 55,962 |
| Retained earnings | 380,255 | 379,315 |
| Treasury shares | (1,107) | (1,108) |
| Other components of equity | 36,852 | 46,114 |
| Total equity attributable to owners of parent | 576,201 | 584,768 |
| Non-controlling interests | 20,670 | 20,476 |
| Total equity | 596,872 | 605,244 |
| Total liabilities and equity | 2,457,725 | 2,480,770 |

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

Condensed Quarterly Consolidated Statement of Profit and Loss

| | Millions of yen | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
| Revenue | 350,344 | 405,340 |
| Cost of sales | 292,972 | 339,247 |
| Gross profit | 57,372 | 66,093 |
| Selling, general and administrative expenses | 53,568 | 62,352 |
| Share of profit of investments accounted for using equity method | 631 | 6,093 |
| Other income | 1,625 | 1,203 |
| Other expenses | 1,467 | 783 |
| Business profit | 4,593 | 10,253 |
| Finance income | 7,512 | 7,859 |
| Finance costs | 1,500 | 3,146 |
| Profit before tax | 10,605 | 14,966 |
| Income tax expense | 4,810 | 5,519 |
| Profit | 5,794 | 9,447 |
| Profit attributable to: | | |
| Owners of parent | 5,457 | 9,089 |
| Non-controlling interests | 336 | 357 |
| Earnings per share | | |
| Basic earnings per share | 32.58 | 54.27 |

Condensed Quarterly Consolidated Statement of Comprehensive Income

| | Millions of yen | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
| Profit | 5,794 | 9,447 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | (575) | 1,728 |
| Remeasurements of defined benefit plans | 457 | 35 |
| Share of other comprehensive income of investments accounted for using equity method | (241) | 0 |
| Total of items that will not be reclassified to profit or loss | (359) | 1,763 |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedges | (3,041) | (7,038) |
| Exchange differences on translation of foreign operations | 12,310 | 14,385 |
| Share of other comprehensive income of investments accounted for using equity method | 4,057 | 620 |
| Total of items that may be reclassified to profit or loss | 13,326 | 7,967 |
| Total other comprehensive income | 12,967 | 9,731 |
| Comprehensive income | 18,761 | 19,179 |
| Comprehensive income attributable to: | | |
| Owners of parent | 17,869 | 18,534 |
| Non-controlling interests | 891 | 644 |

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For three months ended June 30, 2022 (April 1, 2022 – June 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 | | | 5,457 | | | |
| Other comprehensive income | | | | | 465 | (792) |
| Comprehensive income | | | 5,457 | | 465 | (792) |
| Purchase of treasury shares | | | | (0) | | |
| Dividends | | | (3,357) | | | |
| Transfer to retained earnings | | | 465 | | (465) | |
| Change in scope of consolidation | | | | | | |
| Loss of control of subsidiaries | | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | |
| Transfer to non-financial assets | | | | | | |
| Other | | | 34 | | | |
| Total transactions with owners | | | (2,856) | (0) | (465) | |
| Balance as of June 30, 2022 | 104,484 | 55,525 | 323,272 | (1,129) | - | 3,642 |

| | Equity attributable to owners of parent | | | | 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 | | | | 5,457 | 336 | 5,794 |
| Other comprehensive income | (3,291) | 16,030 | 12,412 | 12,412 | 554 | 12,967 |
| Comprehensive income | (3,291) | 16,030 | 12,412 | 17,869 | 891 | 18,761 |
| Purchase of treasury shares | | | | (0) | | (0) |
| Dividends | | | | (3,357) | (560) | (3,918) |
| Transfer to retained earnings | | | (465) | - | | - |
| Change in scope of consolidation | | | | | 366 | 366 |
| Loss of control of subsidiaries | | | | | (2,079) | (2,079) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | - |
| Transfer to non-financial assets | (229) | | (229) | (229) | | (229) |
| Other | | | | 34 | 0 | 34 |
| Total transactions with owners | (229) | | (695) | (3,553) | (2,272) | (5,826) |
| Balance as of June 30, 2022 | (3,805) | 37,810 | 37,647 | 519,800 | 18,026 | 537,827 |

For three months ended June 30, 2023 (April 1, 2023 – June 30, 2023)

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, 2023 | 104,484 | 55,716 | 380,255 | (1,107) | - | 4,109 |
| Profit | | | 9,089 | | | |
| Other comprehensive income | | | | | 44 | 1,657 |
| Comprehensive income | | | 9,089 | | 44 | 1,657 |
| Purchase of treasury shares | | | | (1) | | |
| Dividends | | | (10,072) | | | |
| Transfer to retained earnings | | | 44 | | (44) | |
| Change in scope of consolidation | | | (1) | | | |
| Loss of control of subsidiaries | | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 246 | | | | |
| Transfer to non-financial assets | | | | | | |
| Other | | | | | | |
| Total transactions with owners | | 246 | (10,029) | (1) | (44) | |
| Balance as of June 30, 2023 | 104,484 | 55,962 | 379,315 | (1,108) | - | 5,767 |

| | 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, 2023 | 676 | 32,066 | 36,852 | 576,201 | 20,670 | 596,872 |
| Profit | | | | 9,089 | 357 | 9,447 |
| Other comprehensive income | (7,860) | 15,602 | 9,444 | 9,444 | 287 | 9,731 |
| Comprehensive income | (7,860) | 15,602 | 9,444 | 18,534 | 644 | 19,179 |
| Purchase of treasury shares | | | | (1) | | (1) |
| Dividends | | | | (10,072) | (581) | (10,654) |
| Transfer to retained earnings | | | (44) | - | | - |
| Change in scope of consolidation | | | | (1) | | (1) |
| Loss of control of subsidiaries | | | | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | 246 | (258) | (11) |
| Transfer to non-financial assets | (138) | | (138) | (138) | | (138) |
| Other | | | | | | - |
| Total transactions with owners | (138) | | (182) | (9,967) | (839) | (10,807) |
| Balance as of June 30, 2023 | (7,322) | 47,669 | 46,114 | 584,768 | 20,476 | 605,244 |

(4) Condensed Quarterly Consolidated Statement of Cash Flow

| | Millions of yen | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
| Cash flows from operating activities | | |
| Profit | 5,794 | 9,447 |
| Depreciation and amortization | 19,005 | 21,391 |
| Impairment losses | 62 | 109 |
| Finance income and finance costs | 721 | 2,329 |
| Share of loss (profit) of investments accounted for using equity method | (631) | (6,093) |
| Loss (gain) on sale of fixed assets | 317 | (527) |
| Income tax expense | 4,810 | 5,519 |
| Increase (decrease) in retirement benefit liability | (205) | 1,113 |
| Decrease (increase) in trade and other receivables | 23,667 | 7,677 |
| Decrease (increase) in contract assets | (7,652) | 27,816 |
| Decrease (increase) in inventories | (27,732) | (19,445) |
| Increase (decrease) in trade and other payables | (25,523) | (17,928) |
| Decrease (increase) in advance payment | (28,373) | (3,123) |
| Increase (decrease) in contract liabilities | 8,640 | 15,786 |
| Decrease (increase) in other current assets | (13,918) | (18,736) |
| Increase (decrease) in other current liabilities | (6,492) | (33,886) |
| Other | (6,717) | (504) |
| Subtotal | <u>(54,226)</u> | <u>(9,052)</u> |
| Interest received | 401 | 614 |
| Dividends received | 206 | 294 |
| Interest paid | (954) | (1,729) |
| Income taxes paid | <u>(7,421)</u> | <u>(12,561)</u> |
| Net cash provided by (used in) operating activities | <u>(61,995)</u> | <u>(22,434)</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (13,315) | (19,019) |
| Proceeds from sale of property, plant and equipment | 1,212 | 1,087 |
| Payments for equity method investment and purchase of other financial assets | (5,111) | (166) |
| Proceeds from equity method investment and sale of other financial assets | 1 | 0 |
| Payments for acquisition of subsidiaries | (501) | - |
| Decrease due to loss of control over subsidiaries | (3,224) | - |
| Other | <u>(3,097)</u> | <u>(3,891)</u> |
| Net cash provided by (used in) investing activities | <u>(24,035)</u> | <u>(21,989)</u> |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 84,208 | 90,299 |
| Repayments of lease liabilities | (3,267) | (3,490) |
| Repayments of long-term borrowings | (4,000) | (1,030) |
| Redemption of bonds | - | (20,000) |
| Dividends paid | (3,082) | (9,329) |
| Proceeds from factoring agreements | 7,106 | - |
| Repayment of liabilities under factoring agreements | (14,596) | (49,033) |
| Dividends paid to non-controlling interests | (560) | (581) |
| Other | <u>(3,038)</u> | <u>(4,908)</u> |
| Net cash provided by (used in) financing activities | <u>62,769</u> | <u>1,925</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(6,754)</u> | <u>(4,042)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(30,015)</u> | <u>(46,541)</u> |
| Cash and cash equivalents at beginning of period | <u>108,511</u> | <u>138,420</u> |
| Cash and cash equivalents at end of period | <u>78,495</u> | <u>91,879</u> |

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

Notes on the going-concern assumption

Not applicable.

Segment information

For three months ended June 30, 2022 (April 1, 2022 – June 30, 2022)

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

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

2. Eliminations and corporate of negative ¥2,004 million include negative ¥111 million for intersegment transactions and negative ¥1,892 million for general and administrative expenses not attributed reportable segments.

3. Business profit (loss) is calculated by deducting cost of sales, selling, general and administrative expenses, share of profit and loss of investments accounted for using equity method, other income, and other expenses from revenue.

For three months ended June 30, 2023 (April 1, 2023 – June 30, 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 | 80,217 | 43,519 | 70,765 | 49,315 | 143,982 | 17,540 | 405,340 | - | 405,340 |
| Intersegment revenue and transfers *1 | 2,403 | 12 | 4,927 | 3,604 | 207 | 5,505 | 16,661 | (16,661) | - |
| Total revenue | 82,621 | 43,531 | 75,692 | 52,919 | 144,189 | 23,046 | 422,002 | (16,661) | 405,340 |
| Business profit (loss) *3 | (4,650) | (6) | 5,860 | (2,552) | 14,300 | 645 | 13,597 | (3,343) | 10,253 |
| Finance income | | | | | | | | | 7,859 |
| Finance costs | | | | | | | | | (3,146) |
| Profit before tax | | | | | | | | | 14,966 |

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

2. Eliminations and corporate of negative ¥3,343 million include negative ¥186 million for intersegment transactions and negative ¥3,156 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.

3. Supplementary information

(1) 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) | | | | | | Year ended March 31, 2023 (fiscal 2022) (Actual) | |
|--------------------------------------|---|------------------------|----------------------------------|------------------------|----------------|------------------------|--|------------------------|
| | Revised forecast (A) | | Forecast issued May 10, 2023 (B) | | Change (A – B) | | Revenue | Business profit (loss) |
| | Revenue | Business profit (loss) | Revenue | Business profit (loss) | Revenue | Business profit (loss) | | |
| Aerospace Systems | 440.0 | 24.0 | 440.0 | 24.0 | - | - | 348.8 | 14.8 |
| Rolling Stock | 190.0 | 4.0 | 190.0 | 4.0 | - | - | 131.9 | 1.3 |
| Energy Solution & Marine Engineering | 350.0 | 11.0 | 340.0 | 9.0 | 10.0 | 2.0 | 314.5 | 3.9 |
| Precision Machinery & Robot | 240.0 | 6.0 | 260.0 | 10.0 | (20.0) | (4.0) | 252.6 | 8.7 |
| Powersports & Engine | 590.0 | 50.0 | 580.0 | 47.0 | 10.0 | 3.0 | 591.1 | 71.5 |
| Other | 90.0 | 2.0 | 90.0 | 2.0 | - | - | 86.3 | (1.8) |
| Adjustments | | (19.0) | | (18.0) | | (1.0) | | (16.2) |
| Total | 1,900.0 | 78.0 | 1,900.0 | 78.0 | - | - | 1,725.6 | 82.3 |

(ii) Orders received

Billions of yen

| Reportable segment | Forecast for the year ending March 31, 2024 (fiscal 2023) | | | Year ended March 31, 2023 (fiscal 2022) (Actual) |
|--------------------------------------|---|----------------------------------|----------------|--|
| | Revised forecast (A) | Forecast issued May 10, 2023 (B) | Change (A – B) | |
| Aerospace Systems | 550.0 | 540.0 | 10.0 | 345.5 |
| Rolling Stock | 80.0 | 80.0 | - | 313.2 |
| Energy Solution & Marine Engineering | 330.0 | 330.0 | - | 439.0 |
| Precision Machinery & Robot | 250.0 | 270.0 | (20.0) | 262.0 |
| Powersports & Engine | 590.0 | 580.0 | 10.0 | 591.1 |
| Other | 100.0 | 100.0 | - | 86.4 |
| Total | 1,900.0 | 1,900.0 | - | 2,037.4 |

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.