The 200th Ordinary General Meeting of Shareholders

Regulations and the Company's Articles of Incorporation from Paper-Based Documents
Delivered in Response to a Request for Delivery of Documents Stating Items for Which Measures for Providing Information in Electronic Format Are to Be Taken



- Company Share Options
 1. Share Options Held by Company Officers at the End of the Fiscal Year under Review
 - Not applicable.
 - 2. Share Options Delivered to Employees, Etc. during the Fiscal Year under Review
 - Not applicable.
 - 3. Other Important Issues concerning Share Options, Etc. Not applicable.

- and training activities on compliance with the Code of Conduct, laws and regulations and the KHI Group's regulations to constantly improve understanding and awareness of compliance.
- 4) We work to strengthen compliance systems by establishing and enhancing the whistle-blowing system to report information regarding compliance breaches.
- 5) Executive Officers who are delegated to execute business operations within an

(4) Systems to Directors	ensure	efficient	execution	of	duties	by	the	Company's

II. Overview of the operation status of internal control systems

1. Efforts on internal control systems in general

1) We have specified the Code of Conduct as ethical standards to serve as the basis for decisions when the KHI Group's Officers and employees take an action, and ensure thorough dissemination of the Code of Conduct by implementing initiatives such as distributing the booklet to employees, posting the Code of Conduct on the intranet and providing various training programs.

infection prevention measures based on the action guidelines and business continuity plans in the event of emergencies.

4. Efforts to ensure efficient execution of duties of Directors

for the Establishment of Internal Control System." In addition, Group Companies are also establishing structures and systems according to region, size, function and others of each Group Company, including development of regulations.

- 4) The Auditing Department and Accounting Auditor regularly hold liaison meetings or discussions with Audit and Supervisory Committee to exchange information and opinions with him/her so as to ensure close communication.
- 5) We establish regulations regarding requests for prepaid expenses incurred for the execution of the duties of Audit and Supervisory Committee Members, and so forth.

Reference

Consolidated Statement of Changes in Equity (From April 1, 2022 to March 31, 2023) (Unit: Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance as of April 1, 2022	104,484	55,525	320,671	(1,129)		

2) Impairment of financial assets

A provision for expected credit losses is recognized for financial assets measured at amortized cost, contract assets and lease receivables.

On the reporting date, if credit risk for a financial instrument has significantly increased since initial recognition, the provision for the financial instrument is measured at an amount equal to expected credit losses arising from all default events that may occur over the life of the financial instrument (lifetime expected credit losses).

On the reporting date, if credit risk for a financial instrument has not significantly increased since initial recognition, the provision for the financial instrument is measured at an amount equal to expected credit losses arising from default events that may occur within 12 months from the reporting date (12-month expected credit losses).

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

3) Non-derivative financial liabilities

Non-derivative financial liabilities are classified as financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost are measured at fair value less transaction costs directly attributable to their acquisition upon initial recognition. Furthermore, after initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are recognized when the Group becomes a party to the contract.

A financial liability is derecognized when, and only when, the financial liability is extinguished, that is, obligations specified in the contract are extinguished as a result of the fulfillment, discharged, cancelled or forfeited.

4) Derivative transactions and hedge accounting

The Group is exposed to market risks, such as fluctuations in foreign exchange rates and interest rate, in the ordinary course of operating activities. To manage these risks, in principle, the Group identifies the net amount of risks, and works to mitigate market risks by making use of transactions that have the effect of offsetting the risks, including conclusion of derivative transactions in accordance with company rules as necessary. At the time of initial designation of a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item including the risk management objective, strategy for implementation of the hedge transaction and method for assessing effectiveness of the hedge relationship.

The Group continuously assesses whether or not it can be expected that the hedging instrument has a high level of effect of offsetting changes in fair value and cash flows of the relevant hedged item during the hedged period.

Derivatives are initially recognized at fair value. Furthermore, after initial recognition, derivatives are measured at fair value, and any subsequent changes in the fair value are accounted for as follows.

(i) Fair value hedges

Changes in fair value of derivatives that are hedging instruments are recognized as profit or loss. In addition, changes in fair value of 188 Twcairea4(a)r11.4

(ii) Cash flow hedges

Of changes in fair value of derivatives that are hedging instruments, the portion judged to be an effective hedge is recognized as other

comprehensive income, and the cumulative amount is included in other

(4) Intangible assets

- 1) Recognition and measurement
 - (i) Capitalized development costs

Development activities include plans or designs to generate new or significantly improved products or processes. Capitalized development costs are capitalized only when all the following requirements are met.

Technical feasibility

Intention to complete and use/sell the product or process

Ability to use/sell the product or process

Future economic benefits

Availability of appropriate resources

Reliable measurement

Since the possibility that future economic benefits will flow into the Group cannot be demonstrated, expenditures related to the research aspect are not capitalized and are recognized as expenses when incurred.

Capitalized costs include material costs, direct labor costs, and indirect costs directly related to preparation for intended use of assets. Other capitalized development costs are recognized as expenses when incurred.

Capitalized development costs are presented at acquisition cost less accumulated amortization and impairment, using the cost model.

(ii) Software and other intangible assets

Software and other intangible assets acquired by the Group that have a finite useful life are recorded at acquisition cost less accumulated amortization and impairment, using the cost model. In addition, those with an indefinite useful life are recorded at acquisition cost less accumulated impairment.

(iii) Goodwill

Goodwill arising from acquisition of subsidiaries is recorded in intangible assets. If the total of transferred consideration and the amount of non-controlling interests of the acquiree is higher than the net fair value of identifiable assets acquired and liabilities assumed on the acquisition date,

(5) Leased assets

1) Leases as lessee

The Company recognizes right-of-use assets and lease liabilities on the commencement date of the lease.

Right-of-use assets are measured using the cost model and presented at

When a plan is revised, the variable portion of benefits related to past services rendered by employees is immediately recognized as profit or loss.

(ii) Other long-term employee benefits

As long-term employee obligations other than post-employment benefit plans, the Company has a plan in which leave or allowance is granted to an employee at the time when he or she achieves long-term service. These long-term employee benefits are calculated by discounting the estimated amount of future benefits obtained in exchange for services provided by employees in past fiscal years and the current fiscal year to the present value.

towards complete satisfaction of performance obligations. Measurement of progress takes into account the nature of goods or services promised to be

expenses of foreign operations are translated into Japanese yen using the average exchange rate during the period, unless there is a significant change in the exchange rate.

Foreign exchange translation differences are recognized in other comprehensive income. These differences have been recognized in exchange differences on translation of foreign operations since April 1, 2021, which is the date of the Group's transition to IFRS.

If part or all of a foreign operation is disposed of and control or significant influence over it is lost, cumulative translation differences recognized in other components of equity are reclassified to profit or loss.

(11) Other significant matters for preparing the consolidated financial statements
Application of group tax sharing system

The group tax sharing system is applied.

(Notes to Accounting Estimates)
Recoverability of deferred tax assets

- (1) The amount recorded in the consolidated financial statements
 Deferred tax assets ¥110,264 million
- (2) Information contributing to understanding of the accounting estimates
 - 1) Methods to calculate the estimates

The recoverability of deferred tax assets is determined based on business plans, taking into account taxable income for a certain future period and tax planning.

- 2) Assumptions used to calculate the estimates
 - Estimation on revenue and income, a key element for business plans, is performed with some assumptions on factors including future economic conditions.
- 3) Impact on the consolidated financial statements for the next fiscal year

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets				
measured at				
fair value				
through other				
comprehensive				
income				
Stocks /				
Investments	4,665		22,287	26,953
in capital				
Financial assets				
measured at				
fair value				
through profit				
or loss				
Derivative		3,778		3,778
assets		0,770		0,770
Other			240	240
Total assets	4,665	3,778	22,527	30,971
Liabilities:				
Financial				
liabilities				
measured at				
fair value				
through profit				
or loss				
Derivatives		4,619		4,619
liabilities		7,019		7,019
Total liabilities		4,619		4,619

The following shows the method for calculating the fair value of financial instruments.

(Stocks / Investments in capital) For stocks with active markets, fair v03 2.7(n44.7(r4.7(r)-t)-.6023-1.2045 TD-.0015.3(r)

(Notes to Revenue Recognition)

1. Breakdown of revenue

The Group's businesses are basically comprised of six businesses: "Aerospace Systems," "Rolling Stock," "Energy Solution & Marine Engineering," "Precision Machinery & Robot," "Power-sports & Engine" and "Others." In order to understand revenue from contracts with customers based on that, revenue is disaggregated in a way which further classifies some portion ("Aerospace Systems," "Energy Solution & Marine Engineering," and "Precision Machinery & Robot") based on types of products. The following shows a breakdown of products by type and by region, and the

revenue is recognized by measuring progress in a reasonable manner. Progress is mainly measured using the input method based on incurred costs. However, services such as maintenance contracts and some construction contracts such as manufacture of rolling stock are measured via the output method.

For "Aerospace Systems," the relevant amount for some incurred costs for commercial aircraft jet engine programs participated in by the Company is estimated as consideration paid to customers and is deducted from revenue. In addition, as for the type of discount that the Company bears in proportion to its participation in commercial aircraft jet engine programs, the discount amount is

Of recognized revenue, the amount included in the balance of contract liabilities at the beginning of the period was ¥179,729 million in the fiscal year under review.

In the fiscal year under review, the amount of revenue recognized from performance obligations that were satisfied in past periods was not significant.

3. Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations and timing in which revenue is expected to be recognized are as follows. There are no amounts, etc. of significant variable consideration from contracts with customers that were not included in the transaction price.

(Unit: Millions of yen)

		Reportable segments					
	Aerospace Systems	Rolling Stock	Energy Solution & Marine Engineering	Precision Machinery & Robot	Power- sports & Engine	Others	Total
Remaining performance obligations	670,686	570,523	629,052	97,880	-	27,796	1,995,937

Non-consolidated Statement of Changes in Net Assets (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

Shareholders' equity							
	Capital surplus		Retained earnings				
			Other retained earnings				
Share capital	Legal capital surplus	Other capital surplus	Reserve for special depreciation	Reserve for tax purpose	Trea sha		Total shareholders' equity





(3) Accounting treatment for retirement benefits

Accounting treatment for unrecognized actuarial gains or losses and unrecognized past service cost for retirement benefits are different from accounting treatment for them in the consolidated financial statements.

(4) Application of group tax sharing system

The group tax sharing system is applied.

(Notes to Accounting Estimates)

- 1. Recoverability of deferred tax assets
 - (1) The amount recorded in the non-consolidated financial statements
 Deferred tax assets ¥91,201 million
 - (2) Information contributing to understanding of the accounting estimates

 Notes are omitted as the same information is provided in the "consolidated financial statements (Notes to Accounting Estimates)."
- 2. Valuation of shares of subsidiaries and associates
 - (1) The amount recorded in the non-consolidated financial statements
 Shares of subsidiaries and associates ¥94,045 million (of which, ¥12,955 million in investment in Medicaroid Corporation)
 - (2) Information contributing to understanding of the accounting estimates
 - 1) Methods to calculate the estimates

 The shares of subsidiaries and associates are evaluated by stating at cost determined by the moving-average method, and if the actual price of the shares



