

**Report of Earnings and Financial Statements for the
Nine Months Ended December 31, 2023 (Consolidated)**
<IFRS>

February 9, 2024

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

Submission of quarterly securities filing: February 9, 2024

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 Nine Months Ended December 31, 2023
(April 1, 2023 – December 31, 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 | % |
| Nine Months Ended December 31, 2023 | 1,229,069 | 2.7 | 741 | (99.1) | (17,931) | - | (11,835) | - |
| Nine Months Ended December 31, 2022 | 1,196,330 | 15.2 | 80,885 | 181.4 | 72,127 | 191.2 | 53,727 | 314.0 |

| | 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 |
| Nine Months Ended December 31, 2023 | (13,480) | - | 8,009 | (87.4) | (80.48) | - |
| Nine Months Ended December 31, 2022 | 52,512 | 366.8 | 63,600 | 189.0 | 313.55 | - |

(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 December 31, 2023 | 2,663,212 | 589,321 | 568,783 | 21.4 |
| 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 | - | 20.00 | - | | |
| Year ending March 31, 2024 (forecast) | | | | 20.00 | 40.00 |

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 | 1,840,000 | 6.6 | 43,000 | (47.8) | 21,000 | (70.1) | 12,000 | (77.4) | 71.64 |

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

Notes

1. Changes affecting the status of material subsidiaries (scope of consolidation): None
2. Changes in accounting policies and changes in accounting estimates
 - (1) Changes in accounting policies required by IFRS: None
 - (2) Changes in accounting policies due to other reasons: None
 - (3) Changes in accounting estimates: None
3. Number of shares issued and outstanding (common shares)
 - (1) Number of shares issued as of period-end (including treasury shares)

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

| | |
|--------------------|----------------|
| December 31, 2023: | 423,200 shares |
| March 31, 2023: | 440,255 shares |
 - (3) Average number of shares during respective periods

| | |
|--------------------|--------------------|
| December 31, 2023: | 167,488,925 shares |
| December 31, 2022: | 167,476,424 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 Friday, February 9, 2024, 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.

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1. Qualitative Information about Financial Statements

(1) Consolidated operating results

The global economy has remained strong, mainly in personal consumption, due to favorable employment and income conditions in the United States. On the other hand, there are concerns about an economic slowdown caused by the monetary tightening. Furthermore, there are increasing uncertainties about the outlook of the global economy due to factors such as the downturn in China's economy caused by the prolonged real estate recession and an increase in geographical risks.

In Japan, although the economy has continued to recover due to strong corporate profits and capital investment as well as personal consumption and inbound demand, there are concerns about the impact on consumer sentiment due to a hike in prices in the future.

In this business environment, the Group's consolidated orders received during the third quarter of this consolidated fiscal year decreased as a whole, due to decreases mainly in the Rolling Stock segment and the Precision Machinery & Robot segment, despite an increase mainly in the Aerospace Systems segment. Revenue increased from the same period of the previous fiscal year as a whole, due to higher sales in the Rolling Stock segment and the Energy Solution & Marine Engineering segment, despite lower sales in the Precision Machinery & Robot segment.

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

As a result, the Group's consolidated orders received decreased by ¥186.4 billion year on year to ¥1,290.1 billion, consolidated revenue increased by ¥32.7 billion year on year to ¥1,229.0 billion, business profit decreased by ¥80.1 billion year on year to ¥0.7 billion, loss before tax came to ¥17.9 billion, deteriorating ¥90.0 billion year on year, and loss attributable to owners of parent came to ¥13.4 billion, deteriorating ¥65.9 billion year on year.

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

Segment Information

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

| | Nine months ended December 31 | | | | | | Orders received | | |
|--------------------------------------|-------------------------------|------------------------|---------|------------------------|----------------|------------------------|-------------------------------|----------|----------------|
| | 2022(A) | | 2023(B) | | Change (B – A) | | Nine months ended December 31 | | |
| | Revenue | Business profit (loss) | Revenue | Business profit (loss) | Revenue | Business profit (loss) | 2022 (A) | 2023 (B) | Change (B – A) |
| Aerospace Systems | 238.6 | 13.7 | 235.5 | (35.5) | (3.0) | (49.2) | 200.7 | 332.5 | 131.7 |
| Rolling Stock | 92.3 | 0.7 | 135.8 | 2.6 | 43.4 | 1.8 | 294.3 | 41.8 | (252.5) |
| Energy Solution & Marine Engineering | 212.3 | 9.3 | 234.3 | 16.6 | 21.9 | 7.3 | 301.8 | 281.2 | (20.6) |
| Precision Machinery & Robot | 179.1 | 7.4 | 158.7 | (4.3) | (20.4) | (11.8) | 197.6 | 157.6 | (39.9) |
| Powersports & Engine | 413.7 | 53.7 | 404.4 | 32.0 | (9.3) | (21.7) | 413.7 | 404.4 | (9.3) |
| Other | 60.0 | 3.3 | 60.2 | 1.5 | 0.1 | (1.8) | 68.1 | 72.4 | 4.2 |
| Adjustments | - | (7.4) | - | (12.1) | - | (4.7) | - | - | - |
| Total | 1,196.3 | 80.8 | 1,229.0 | 0.7 | 32.7 | (80.1) | 1,476.5 | 1,290.1 | (186.4) |

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 ¥131.7 billion year on year to ¥332.5 billion mainly due to increases in orders received from Ministry of Defense in Japan and component parts of airframes for commercial aircraft.

Consolidated revenue decreased by ¥3.0 billion year on year to ¥235.5 billion mainly due to the lump-sum recognition of losses related to the in-service issues of jet engines for commercial aircraft, despite increases in sales for Ministry of Defense in Japan and component parts of airframes and jet engines for commercial aircraft.

Business loss came to ¥35.5 billion, deteriorating ¥49.2 billion year on year, mainly due to the lump-sum recognition of losses related to the in-service issues of jet engines for commercial aircraft, despite increases due to increases in sales for Ministry of Defense in Japan and component parts of airframes for commercial aircraft.

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 decreased by ¥252.5 billion to ¥41.8 billion compared to the same period of the previous fiscal year, when there were orders for the large-scale project such as new generation subway cars for the New York City Transit.

Consolidated revenue increased by ¥43.4 billion year on year to ¥135.8 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 profit increased by ¥1.8 billion year on year to ¥2.6 billion mainly due to an increase in profit resulting from an increase in the revenue, despite a decrease in domestic operations.

Energy Solution & Marine Engineering

The business environment surrounding the Energy Solution & Marine Engineering segment has been strongly influenced by the worldwide trend toward achieving carbon neutrality. As a result, contacts and requests for cooperation are increasing regarding decarbonization solutions, including hydrogen products of the Company's strength. Also, 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. 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, and fuel.

Amid such an operating environment, consolidated orders received decreased by ¥20.6 billion to ¥281.2 billion compared to the same period of the previous fiscal year, when there were many large-scale projects for the domestic waste disposal facilities maintenance and operation business and orders for LPG/NH₃ carriers, despite orders for naval ships equipment for Ministry of Defense in Japan.

Consolidated revenue increased by ¥21.9 billion year on year to ¥234.3 billion mainly due to the ship & offshore structure field centered on LPG/NH₃ carriers, and the energy field.

Business profit came to ¥16.6 billion, increasing ¥7.3 billion year on year, because of an increase in profit mainly due to higher sales in the ship & offshore structure field, and an increase in profit due to higher sales in the energy field.

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, sluggish demand for robots for semiconductor manufacturing equipment bottomed out, and the demand will recover from fiscal year 2024 while capturing new demand related to AI and green investment. Meanwhile, business conditions in China, the biggest consumer country for the general industrial robots, remain sluggish. Therefore, inventory adjustments have continued, but demand for automation is surely increasing due to a rise in labor costs and labor shortages.

Amid such an operating environment, consolidated orders received decreased by ¥39.9 billion year on year to ¥157.6 billion mainly due to the general decline in hydraulic equipment for the Chinese construction machinery market and industrial robots.

Consolidated revenue decreased by ¥20.4 billion year on year to ¥158.7 billion mainly due to the general decline in hydraulic equipment for the Chinese construction machinery market and industrial robots.

Business loss came to ¥4.3 billion, deteriorating ¥11.8 billion year on year, mainly due to the impact of lower capacity utilization as well as a decrease in the revenue.

Powersports & Engine

Regarding the business environment surrounding the Powersports & Engine segment, although demand has continued to be strong in the major markets, the United States and Europe, market competition has intensified as a result of supplies increased from manufacturers after the convergence of the supply chain disruptions in the previous fiscal year. In addition, as recreational demand has decreased due to the slowdown in China's economy, the mid-to-large motorcycle market has reduced in general.

Amid such an operating environment, consolidated revenue decreased by ¥9.3 billion year on year to ¥404.4 billion mainly due to decreases in motorcycles for China and Southeast Asia and general-purpose engines, despite increases in four-wheeled vehicles for North America and motorcycles for Europe.

Business profit decreased by ¥21.7 billion year on year to ¥32.0 billion mainly due to a decrease in the revenue as well as an increase in fixed costs and the recording of recall-related expenses*, which is related to four-wheeled vehicles for the United States.

*The Company received a notice from the U.S. Consumer Product Safety Commission that a penalty will be imposed for the recall of certain models of four-wheeled vehicles for the United States.

Other Operations

Consolidated revenue of ¥60.2 billion was on par with the same period of the previous fiscal year's result.

Business profit decreased by ¥1.8 billion year on year to ¥1.5 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 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.

Furthermore, the Group's policy is to cooperate in providing supports for the early recovery of areas affected by the Noto Peninsula Earthquake and enhance support packages that can respond to various natural disasters, which are becoming increasingly likely in the future.

(2) Consolidated financial condition

Assets, liabilities, and equity

1. Assets

Current assets were ¥1,710.5 billion, ¥140.2 billion increase from the previous fiscal year mainly due to increases in inventories and trade and other receivables.

Non-current assets were ¥952.6 billion, ¥65.2 billion increase from the previous fiscal year mainly due to an increase in property, plant and equipment.

As a result, total assets were ¥2,663.2 billion, ¥205.4 billion increase from the previous fiscal year.

2. Liabilities

Interest-bearing debt was ¥831.0 billion, ¥241.1 billion increase from the previous fiscal year.

Liabilities were ¥2,073.8 billion, ¥213.0 billion increase from the previous fiscal year mainly due to an increase in interest-bearing debt.

3. Equity

Equity was ¥589.3 billion, ¥7.5 billion decrease from the previous fiscal year mainly due to the recording of loss attributable to owners of parent.

Cash flows

Cash and cash equivalents (Hereinafter referred to as “net cash”) during the third quarter of this consolidated fiscal year were ¥102.0 billion, an increase of ¥14.0 billion compared to the same period of the previous fiscal year. The cash flow situations and relevant factors during the third quarter of this consolidated fiscal year are stated below.

1. Cash flows from operating activities

Cash outflows from operating activities were ¥97.9 billion, an increase of ¥15.1 billion compared to the same period of the previous fiscal year. Major sources of operating cash flows included depreciation and amortization of ¥61.0 billion and an increase in refund liability of ¥53.5 billion. Major uses of operating cash flows included an increase in inventories of ¥83.1 billion and an increase in trade and other receivables of ¥58.0 billion.

2. Cash flows from investing activities

Investing activities used net cash of ¥81.1 billion, which is ¥27.8 billion more 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 ¥146.7 billion, which is ¥4.8 billion less than in the same period of the previous fiscal year. This was mainly due to net increase in short-term borrowings.

(3) Consolidated earnings forecast

With respect to the earnings forecasts for the fiscal year ending March 31, 2024, the Company expects revenue of ¥1,840.0 billion, which has been left unchanged from the previous forecast (November 8) due to a reduction in the sales forecast in the Precision Machinery & Robot segment, despite higher sales in the Energy Solution & Marine Engineering segment.

The Company expects business profit of ¥43.0 billion, which is ¥3.0 billion increase from the previous forecast due to an increase resulting from an improvement in profitability in the Aerospace Systems segment and the Energy Solution & Marine Engineering segment, despite a decrease in profit due to a decrease in the revenue in the Precision Machinery & Robot segment and the recording of recall-related expenses which is related to four-wheeled vehicles for the United States in the Powersports & Engine segment.

The Company is forecasting profit before tax of ¥21.0 billion, profit attributable to owners of parent of ¥12.0 billion, after-tax ROIC of 1.5%, and ROE of 2.0%.

The forecast of consolidated orders received is expected to be ¥1,950.0 billion, which is ¥40.0 billion increase from the previous forecast due to increases in orders received from Ministry of Defense in Japan in the Aerospace Systems segment and the domestic waste disposal facilities in the Energy Solution & Marine Engineering segment.

The exchange rates assumed in this forecast are ¥140 to the U.S. dollar and ¥150 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 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 December 31, 2023 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 138,420 | 102,015 |
| Trade and other receivables | 470,398 | 556,217 |
| Contract assets | 159,422 | 134,291 |
| Inventories | 690,431 | 776,938 |
| Income taxes receivable | 551 | 6,872 |
| Other financial assets | 10,741 | 13,748 |
| Other current assets | 100,385 | 120,481 |
| Total current assets | 1,570,350 | 1,710,565 |
| Non-current assets | | |
| Property, plant and equipment | 451,010 | 483,871 |
| Intangible assets | 66,248 | 68,126 |
| Right-of-use assets | 68,422 | 64,295 |
| Investments accounted for using equity method | 77,440 | 90,297 |
| Other financial assets | 70,224 | 78,086 |
| Deferred tax assets | 110,264 | 126,593 |
| Other non-current assets | 43,763 | 41,375 |
| Total non-current assets | 887,374 | 952,646 |
| Total assets | 2,457,725 | 2,663,212 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 452,250 | 476,493 |
| Bonds, borrowings and other financial liabilities | 340,176 | 572,045 |
| Income taxes payable | 18,071 | 8,712 |
| Contract liabilities | 256,247 | 241,544 |
| Provisions | 22,897 | 30,344 |
| Refund liabilities | 10,258 | 64,485 |
| Other current liabilities | 208,760 | 168,228 |
| Total current liabilities | 1,308,661 | 1,561,855 |
| Non-current liabilities | | |
| Bonds, borrowings and other financial liabilities | 445,082 | 399,361 |
| Retirement benefit liability | 91,552 | 94,665 |
| Provisions | 1,942 | 1,170 |
| Deferred tax liabilities | 833 | 829 |
| Other non-current liabilities | 12,779 | 16,008 |
| Total non-current liabilities | 552,190 | 512,035 |
| Total liabilities | 1,860,852 | 2,073,890 |
| Equity | | |
| Equity attributable to owners of parent | | |
| Share capital | 104,484 | 104,484 |
| Capital surplus | 55,716 | 56,433 |
| Retained earnings | 380,255 | 353,118 |
| Treasury shares | (1,107) | (1,067) |
| Other components of equity | 36,852 | 55,814 |
| Total equity attributable to owners of parent | 576,201 | 568,783 |
| Non-controlling interests | 20,670 | 20,537 |
| Total equity | 596,872 | 589,321 |
| Total liabilities and equity | 2,457,725 | 2,663,212 |

**(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

For nine months ended December 31, 2023 and 2022

| | Millions of yen | |
|--|--|--|
| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
| Revenue | 1,196,330 | 1,229,069 |
| Cost of sales | 949,501 | 1,038,299 |
| Gross profit | 246,828 | 190,770 |
| Selling, general and administrative expenses | 168,807 | 196,199 |
| Share of profit of investments accounted for using equity method | 3,935 | 6,148 |
| Other income | 2,818 | 3,655 |
| Other expenses | 3,890 | 3,633 |
| Business profit | 80,885 | 741 |
| Finance income | 1,363 | 2,107 |
| Finance costs | 10,120 | 20,780 |
| Profit (loss) before tax | 72,127 | (17,931) |
| Income tax expense | 18,399 | (6,095) |
| Profit (loss) | 53,727 | (11,835) |
| Profit (loss) attributable to: | | |
| Owners of parent | 52,512 | (13,480) |
| Non-controlling interests | 1,214 | 1,644 |
| Earnings per share | | |
| Basic earnings (loss) per share | 313.55 | (80.48) |

For three months ended December 31, 2023 and 2022

| | Millions of yen | |
|---|---|---|
| | Three months ended December 31, 2022 | Three months ended December 31, 2023 |
| Revenue | 436,584 | 459,728 |
| Cost of sales | 329,845 | 357,373 |
| Gross profit | 106,738 | 102,354 |
| Selling, general and administrative expenses | 58,953 | 67,960 |
| Share of profit (loss) of investments accounted for using equity method | 2,932 | (391) |
| Other income | 379 | 960 |
| Other expenses | 1,043 | 1,374 |
| Business profit | 50,054 | 33,588 |
| Finance income | (7,249) | (2,516) |
| Finance costs | 6,623 | 14,531 |
| Profit before tax | 36,180 | 16,540 |
| Income tax expense | 6,886 | 5,965 |
| Profit | 29,294 | 10,574 |
| Profit attributable to: | | |
| Owners of parent | 28,749 | 9,866 |
| Non-controlling interests | 544 | 708 |
| Earnings per share | | |
| Basic earnings per share | 171.65 | 58.90 |

Condensed Quarterly Consolidated Statement of Comprehensive Income
For nine months ended December 31, 2023 and 2022

| | Millions of yen | |
|--|--|--|
| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
| Profit (loss) | 53,727 | (11,835) |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | (1,036) | 2,148 |
| Remeasurements of defined benefit plans | 528 | (35) |
| Share of other comprehensive income of investments accounted for using equity method | 0 | 1 |
| Total of items that will not be reclassified to profit or loss | (507) | 2,114 |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedges | 2,146 | (427) |
| Exchange differences on translation of foreign operations | 7,794 | 14,585 |
| Share of other comprehensive income of investments accounted for using equity method | 439 | 3,572 |
| Total of items that may be reclassified to profit or loss | 10,380 | 17,730 |
| Total other comprehensive income | 9,872 | 19,844 |
| Comprehensive income | 63,600 | 8,009 |
| Comprehensive income attributable to: | | |
| Owners of parent | 62,078 | 5,658 |
| Non-controlling interests | 1,522 | 2,351 |

For three months ended December 31, 2023 and 2022

| | Millions of yen | |
|--|---|---|
| | Three months ended December 31, 2022 | Three months ended December 31, 2023 |
| Profit | 29,294 | 10,574 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | (451) | (329) |
| Remeasurements of defined benefit plans | (152) | (11) |
| Share of other comprehensive income of investments accounted for using equity method | 238 | 0 |
| Total of items that will not be reclassified to profit or loss | (365) | (341) |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedges | 9,352 | 6,116 |
| Exchange differences on translation of foreign operations | (12,469) | (6,106) |
| Share of other comprehensive income of investments accounted for using equity method | (2,352) | 760 |
| Total of items that may be reclassified to profit or loss | (5,470) | 770 |
| Total other comprehensive income | (5,835) | 429 |
| Comprehensive income | 23,458 | 11,004 |
| Comprehensive income attributable to: | | |
| Owners of parent | 23,502 | 10,380 |
| Non-controlling interests | (44) | 623 |

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For nine months ended December 31, 2022 (April 1, 2022 – December 31, 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 (loss) | | | 52,512 | | | |
| Other comprehensive income | | | | | 538 | (1,007) |
| Comprehensive income | | | 52,512 | | 538 | (1,007) |
| Purchase of treasury shares | | | | (3) | | |
| Disposal of treasury shares | | (0) | | 26 | | |
| Dividends | | | (8,394) | | | |
| Transfer to retained earnings | | | 479 | | (538) | 59 |
| Change in scope of consolidation | | | | | | |
| Loss of control of subsidiaries | | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 248 | | | | |
| Transfer to non-financial assets | | | | | | |
| Other | | | 34 | | | |
| Total transactions with owners | | 247 | (7,879) | 23 | (538) | 59 |
| Balance as of December 31, 2022 | 104,484 | 55,773 | 365,304 | (1,105) | - | 3,487 |

| | 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 (loss) | | | | 52,512 | 1,214 | 53,727 |
| Other comprehensive income | 1,546 | 8,488 | 9,565 | 9,565 | 307 | 9,872 |
| Comprehensive income | 1,546 | 8,488 | 9,565 | 62,078 | 1,522 | 63,600 |
| Purchase of treasury shares | | | | (3) | | (3) |
| Disposal of treasury shares | | | | 26 | | 26 |
| Dividends | | | | (8,394) | (561) | (8,955) |
| Transfer to retained earnings | | | (479) | - | | - |
| 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 | | | | 248 | (259) | (11) |
| Transfer to non-financial assets | (571) | | (571) | (571) | | (571) |
| Other | | | | 34 | 0 | 34 |
| Total transactions with owners | (571) | | (1,050) | (8,659) | (2,532) | (11,191) |
| Balance as of December 31, 2022 | 690 | 30,268 | 34,445 | 558,902 | 18,397 | 577,300 |

For nine months ended December 31, 2023 (April 1, 2023 – December 31, 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 (loss) | | | (13,480) | | | |
| Other comprehensive income | | | | | (32) | 2,107 |
| Comprehensive income | | | (13,480) | | (32) | 2,107 |
| Purchase of treasury shares | | | | (5) | | |
| Disposal of treasury shares | | 0 | | 45 | | |
| Dividends | | | (13,430) | | | |
| Transfer to retained earnings | | | (234) | | 32 | 202 |
| Change in scope of consolidation | | | 8 | | | |
| Loss of control of subsidiaries | | | | | | |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 717 | | | | |
| Transfer to non-financial assets | | | | | | |
| Other | | | | | | |
| Total transactions with owners | | 717 | (13,656) | 39 | 32 | 202 |
| Balance as of December 31, 2023 | 104,484 | 56,433 | 353,118 | (1,067) | - | 6,418 |

| | 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 (loss) | | | | (13,480) | 1,644 | (11,835) |
| Other comprehensive income | 1,026 | 16,036 | 19,138 | 19,138 | 706 | 19,844 |
| Comprehensive income | 1,026 | 16,036 | 19,138 | 5,658 | 2,351 | 8,009 |
| Purchase of treasury shares | | | | (5) | | (5) |
| Disposal of treasury shares | | | | 45 | | 45 |
| Dividends | | | | (13,430) | (581) | (14,012) |
| Transfer to retained earnings | | | 234 | - | | - |
| Change in scope of consolidation | | (17) | (17) | (9) | | (9) |
| Loss of control of subsidiaries | | | | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | 717 | (1,902) | (1,185) |
| Transfer to non-financial assets | (393) | | (393) | (393) | | (393) |
| Other | | | | | | - |
| Total transactions with owners | (393) | (17) | (176) | (13,076) | (2,484) | (15,560) |
| Balance as of December 31, 2023 | 1,309 | 48,085 | 55,814 | 568,783 | 20,537 | 589,321 |

(4) Condensed Quarterly Consolidated Statement of Cash Flow

| | Millions of yen | |
|---|--|--|
| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
| Cash flows from operating activities | | |
| Profit (loss) | 53,727 | (11,835) |
| Depreciation and amortization | 55,980 | 61,019 |
| Impairment losses | 405 | 568 |
| Finance income and finance costs | 3,137 | 7,763 |
| Share of loss (profit) of investments accounted for using equity method | (3,935) | (6,148) |
| Loss (gain) on sale of fixed assets | 518 | 502 |
| Income tax expense | 18,399 | (6,095) |
| Increase (decrease) in retirement benefit liability | 2,771 | 2,956 |
| Decrease (increase) in trade and other receivables | (64,277) | (58,082) |
| Decrease (increase) in contract assets | (26,589) | 25,099 |
| Decrease (increase) in inventories | (106,083) | (83,160) |
| Increase (decrease) in trade and other payables | 26,151 | 17,976 |
| Decrease (increase) in advance payment | (29,416) | 1,535 |
| Increase (decrease) in contract liabilities | 14,784 | (19,181) |
| Increase (decrease) in refund liability | (749) | 53,576 |
| Decrease (increase) in other current assets | (24,778) | (25,917) |
| Increase (decrease) in other current liabilities | 6,257 | (19,208) |
| Other | (21,370) | (15,328) |
| Subtotal | <u>(95,068)</u> | <u>(73,961)</u> |
| Interest received | 1,131 | 1,768 |
| Dividends received | 327 | 358 |
| Interest paid | (4,286) | (5,557) |
| Income taxes paid | (15,221) | (20,528) |
| Net cash provided by (used in) operating activities | <u>(113,118)</u> | <u>(97,921)</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (38,749) | (68,359) |
| Proceeds from sale of property, plant and equipment | 1,981 | 2,400 |
| Purchase of intangible assets | (6,241) | (12,203) |
| Proceeds from sale of intangible assets | 17 | 47 |
| Payments for equity method investment and purchase of other financial assets | (6,313) | (163) |
| Proceeds from equity method investment and sale of other financial assets | 80 | 249 |
| Payments for acquisition of subsidiaries | (525) | - |
| Decrease due to loss of control over subsidiaries | (3,224) | (92) |
| Other | (291) | (2,988) |
| Net cash provided by (used in) investing activities | <u>(53,266)</u> | <u>(81,109)</u> |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 177,841 | 269,826 |
| Repayments of lease liabilities | (10,993) | (12,304) |
| Proceeds from long-term borrowings | 12,500 | 23,682 |
| Repayments of long-term borrowings | (18,500) | (12,540) |
| Proceeds from issuance of bonds | 9,000 | - |
| Redemption of bonds | (20,000) | (40,000) |
| Dividends paid | (7,982) | (13,196) |
| Proceeds from factoring agreements | 47,139 | 27,114 |
| Repayment of liabilities under factoring agreements | (32,302) | (84,744) |
| Dividends paid to non-controlling interests | (561) | (581) |
| Payments for acquisition of subsidiary shares not resulting in change in scope of consolidation | (11) | (1,195) |
| Other | (4,567) | (9,312) |
| Net cash provided by (used in) financing activities | <u>151,561</u> | <u>146,748</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(5,690)</u> | <u>(4,122)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(20,513)</u> | <u>(36,404)</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>87,998</u> | <u>102,015</u> |

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

Notes on the going-concern assumption

Not applicable.

Segment information

For nine months ended December 31, 2022 (April 1, 2022 – December 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 | 238,600 | 92,359 | 212,353 | 179,189 | 413,788 | 60,039 | 1,196,330 | - | 1,196,330 |
| Intersegment revenue and transfers *1 | 7,273 | 607 | 10,417 | 13,724 | 664 | 15,793 | 48,481 | (48,481) | - |
| Total revenue | 245,874 | 92,966 | 222,770 | 192,913 | 414,453 | 75,833 | 1,244,811 | (48,481) | 1,196,330 |
| Business profit (loss) *3 | 13,710 | 793 | 9,387 | 7,443 | 53,728 | 3,317 | 88,380 | (7,495) | 80,885 |
| Finance income | | | | | | | | | 1,363 |
| Finance costs | | | | | | | | | (10,120) |
| Profit (loss) before tax | | | | | | | | | 72,127 |

- Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.
 2. Eliminations and corporate of negative ¥7,495 million include negative ¥244 million for intersegment transactions and negative ¥7,250 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 nine months ended December 31, 2023 (April 1, 2023 – December 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 | 235,542 | 135,829 | 234,350 | 158,717 | 404,422 | 60,208 | 1,229,069 | - | 1,229,069 |
| Intersegment revenue and transfers *1 | 6,977 | 393 | 16,269 | 12,218 | 820 | 17,262 | 53,942 | (53,942) | - |
| Total revenue | 242,519 | 136,222 | 250,620 | 170,935 | 405,242 | 77,470 | 1,283,012 | (53,942) | 1,229,069 |
| Business profit (loss) *3 | (35,555) | 2,637 | 16,699 | (4,368) | 32,011 | 1,514 | 12,938 | (12,196) | 741 |
| Finance income | | | | | | | | | 2,107 |
| Finance costs | | | | | | | | | (20,780) |
| Profit (loss) before tax | | | | | | | | | (17,931) |

- Notes: 1. Intersegment revenue and transfers are made with reference to prevailing market prices.
 2. Eliminations and corporate of negative ¥12,196 million include negative ¥689 million for intersegment transactions and negative ¥11,506 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.

Other notes

The recording of loss related to the in-service issues of PW1100G-JM Engine

The PW1100G-JM Engine program (Hereinafter referred to as the program), in which the Company participates through International Aero Engines, LLC (Hereinafter referred to as IAE), a multinational collaboration on civil aero engine, has been impacted by the challenge of managing significant in-service issues, so the Company is currently working hard with IAE to remedy this situation. As a member of this program, the Company would cover its portion of the loss associated with in-service issues. Therefore, ¥56,247 million has been recorded on “Refund liabilities” in the condensed quarterly consolidated statement of financial position and deducted from “Revenue” in the condensed quarterly consolidated statement of profit and loss as a partial burden of the loss related to Airworthiness Directives which mandated additional inspections.

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 November 8, 2023 (B) | | Change (A – B) | | Revenue | Business profit (loss) |
| | Revenue | Business profit (loss) | Revenue | Business profit (loss) | Revenue | Business profit (loss) | | |
| Aerospace Systems | 390.0 | (17.0) | 390.0 | (24.0) | - | 7.0 | 348.8 | 14.8 |
| Rolling Stock | 190.0 | 4.0 | 190.0 | 4.0 | - | - | 131.9 | 1.3 |
| Energy Solution & Marine Engineering | 360.0 | 26.0 | 350.0 | 22.0 | 10.0 | 4.0 | 314.5 | 3.9 |
| Precision Machinery & Robot | 220.0 | (1.0) | 230.0 | 3.0 | (10.0) | (4.0) | 252.6 | 8.7 |
| Powersports & Engine | 590.0 | 47.0 | 590.0 | 50.0 | - | (3.0) | 591.1 | 71.5 |
| Other | 90.0 | 2.0 | 90.0 | 2.0 | - | - | 86.3 | (1.8) |
| Adjustments | | (18.0) | | (17.0) | | (1.0) | | (16.2) |
| Total | 1,840.0 | 43.0 | 1,840.0 | 40.0 | - | 3.0 | 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 November 8, 2023 (B) | Change (A – B) | |
| Aerospace Systems | 590.0 | 560.0 | 30.0 | 345.5 |
| Rolling Stock | 80.0 | 80.0 | - | 313.2 |
| Energy Solution & Marine Engineering | 360.0 | 340.0 | 20.0 | 439.0 |
| Precision Machinery & Robot | 230.0 | 240.0 | (10.0) | 262.0 |
| Powersports & Engine | 590.0 | 590.0 | - | 591.1 |
| Other | 100.0 | 100.0 | - | 86.4 |
| Total | 1,950.0 | 1,910.0 | 40.0 | 2,037.4 |

Note: 1. Assumed exchange rate for the fiscal year ending March 31, 2024: ¥140/USD, ¥150/EUR

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