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(Securities Code: 7012)

June 4, 2021

**Dear Shareholders:**

Yasuhiko Hashimoto  
Director, President and Chief  
Executive Officer  
**Kawasaki Heavy Industries, Ltd.**  
1-1 Higashikawasaki-cho 3-chome,  
Chuo-ku, Kobe  
(Registered Office)  
1-3 Higashikawasaki-cho 1-chome,  
Chuo-ku, Kobe

**NOTICE OF  
THE 198<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to inform you that we will hold the 198<sup>th</sup> Ordinary General Meeting of Shareholders of Kawasaki Heavy Industries, Ltd. (the "Company" or "KHI") as described below.

In order to prevent infection and spread of COVID-19, we kindly ask you to consider refraining from attending this General Meeting of Shareholders considering for your health.

Regarding the exercise of voting rights mentioned above, we kindly ask you to review the "Reference Documents for the General Meeting of Shareholders" described hereinafter, and exercise your voting rights by 5:00 p.m. on Thursday, June 24, 2021 (JST).

- 1. Date and Time:** **Friday, June 25, 2021 at 10:00 a.m. (JST) (Door opens at 9:00 a.m.)**
- 2. Place:** **Kokusai Hall at The Kobe International House**  
1-6 Gokoudori 8-chome, Chuo-ku, Kobe

**3. Meeting Agenda:**

**Matters to be reported:**

1. The Business Report, Consolidated Financial Statements for the Company's 198<sup>th</sup> Fiscal Year (from April 1, 2020 to March 31, 2021) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
2. Non-Consolidated Financial Statements for the Company's 198<sup>th</sup> Fiscal Year (from April 1, 2020 to March 31, 2021)

**Matters to be resolved:**

- Proposal No. 1:** Election of Eight Directors (except Directors Serving as Audit and Supervisory Committee Members)
- Proposal No. 2:** Determination of Amount and Other Details of Performance-linked Stock Compensation for Directors (except Directors Serving as Audit and Supervisory Committee Members)

(Please refer to the "Reference Documents for the General Meeting of Shareholders" hereinafter for information on each of the proposals.)

#### **4. Other matters regarding the General Meeting of Shareholders:**

(1) Concerning web disclosure

Among the documents to be submitted when sending the Notice, "System to ensure that Directors' execution of duties complies with laws and regulations and the Articles of Incorporation, other systems to ensure proper execution of business and overview of operation status of such systems" in the Business Report, "Consolidated Statement of Changes in Net Assets" "Notes to the Consolidated Financial Statements" and "Non-consolidated Statement of Changes in Net Assets" "Notes to the Non-consolidated Financial Statements" are posted on the Company's Website pursuant to laws and regulations as well as Article 16 of the Company's Articles of Incorporation, and they are not included in the Appendix regarding matters to be reported. "Consolidated Statement of Changes in Net Assets" "Notes to the Consolidated Financial Statements" "Non-consolidated Statement of Changes in Net Assets" and "Notes to the Non-consolidated Financial Statements" have been combined with the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the auditing process when preparing the results of audits by the Audit and Supervisory Committee and the Accounting Auditor.

(2) Concerning amendments on the web

Any amendments to the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and the Reference Documents for the General Meeting of Shareholders, will be posted on the Company's Website.

(3) Concerning entrance of persons other than shareholders

Please note that persons other than shareholders who are able to exercise voting rights, including representatives and their companions who are not shareholders, are not permitted to enter the venue.

(4) Concerning photography, video and audio recording inside the General Meeting of Shareholders

Photography, video and audio recording inside the General Meeting of Shareholders is prohibited. We appreciate your cooperation.

(5) Concerning proceedings on the day of the General Meeting of Shareholders

Please note that the proceedings on the day of the General Meeting of Shareholders will be conducted in the Japanese language. Please kindly accept that we will not be preparing any interpreters.

(6) Concerning results of resolutions

For the results of resolutions of the General Meeting of Shareholders, please refer to the Company's website (please acknowledge that written notice of resolutions will not be sent by mail).

The Company's Website  
<https://www.khi.co.jp/ir/>

### **Guidance on Exercise of Voting Rights, Etc.**

To prevent the spread of COVID-19 infections, **we kindly ask you to consider refraining from visiting the meeting on the day of the General Meeting of Shareholders**, taking much thought to the effects on health of the shareholders attending the meeting, including yourself, and exercising your voting rights for the meeting in advance via the Internet, smartphones or by the enclosed voting form, as much as possible.

#### Exercise of Voting Rights in Writing

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return it so that it is delivered by the above-mentioned exercise date.

#### Exercise of Voting Rights via the Internet, etc.

Please exercise your voting right by logging on to the Internet website (<https://www.web54.net>) and entering the voting right exercise code and password stated on the enclosed Voting Rights Exercise Form, and follow the online instructions to submit your vote.

## Scanning QR code "Smart Vote®"

You can simply login to the website for exercising voting rights without entering your login ID and password.

1 Please scan the QR code located on the right side of the Voting Rights Exercise Form.

\* "QR code" is a registered trademark of DENSO WAVE INCORPORATED.

2 Indicate your approval or disapproval by following the instructions on the screen.

**Note that you can exercise your vote via "Smart Vote®" only once.**

If you need to change your vote after having exercised your right, please access the voting website, enter your "voting right exercise code" and "password" stated on the Voting Rights Exercise Form to log in, and exercise your voting right again.

\*Please scan the QR code again to access the voting website.

## Entering login ID and password

Voting website:

<https://www.web54.net>

1 Please access the voting website.

2 Enter your "voting right exercise code" on the Voting Rights Exercise Form.

3 Enter your "password" on the Voting Rights Exercise Form.

4 Indicate your approval or disapproval by following the instructions on the screen.

### Notes:

If you duplicate your vote, i.e., if you exercise your voting rights both in writing and via the Internet, etc., we will consider only the vote cast via the Internet, etc. to be valid. Also, if you vote a number of times, we will consider the final vote to be the valid one.

## **Measures for Preventing the Spread of COVID-19 and Request to Shareholders Attending This Ordinary General Meeting of Shareholders**

We believe that the General Meeting of Shareholders is a valuable occasion to communicate directly with our shareholders. However, we also believe that we must prioritize the lives, health and safety of our shareholders.

In order to prevent the spread of COVID-19, please understand and acknowledge the following matters in advance. We would appreciate your cooperation.

- Attendees and staff from the Company will wear masks at the General Meeting of Shareholders after verifying physical condition, including measuring temperature.

- You can use only an assigned seat in order to allow space between seats. In addition, the number of seats available this year will be significantly reduced compared to previous years. Therefore, even if you come to the venue on the day of the General Meeting of Shareholders, your admission may be refused.

- To prevent the congestion at the reception area, please have a Voting Rights Exercise Form in your hand in advance.

- **If you fall under any of the following items, your admission may be restricted for prevention of the spread of COVID-19.**

- If you do not disinfect your hands
- If you do not wear a mask
- If you are deemed to have a fever
- If you are deemed to be in poor health
- If you do not cooperate in a temperature check

- We will endeavor to close the meeting as early as possible by facilitating and expediting the proceedings and simplifying the matters reported at the meeting (including an audit report), detailed explanation of the proposals and the Q&A session with shareholders. Therefore, please read this notice of the General Meeting of Shareholders in advance. In addition, we may shorten the time of the Q&A session by limiting questions to those related to the matters to be reported and matters to be resolved, and accepting only one question per shareholder.

- Depending on the condition of the spread of COVID-19, the venue or start time of the meeting may have to be changed. In this case, we will post the information on the Company's Website (<https://www.khi.co.jp/ir/>). Please make sure to check the Company's Website in advance, even if you visit the meeting on the day of the General Meeting of Shareholders.

## Reference Documents for the General Meeting of Shareholders

### Proposals and References

#### Proposal No. 1: Election of Eight Directors (except Directors Serving as Audit and Supervisory Committee Members)

The terms of office for all eight Directors (except Directors serving as Audit and Supervisory Committee Members; the same shall apply hereinafter in this proposal) will expire at the closing of this General Meeting of Shareholders. Therefore, we propose to elect eight Directors.

Candidates for Directors were nominated by the Board of Directors in accordance with “Qualifications Expected of Directors,” which is described on page 20. The Company has obtained a report to the effect that this nomination is appropriate from the Nomination Advisory Committee, which consists mainly of independent outside officers.

The candidates for Directors are as follows:

No.		Name	Duties, Significant concurrent positions etc.	Attendance at meetings of the Board of Directors
1		Yoshinori Kanehana	Chairman of the Board	14/14 (100%)
2		Yasuhiko Hashimoto	President and Chief Executive Officer	14/14 (100%)
3		Sukeyuki Namiki	Vice President and Senior Executive Officer, Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of TQM, General Administration, Rolling Stock Company and North America Project Management Task Force	14/14 (100%)
4		Katsuya Yamamoto	Vice President and Senior Executive Officer, Assistant to the President, with overall responsibility for finance and accounting, and human resources, and in charge of Sustainable Development, Investor Relations and Corporate Communication, and General Manager, Human Resources Division	14/14 (100%)
5		Hiroshi Nakatani	Managing Executive Officer in charge of Corporate Planning, Digital Transformation and Cyber Security, and General Manager, Corporate Technology Division	11/11 (100%)
6	Outside Independent	Yoshiaki Tamura	Outside Director, DIC Corporation	14/14 (100%)
7	Outside Independent	Jenifer Rogers	General Counsel Asia, Asurion Japan Holdings G.K. Outside Director, Mitsui & Co., Ltd. Outside Director, Nissan Motor Co., Ltd. President, American Chamber of Commerce in Japan	14/14 (100%)
8	Outside Independent	Hideo Tsujimura		11/11 (100%)

- (Notes)
1. There is no special interest relationship between each candidate and the Company.
  2. The number of attendances at the Board of Directors meetings for Mr. Hiroshi Nakatani and Mr. Hideo Tsujimura is based on their attendance records after they assumed the office of Director on June 25, 2020.
  3. The Company has concluded a Directors and Officers Liability Insurance (D&O Insurance) contract with an insurance company for the Company's Directors (except Directors serving as Audit and Supervisory Committee Members), Executive Officers, etc. The insureds do not bear insurance premiums. The insurance policy covers damages and court costs that may be incurred by the insured arising from the insured's act in connection with the execution of his or her duties. The Company plans to renew the insurance policy with the same contents at the next renewal.

[Opinion of the Audit and Supervisory Committee]

The Audit and Supervisory Committee has concluded that the content of the proposal regarding the election of Directors (except Directors serving as Audit and Supervisory Committee Members) is appropriate, having examined whether the criteria for election, etc. has been set appropriately by the Board of Directors and whether deliberation in the Nomination Committee has been conducted through an appropriate process.



No.	Name (Date of Birth)  Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
1	Yoshinori Kanehana (February 19, 1954)  14/14 (100%)	<p>Apr. 1976    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2012    Senior Vice President General Manager, Marketing Division</p> <p>Jun. 2013    Senior Vice President President, Rolling Stock Company</p> <p>Apr. 2016    Senior Executive Vice President Assistant to the President</p> <p>Jun. 2016    President</p> <p>Apr. 2018    President and Chief Executive Officer</p> <p>Jun. 2020    Chairman of the Board (present)</p> <hr/> <p><b>Reasons for nomination as candidate</b> Mr. Kanehana has been mainly engaged in business related to technology and development of the rolling stock segment of the Company and its overseas business for many years. He assumed the office of Senior Vice President of the Company in 2012, Senior Executive Vice President of the Company in April 2016 and Chairman of the Board of the Company in 2020. He has served as its Chairman of the Board since June 2016. Presently, as Chairman of the Board, he has been demonstrating outstanding leadership, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p>	27,600 shares

No.	Name (Date of Birth)  Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
2	Yasuhiko Hashimoto (May 15, 1957)  14/14 (100%)	<p>Apr. 1981    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2016    Managing Executive Officer In charge of promoting automation, General Manager, Robot Business Division, Precision Machinery Company</p> <p>Apr. 2018    Managing Executive Officer President, Precision Machinery &amp; Robot Company, in charge of promoting automation</p> <p>Jun. 2018    Director, Managing Executive Officer President, Precision Machinery &amp; Robot Company, in charge of promoting automation</p> <p>Apr. 2020    Director, Vice President and Senior Executive Officer Assistant to the President</p> <p>Jun. 2020    President and Chief Executive Officer (present)</p> <p><b>Reasons for nomination as candidate</b> Mr. Hashimoto has been mainly engaged in businesses related to technology and development of the industrial robots business unit of the Company for many years. He was appointed Director, Managing Executive Officer in 2018, Director, Vice President and Senior Executive Officer of the Company in April 2020 and Director, President and Chief Executive Officer in June 2020. Presently, as Director, President and Chief Executive Officer, he has been demonstrating outstanding leadership, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p>	13,000 shares

No.	Name (Date of Birth)  Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
3	Sukeyuki Namiki (June 6, 1955)  14/14 (100%)	<p>Apr. 1980    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2016    Managing Executive Officer President, Aerospace Company</p> <p>Apr. 2018    Managing Executive Officer President, Aerospace Systems Company, with overall responsibility for production</p> <p>Jun. 2018    Director, Managing Executive Officer President, Aerospace Systems Company</p> <p>Apr. 2019    Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of Quality Control and Rolling Stock Company</p> <p>Apr. 2020    Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of TQM, General Administration, and Rolling Stock Company</p> <p>Apr. 2021    Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of TQM, General Administration, Rolling Stock Company and North America Project Management Task Force (present)</p> <p><b>Reasons for nomination as candidate</b> Mr. Namiki has been mainly engaged in businesses related to technology and development of the aerospace segment of the Company for many years. He was appointed Director, Managing Executive Officer of the Company in 2018 and Director, Vice President and Senior Executive Officer of the Company in 2019. Presently, as Director, Vice President and Senior Executive Officer, he has an overall responsibility for technology, production and procurement, while also being in charge of TQM, General Administration, and Rolling Stock Company, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p>	12,700 shares

[Reference]

"TQM": Total Quality Management

No.	Name (Date of Birth)  Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
4	Katsuya Yamamoto (November 21, 1957)  14/14 (100%)	<p>Apr. 1981    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2017    Managing Executive Officer General Manager, Corporate Planning Division</p> <p>Jun. 2017    Senior Vice President General Manager, Corporate Planning Division</p> <p>Apr. 2018    Director, Managing Executive Officer General Manager, Corporate Planning Division, in charge of Risk Management</p> <p>Apr. 2019    Director, Managing Executive Officer, in charge of Corporate Planning, Investor Relations, Corporate Communication and Ship &amp; Offshore Structure Company, General Manager, Corporate Planning Division</p> <p>Apr. 2020    Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for finance and accounting, and human resources, and in charge of Sustainable Development, Investor Relations and Corporate Communication</p> <p>Apr. 2021    Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for finance and accounting, and human resources, and in charge of Sustainable Development, Investor Relations and Corporate Communication, and General Manager, Human Resources Division (present)</p> <p><b>Reasons for nomination as candidate</b> Mr. Yamamoto has been mainly engaged in businesses related to corporate planning and finance &amp; accounting of the plant &amp; infrastructure segment and the precision machinery segment of the Company for many years. He was appointed Senior Vice President of the Company in 2017 and Director, Vice President and Senior Executive Officer of the Company in 2020. Presently, as Director, Vice President and Senior Executive Officer, he has an overall responsibility for finance and accounting, and human resources, while also being in charge of Sustainable Development, Investor Relations and Corporate Communication, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p>	11,500 shares

[Reference]

“Sustainability”: This is the sustainability of society and the environment. The Company promotes sustainable management, which it supports from the aspects of CSR, risk, legal affairs, etc., to contribute to the future of society and the environment.

No.	Name (Date of Birth)  Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
5	Hiroshi Nakatani (August 9, 1960)  11/11 (100%)	<p>Apr. 1984    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2016    Executive Officer Deputy General Manager, Corporate Technology Division, and General Manager, Technical Institute</p> <p>Apr. 2019    Managing Executive Officer General Manager, Corporate Technology Division, General Manager, Technical Institute, and Group Manager, Manufacturing Improvement Center, in charge of IT Strategy</p> <p>Apr. 2020    Managing Executive Officer In charge of Corporate Planning, Digital Transformation, and Ship &amp; Offshore Structure Company, and General Manager, Corporate Technology Division</p> <p>Jun. 2020    Director, Managing Executive Officer In charge of Corporate Planning, Digital Transformation, and Ship &amp; Offshore Structure Company, and General Manager, Corporate Technology Division</p> <p>Nov. 2020    Director, Managing Executive Officer In charge of Corporate Planning, Digital Transformation, Cyber Security, and Ship &amp; Offshore Structure Company, and General Manager, Corporate Technology Division</p> <p>Apr. 2021    Director, Managing Executive Officer In charge of Corporate Planning, Digital Transformation, and Cyber Security, and General Manager, Corporate Technology Division (present)</p> <p><b>Reasons for nomination as candidate</b> Mr. Nakatani has been mainly engaged in businesses related to technical development and planning for many years. He was appointed Director, Managing Executive Officer of the Company in 2020. Presently, as Director, Managing Executive Officer and General Manager of Corporate Technology Division, he has been demonstrating outstanding leadership, while also being in charge of overall Corporate Planning, Digital Transformation and Cyber Security, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p>	5,800 shares

[Reference]

"Digital Transformation": The reformation of products, services and business models based on the needs of customers and society, which utilizes data and digital technologies to respond to drastic changes in the business environment, as well as the reformation of business, organization, processes and corporate culture.

No.	Name (Date of Birth)  Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
6	(Outside Director Candidate) (Independent Officer)  Yoshiaki Tamura (October 3, 1954)  14/14 (100%)	Apr. 1979    Joined Asahi Glass Co., Ltd. (At present: AGC Inc.)  Mar. 2013    Representative Director and Executive Vice President, Asahi Glass Co., Ltd. Overall Business Management, GM of Technology General Division, Deputy Leader of AGC Group Improvement Activities  Jan. 2014    Representative Director and Executive Vice President and President of Glass Company, Asahi Glass Co., Ltd.  Mar. 2014    Executive Vice President, President of Glass Company, Asahi Glass Co., Ltd.  Jan. 2017    Assistant to CEO, Asahi Glass Co., Ltd. Mar. 2017    Executive Fellow, Asahi Glass Co., Ltd. (retired in March 2019) Mar. 2018    Outside Director, DIC Corporation (present) Jun. 2018    Outside Director, Kawasaki Heavy Industries, Ltd. (present)  <b>[Significant concurrent positions]</b> Outside Director, DIC Corporation  <b>Reasons for nomination as candidate and outline of expected role</b> Mr. Tamura served as Representative Director and Executive Vice President, Overall Business Management, GM of Technology General Division, Deputy Leader of AGC Group Improvement Activities and Executive Vice President, President of Glass Company and other important positions of Asahi Glass Co., Ltd. (At present: AGC Inc.). Since 2018, as Outside Director of the Company, we have received helpful opinions and advice on important management decisions based on his deep insight for manufacturing and abundant management experience cultivated in those positions from a standpoint independent from the Company's execution of duties. Considering these points, we have expected him to continue to provide supervision leveraging his expertise and knowledge and continuously nominated him as a candidate for Outside Director.	1,500 shares

- (Notes)
1. He is a candidate for Outside Director.
  2. His tenure as Outside Director of the Company will have been three years at the conclusion of this Ordinary General Meeting of Shareholders.
  3. He has entered into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company, and the liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher. The Company will extend the above agreement with him after his election.
  4. The Company has submitted notification to Tokyo Stock Exchange, Inc. that the candidate has been appointed as Independent Officer as provided for by the aforementioned exchange.
  5. Although Asahi Glass Co., Ltd. (At present: AGC Inc.), where the candidate served as a managing officer in the past, is a business partner of the Company, the annual average transactions between the Group of Asahi Glass Co., Ltd and the KHI Group for the most recent five fiscal years account for less than 1% of the annual average net sales each for the said Group and the KHI Group over the corresponding period. Consequently, we have determined that there is no issue as to the independence of the candidate and he will be able to fulfil his role as an Independent Officer.

No.	Name (Date of Birth)  Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
7	(Outside Director Candidate) (Independent Officer)  Jenifer Rogers (June 22, 1963)  14/14 (100%)	<p>Sep. 1989    Joined Haight Gardner Poor &amp; Havens (At present: Holland &amp; Knight LLP)</p> <p>Dec. 1990    Registered as Attorney at Law admitted in New York</p> <p>Feb. 1991    Joined Industrial Bank of Japan Limited (At present: Mizuho Bank, Ltd.) (retired in November 1994)</p> <p>Dec. 1994    Joined Merrill Lynch Japan Securities Co., Ltd.</p> <p>Nov. 2000    Merrill Lynch Europe Plc</p> <p>Jul. 2006    Bank of America Merrill Lynch (Hong Kong)</p> <p>Jan. 2012    Bank of America Merrill Lynch (NY) (retired in October 2012)</p> <p>Nov. 2012    General Counsel Asia, Asurion Japan Holdings G.K. (concurrently serving as Vice President from November 2014) (present)</p> <p>Jun. 2015    Outside Director, Mitsui &amp; Co., Ltd. (present)</p> <p>Jun. 2018    Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Jun. 2019    Outside Director, Nissan Motor Co., Ltd. (present)</p> <p>Jan. 2021    President, American Chamber of Commerce in Japan (present)</p> <p><b>[Significant concurrent positions]</b> General Counsel Asia, Asurion Japan Holdings G.K. Outside Director, Mitsui &amp; Co., Ltd. Outside Director, Nissan Motor Co., Ltd. President, American Chamber of Commerce in Japan</p> <p><b>Reasons for nomination as candidate and outline of expected role</b> Ms. Rogers served as an in-house lawyer and counsel at financial institutions in Japan and overseas for many years. Since 2018, as Outside Director of the Company, we have received helpful opinions and advice on important management decisions based on her extensive international experience and deep insights into legal affairs, compliance, and risk management cultivated in those positions from a standpoint independent from the Company's execution of duties. Considering these points, we have expected her to continue to provide supervision leveraging her expertise and knowledge and nominated her as a candidate for Outside Director.</p>	1,800 shares

- (Notes)
1. She is a candidate for Outside Director.
  2. Her tenure as Outside Director of the Company will have been three years at the conclusion of this Ordinary General Meeting of Shareholders.
  3. She has entered into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company, and the liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher. The Company will extend the above agreement with her after her election.
  4. The Company has submitted notification to Tokyo Stock Exchange, Inc. that the candidate has been appointed as Independent Officer as provided for by the aforementioned exchange.



No.	Name (Date of Birth)  Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
8	(Outside Director Candidate) (Independent Officer)  Hideo Tsujimura (June 6, 1954)  11/11 (100%)	<p>Apr. 1980    Joined Suntory Limited</p> <p>Mar. 2004    Director, Suntory Limited</p> <p>Apr. 2009    Managing Executive Officer, Suntory Holdings Limited General Manager, R&amp;D Planning Division, in charge of Intellectual Property Department</p> <p>Mar. 2015    Senior Managing Director, Suntory Holdings Limited Representative Director, President &amp; Chief Executive Officer, Suntory Business Expert Limited (At present: Suntory MONOZUKURI Expert Limited)</p> <p>Apr. 2015    Senior Managing Director, in charge of Intellectual Property Department and R&amp;D Division, Suntory Holdings Limited</p> <p>Mar. 2017    Director, Executive Vice President, Suntory Beverage &amp; Food Limited</p> <p>Apr. 2017    Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research &amp; Development Department, Suntory Beverage &amp; Food Limited</p> <p>Apr. 2020    Full-time Advisor, Suntory Holdings Limited (present) Chairman, Suntory Foundation for Life Sciences (present)</p> <p>Jun. 2020    Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p><b>Reasons for nomination as candidate and outline of expected role</b> Mr. Tsujimura has not only extensive management experience but also deep insights into product development and intellectual property, having served as Senior Managing Director, in charge of Intellectual Property Department and R&amp;D Division of Suntory Holdings Limited, Representative Director, President &amp; Chief Executive Officer of Suntory Business Expert Limited, as well as Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research &amp; Development Department of Suntory Beverage &amp; Food Limited and other important positions. Since 2020, as Outside Director of the Company, we have received helpful opinions and advice on important management decisions based on such extensive management experience and deep insights into product development and intellectual property from a standpoint independent from the Company's execution of duties. Considering these points, we have expected him to continue to provide supervision leveraging his expertise and knowledge and nominated him as a candidate for Outside Director.</p>	200 shares

- (Notes)
1. He is a candidate for Outside Director.
  2. His tenure as Outside Director of the Company will have been one year at the conclusion of this Ordinary General Meeting of Shareholders.
  3. He has entered into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company, and the liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher. The Company will extend the above agreement with him after his election.
  4. The Company has submitted notification to Tokyo Stock Exchange, Inc. that the candidate has been appointed as Independent Officer as provided for by the aforementioned exchange.
  5. Although Suntory Beverage & Food Limited, where the candidate served as a managing officer in the past, is not a business partner of the Company, the KHI Group has a track record of transactions with the Group of Suntory Beverage & Food Limited and the KHI Group. However, the annual average transactions between the Group of Suntory Beverage & Food Limited and the KHI Group for the most recent five fiscal years account for less than 1% of the annual average net sales each for the said Group and the KHI Group over the corresponding period. Consequently, we have determined that there is no issue as to the independence of the candidate and he will be able to fulfil his role as an Independent Officer.

## **Reference**

### **[Qualifications Expected of Directors]**

1. Deeply understand and agree to the management philosophy and vision of the KHI Group
2. Be able to contribute to sustainable growth and enhancement of enterprise value in the medium- to long-term
3. Hold companywide standpoints and have abundant and broad experience, deep insight and expertise to do so
4. Be able to supervise the management and execution of business operations from an independent and objective standpoint as a member of the Board of Directors
5. Be able to exercise one's authority in an active and positive manner, or properly express one's opinions to the Board of Directors or the management

\* Directors serving as Audit and Supervisory Committee Members must be familiar with the Company's business or have deep insight and expertise in corporate management, legal affairs, finance and accounting, administration and other fields from the perspective of ensuring the effectiveness of audits. At least one Director serving as Audit and Supervisory Committee Member must have substantial knowledge about finance and accounting.

### **[Independence Standards for Officers]**

**When the Outside Officer does not fall under all the following items, Outside Officer is deemed to satisfy the independence requirements:**

1. The Outside Officer presently serves or previously served in the last ten years as an executive director, executive officer, operating officer or other important employee of a company (including major subsidiaries designated by the Company) (hereinafter, the "Home Company") that has a business relationship with the KHI Group, where the average amount of transaction from the said business for the last five fiscal years exceeds 2% of average net sales of the KHI Group and the Home Company.
2. The Outside Officer serves as a specialist or consultant (corporation if it has judicial personality) of legal, accounting or tax affairs and the average remuneration directly received from the KHI Group (excluding remuneration for the Company's officer) for the last five fiscal years exceeds ¥10 million.
3. The Outside Officer serves as executive officer of a non-profit organization and the average donations from the KHI Group to the organization for the last five fiscal years exceeds ¥10 million and exceeds 2% of the total revenue or the current balance of the organization.
4. Home Company of the Outside Officer is a major shareholder of the Company as it holds 10% or more of total number of shares issued in KHI.
5. A relative of the Outside Officer within the second degree falls under the preceding four items or serves as executive director, executive officer, operating officer or other important employee of the KHI Group.

## **Proposal No. 2: Determination of Amount and Other Details of Performance-linked Stock Compensation for Directors (except Directors Serving as Audit and Supervisory Committee Members)**

### **1. Rationale behind Proposal and Justification for the Plan**

This proposal is to request approval of the adoption of a performance-linked stock compensation plan (hereinafter, the "Plan") for the Company's Directors (except Directors serving as Audit and Supervisory Committee Members and Outside Directors; hereinafter, the "Eligible Directors"). We would like to leave the details of adoption of the Plan to the discretion of the Board of Directors within the framework set forth in Section 2 below. The Company has received a report from the Compensation Advisory Committee, which is composed mainly of Independent outside officers, to the effect that this proposal is appropriate.

The plan aims to link Eligible Directors' compensation more clearly with the Company's earnings and share price performance and have Eligible Directors share the benefits and risks of share price movements together with shareholders, thereby raising Directors' awareness of contributing to improving the Company's medium- to long-term earnings performance and increasing its corporate value.

Specifically, apart from remuneration for Directors (except Directors serving as Audit and Supervisory Committee Members) whose limit was approved at the 197<sup>th</sup> Ordinary General Meeting of Shareholders held on June 25, 2020 (up to ¥800 million per year for Directors including Outside Directors but excluding the employee salary portion), the Company will pay new performance-linked stock compensation under the Plan to Eligible Directors who are in office during the three fiscal years from the fiscal year ending March 31, 2022 through the fiscal year ending March 31, 2024 (hereinafter, the "Applicable Period").

The purpose of introducing the Plan, is as described above. We believe the amounts and details, etc. of remuneration under the Plan to be appropriate considering the number of Eligible Directors and the earnings targets, etc.

If Proposal No. 1 "Election of Eight Directors (except Directors Serving as Audit and Supervisory Committee Members) is approved and adopted as originally proposed, five Directors would be eligible for the Plan.

\* If this proposal is approved and adopted as originally proposed, the Company plans to adopt a similar performance-linked stock compensation plan for Executive Officers and Directors (except Outside Directors) and Executive Officers of certain subsidiaries of the Company with whom the Company has entered into mandate agreements.

[Audit and Supervisory Committee' opinion]

The Audit and Supervisory Committee has concluded that the content of the proposal regarding the remuneration, etc. of Directors (except Directors serving as Audit and Supervisory Committee Members) is appropriate, having examined whether appropriate procedures have been followed, such as deliberation by the Compensation Advisory Committee, and whether the compensation plan will provide appropriate motivation for increasing corporate value over the medium to long term.

## 2. Amount and Other Details of Compensation under the Plan

### (1) Outline of the Plan

The Plan is a stock compensation plan whereby a trust (hereinafter, the "Trust") established by the Company through contribution of funds will acquire shares of the Company, and the shares of the Company in the number equivalent to the number of points granted to each Eligible Director by the Company will be delivered to each Eligible Director through the Trust.

Eligible Directors will receive delivery of the Company's shares upon their resignation from office of Director, in principle.

(i)	Persons eligible for the Plan	The Company's Directors (except Directors serving as Audit and Supervisory Committee Members)
(ii)	Applicable Period	From the fiscal year ending March 31, 2022 through the fiscal year ending March 31, 2024
(iii)	Maximum amount of money to be contributed by the Company during the Applicable Period specified in (ii) as funds to acquire shares of the Company required for delivery to the eligible persons specified in (i).	¥975 million in total
(iv)	Method of acquisition of shares of the Company	Acquisition from the Company by means of disposal of treasury shares or acquisition from the stock market (including off-floor trading)
(v)	Upper limit of aggregate number of points granted to the eligible persons specified in (i)	50,000 points per fiscal year
(vi)	Criteria for granting points	Points will be granted according to the positions and the level of achievement of performance targets, etc.
(vii)	Timing of delivering shares of the Company to the eligible persons specified in (i)	At the time of resignation from office of Director, in principle

### (2) Maximum Amount of Money to Be Contributed by the Company

The Trust's initial trust period will be approximately three years. The Company will create the Trust, with Eligible Directors who acquire beneficial interest as set forth in (3) (iii) below as beneficiaries, by contributing, as compensation for Eligible Directors in office during the Applicable Period, money up to a limit of ¥975 million in total as funds for acquiring shares of the Company needed for delivery to Eligible Directors under the Plan during the Applicable Period. The Trust will use the money left in trust by the Company as the source

of funds to acquire shares of the Company either by means of acquisition from the Company by means of disposal of treasury shares or from the stock market (including off-floor trading).

Note: The money the Company will actually entrust to the Trust will be the sum of the aforementioned funds for acquiring shares of the Company and the expected amount of costs required such as trust fees and trust administrator fees. If the Company also adopts a similar stock compensation plan for its Executive Officers and Directors (except Outside Directors) and Executive Officers of certain subsidiaries of the Company, the Company will also entrust funds for acquiring shares of the Company required for delivery to them in accordance with such plan.

The Company may, pursuant to a resolution of the Board of Directors, extend the Applicable Period to a period not exceeding five fiscal years as specified from time to time and accordingly extend the period of the Trust (including the case where the Company extends the period of the Trust in effect by transferring the trust property of the Trust to a trust with a purpose identical to that of the Trust established by the Company; the same shall apply hereinafter) to continue the Plan. In this case, during the extended portion of the Applicable Period, the Company will additionally contribute funds to the Trust up to the amount obtained by multiplying the number of fiscal years for the extended portion of the Applicable Period by ¥325 million as funds to additionally acquire shares of the Company required for delivery to Eligible Directors under the Plan and continue to grant points set forth in (3) below and deliver shares of the Company.

Even if the Company does not extend the Applicable Period and continue the Plan as stated above, if an Eligible Director who has been granted points is still in office at the time of expiration of the period of the Trust, the Company may extend the period of the Trust until such Eligible Director's resignation and completion of delivery of shares of the Company to such Eligible Director.

### **(3) Calculation Method and Upper Limit of Shares of the Company to Be Delivered to Eligible Directors**

#### (i) Method of granting points to Eligible Directors

In accordance with the stock delivery rules established by the Board of Directors of the Company, the Company grants points to each Eligible Director according to their positions and the level of achievement of performance targets, etc. on a point granting date stipulated in the stock delivery rules during the period of the Trust.

However, the aggregate number of points granted to Eligible Directors by the Company shall be limited to 50,000 points per fiscal year.

#### (ii) Delivery of shares of the Company according to the number of points granted

Eligible Directors receive delivery of shares of the Company in accordance with the procedures specified in (iii) below according to the number of points they have been

awarded based on (i) above; provided, however, that if an Eligible Director resigns mid-term from office of Director, all or part of the points granted theretofore may be extinguished and such Eligible Director may not receive the shares of the Company in the number equivalent to the number of points so extinguished.

One point represents one share of the Company's stock; provided, however, that if a share split, share consolidation or other events occur in which it would be considered to be reasonable to adjust the number of shares of the Company to be delivered with respect to the shares of the Company, then the number of shares of the Company per point shall be adjusted according to the ratio of such share split or share consolidation, etc.

#### (iii) Delivery of shares of the Company to Eligible Directors

Each Eligible Director acquires beneficial interest of the Trust by taking the prescribed procedures upon resignation, in principle, and receives delivery of shares of the Company from the Trust as set forth in (ii) above.

However, a certain portion of such shares may be sold and converted into money in the Trust to allow the Company to withhold funds for payment of withholding income tax, etc., and will be distributed in cash instead of the shares. If the shares of the Company left within the Trust are converted into money, for example, if a tender offer is accepted and settled with respect to such shares, the Company may make delivery in money instead of the shares of the Company.

### **(4) Exercise of Voting Rights**

Pursuant to instructions of the trust administrator independent of the Company and its Directors, any voting rights pertaining to the shares of the Company kept within the Trust shall not be exercised without exception, which will ensure the neutrality of the Company's management in relation to exercise of the voting rights of such shares.

### **(5) Handling of Dividends**

Dividends on the shares of the Company kept within the Trust will be received by the Trust, and will be appropriated for payment of purchase price of the shares of the Company, trust fees for the trustee of the Trust, etc.



Attachment:

**Business Report**  
(April 1, 2020 - March 31, 2021)

**1. Overview concerning the Current Situation of Company Group**

**(1) Business Progress and Results**

**(i) General conditions**

The overall orders received of the KHI Group on a consolidated basis for the fiscal year under review decreased due to decreases in orders in the Aerospace Systems and the Rolling Stock segments despite increases in orders in the Precision Machinery & Robot and the Ship & Offshore Structure segments. Consolidated net sales, as a whole, decreased compared to the previous fiscal year due to decreases in sales of the Aerospace Systems segment, etc., despite increases in sales of the Precision Machinery & Robot segment, etc.

In terms of profit, operating profit decreased compared to the previous fiscal year, mainly due to decrease in profit in the Aerospace Systems segment, while profit improved in the Motorcycle & Engine. Ordinary profit decreased due to a decrease in operating profit, while gains/losses on foreign exchange recovered and reversal of provision for the in-service issues of commercial aircraft jet engines was recognized. Profit attributable to owners of parent decreased mainly as a result of a decrease in ordinary profit and recognition of losses on impairment of non-current assets under extraordinary losses, despite a decrease in tax expenses in connection with recognition of deferred tax assets.

As a result, the KHI Group's consolidated orders amounted to ¥1,402.4 billion, a decrease of ¥111.0 billion from the previous fiscal year. Consolidated net sales amounted to ¥1,488.4 billion, a decrease of ¥152.8 billion from the previous fiscal year. Operating loss came to ¥5.3 billion, a decrease in operating profit of ¥67.3 billion from the previous fiscal year. Ordinary loss came to ¥2.8 billion, a decrease in ordinary profit of ¥43.2 billion from the previous fiscal year. Loss attributable to owners of parent came to ¥19.3 billion, a decrease in profit attributable to owners of parent of ¥37.9 billion from the previous fiscal year. Regarding the year-end dividend, the Company regrets that it has decided not to pay a dividend, considering the securing of liquidity on hand to be an urgent priority after comprehensively considering preparations for financial risks associated with the spread of COVID-19.

The Company aims to achieve its goal by all means to be back in black on the bottom line for the FY2021. To this end, the Company will make efforts to improve its profitability, such as promoting cost saving on a company-wide basis. Furthermore, in terms of allocation of business resources, the Company will make well-balanced decisions, including aggressive investment with agility, for the three fields that the Company focuses on (see page 30), while the Company is carefully selecting projects. With regard to the year-end dividend for FY2021, despite the continued adverse conditions for the Aerospace

Systems segment, the Company's policy is to resume paying a dividend at ¥30 per share, since it expects to return to profitability overall.

## **(ii) Operating conditions by business segment**

### **Aerospace Systems segment**

In the Aerospace Systems segment, orders received were ¥329.5 billion, a decrease of ¥85.4 billion from the previous fiscal year, due to decreased orders for component parts for commercial aircrafts and for component parts for commercial aircraft jet engines, despite an increase in orders received from the Ministry of Defense (MOD) in Japan.

Net sales decreased ¥154.8 billion from the previous fiscal year to ¥377.7 billion, due to decreased sales to MOD, for component parts for commercial aircrafts and for component parts for commercial aircraft jet engines.

Operating loss came to ¥31.6 billion, decreasing ¥74.4 billion from the previous fiscal year, mainly due to the decrease in revenue.

### **Energy System & Plant Engineering segment**

In the Energy System & Plant Engineering segment, orders received were ¥219.0 billion, a decrease of ¥33.3 billion from the previous fiscal year when the Company received orders for large-scale projects such as construction works of municipal waste incineration plants in the domestic market.

Net sales were ¥240.1 billion, a decrease of ¥2.8 billion from the previous fiscal year when the Company recorded sales to overseas chemical plants, despite an increase in construction works of domestic municipal waste incineration plants and higher sales of Gas Turbine Combined Cycle (GTCC) power plants in Japan.

Operating profit decreased ¥4.1 billion from the previous fiscal year to ¥13.4 billion due to the decrease in revenue, as well as losses on operations resulting from the impact of the spread of COVID-19 infections.

### **Precision Machinery & Robot segment**

In the Precision Machinery & Robot segment, orders received were ¥259.4 billion, an increase of ¥40.5 billion from the previous fiscal year, due to increases in hydraulic components for the construction machinery market and robots for the semiconductor and vehicle body assembly markets.

Net sales increased ¥23.4 billion from the previous fiscal year to ¥240.8 billion due to increases in hydraulic components for the construction machinery market and robots for the semiconductor and automobile assembly markets.

Operating profit increased ¥1.8 billion from the previous fiscal year to ¥14.0 billion due to the increase in revenue.

### **Ship & Offshore Structure segment**

In the Ship & Offshore Structure segment, orders received were ¥98.1 billion, an increase of ¥41.8 billion from the previous fiscal year, mainly due to orders received for a submarine for MOD.

Net sales were ¥79.4 billion, an increase of ¥7.7 billion from the previous fiscal year, mainly due to an increase in construction works for a submarine for MOD.

Operating loss came to ¥3.0 billion, decreasing ¥2.4 billion from the previous fiscal year, mainly due to losses on operations, despite the increase in revenue.

### **Rolling Stock segment**

In the Rolling Stock segment, orders received were ¥77.0 billion, a decrease of ¥48.7 billion from the previous fiscal year when the Company received orders for large-scale projects for the domestic market.

Net sales decreased ¥3.3 billion from the previous fiscal year to ¥133.2 billion, mainly due to a decrease in passenger cars for the US markets.

Operating loss came to ¥4.5 billion, decreasing ¥0.7 billion from the previous fiscal year, due to a decrease in the profitability of overseas projects caused by the impact of the spread of COVID-19 infections.

### **Motorcycle & Engine segment**

Net sales of the Motorcycle & Engine segment decreased ¥1.0 billion from the previous fiscal year to ¥336.6 billion due to a decrease in sales of motorcycles for Southeast Asia and the yen's appreciation continued compared to the previous fiscal year, despite increased sales of vehicles of off-road models in the North American market.

Operating profit increased ¥13.7 billion from the previous fiscal year to ¥11.7 billion, mainly due to reductions in fixed costs and sales promotion expenses.

(Note) The figure for orders received for the Motorcycle & Engine segment is presented as the same figure for net sales since the segment mainly engages in make-to-stock production.

### **Others segment**

In the Others segment, net sales decreased ¥22.0 billion from the previous fiscal year to ¥80.4 billion.

Operating profit decreased ¥0.7 billion from the previous fiscal year to ¥0.4 billion.

## Reference

### i) Orders received, net sales and operating profit/loss by segment

(Billions of yen)

Segment	Orders Received		Net Sales		Operating Profit/Loss	
	Amount	Year-on-Year Change	Amount	Year-on-Year Change	Amount	Year-on-Year Change
Aerospace Systems	<b>329.5</b>	(85.4)	<b>377.7</b>	(154.8)	<b>(31.6)</b>	(74.4)
Energy System & Plant Engineering	<b>219.0</b>	(33.3)	<b>240.1</b>	(2.8)	<b>13.4</b>	(4.1)
Precision Machinery & Robot	<b>259.4</b>	40.5	<b>240.8</b>	23.4	<b>14.0</b>	1.8
Ship & Offshore Structure	<b>98.1</b>	41.8	<b>79.4</b>	7.7	<b>(3.0)</b>	(2.4)
Rolling Stock	<b>77.0</b>	(48.7)	<b>133.2</b>	(3.3)	<b>(4.5)</b>	(0.7)
Motorcycle & Engine	<b>336.6</b>	(1.0)	<b>336.6</b>	(1.0)	<b>11.7</b>	13.7
Others	<b>82.5</b>	(24.9)	<b>80.4</b>	(22.0)	<b>0.4</b>	(0.7)
Adjustment	-	-	-	-	<b>(5.7)</b>	(0.3)
Total	<b>1,402.4</b>	(111.0)	<b>1,488.4</b>	(152.8)	<b>(5.3)</b>	(67.3)

- (Notes)
1. Net sales recorded are for sales to external customers.
  2. The figure for orders received for Motorcycle & Engine segment is presented as the same figure for net sales since the segment mainly engages in make-to-stock production.

### ii) ROIC and ROE

	FY2019 (197th fiscal year)	FY2020 (198th fiscal year)
ROIC	4.2%	<b>(1.0)%</b>
ROE	4.0%	<b>(4.2)%</b>

- (Notes)
1. ROIC (return on invested capital) = EBIT (income before income taxes + interest expense) ÷ Invested capital at the end of the period (debt obligation + shareholders' equity)
  2. ROE (return on equity) = Profit attributable to owners of parent ÷ {(shareholders' equity at the end of the previous period + shareholders' equity at the end of the current period) ÷ 2}

### iii) Cash flows

(Billions of yen)

	FY2019 (197th fiscal year)	FY2020 (198th fiscal year)
Cash flows from operating activities	(15.4)	<b>34.6</b>
Cash flows from investing activities	(69.4)	<b>(37.3)</b>
Cash flows from financing activities	115.8	<b>23.0</b>

## (2) Trends in Assets and Income

### (i) Company group assets and income

(Billions of yen)

Item	The 195th fiscal year	The 196th fiscal year	The 197th fiscal year	The 198th fiscal year (under review)
Orders received	1,608.0	1,588.7	1,513.5	<b>1,402.4</b>
Net sales	1,574.2	1,594.7	1,641.3	<b>1,488.4</b>
Operating profit (loss)	55.9	64.0	62.0	<b>(5.3)</b>
Ordinary profit (loss)	43.2	37.8	40.4	<b>(2.8)</b>
Profit (loss) attributable to owners of parent	28.9	27.4	18.6	<b>(19.3)</b>
Earnings per share (yen)	¥173.09	¥164.34	¥111.72	<b>¥(115.73)</b>
Total assets	1,785.0	1,838.8	1,957.8	<b>1,963.2</b>
Net assets	481.3	492.2	471.5	<b>482.7</b>

(Note) With the change and refinement of the counting method of orders received for the Precision Machinery & Robot segment, its orders received for the Fiscal 2018 (196th fiscal year) was amended (¥1,585.9 billion previously).

### (ii) Company assets and income

(Billions of yen)

Item	The 195th fiscal year	The 196th fiscal year	The 197th fiscal year	The 198th fiscal year (under review)
Orders received	1,184.6	1,171.8	1,124.7	<b>1,003.7</b>
Net sales	1,213.6	1,195.1	1,250.3	<b>1,098.6</b>
Operating profit (loss)	13.6	15.2	20.4	<b>(50.7)</b>
Ordinary profit (loss)	23.0	9.5	17.1	<b>(35.5)</b>
Profit (loss) attributable to owners of parent	24.6	15.0	10.8	<b>(35.7)</b>
Earnings per share (yen)	¥147.70	¥90.37	¥64.78	<b>¥(214.24)</b>
Total assets	1,469.9	1,499.6	1,609.2	<b>1,630.5</b>
Net assets	322.7	325.5	323.8	<b>287.7</b>

## (3) Corporate Management Strategies in the Medium- to Long-Term and Issues to be Addressed

In November 2020, the KHI Group established its new vision statement, describing what the KHI Group envisions becoming in 10 years – “Group Vision 2030: Trustworthy Solutions for the Future” and held up its business policy to realize such vision as follows:

### (i) Fields that the KHI Group focuses on

The Group is focusing on significant social issues in the form of controlling pandemics such as COVID-19, realizing a decarbonized society to protect the global environment, responding to decreases in the populations, birthrates, and labor forces mainly in advanced counties, and prevention of and fast recovery from natural disasters. With our eye on these issues, we will respond to the expectations

of society by identifying the following three fields to focus on going forward and working quickly to address them.

**“A Safe and Secure Remotely-Connected Society”—Offering New Ways of Living and Working**

The KHI Group will propose safe and secure new ways of working and living using remote control and robot technologies in diverse fields including medical and healthcare, manufacturing, and industrial infrastructure.

**Near-Future Mobility—Transforming the Movement of People and Freight**

The KHI Group will propose smart societies that make use of new means of transport and movement, combining aircraft, off-road four-wheel drive, and robot technologies, such as helicopters and delivery robots that autonomously transport goods.

**Energy and Environmental Solutions — Realization of a decarbonized society**

The KHI Group will contribute to the realization of a carbon-neutral society that is considerate of the global environment, including the building of a world-leading hydrogen supply chain (“production,” “delivery,” “storage,” and “use”) and the electrification of transportation systems.

**(ii) Transition to the new business structure**

The KHI Group conducted the integration of the Ship & Offshore Structure segments and the Energy System & Plant Engineering segments in April 2021, and strengthened its structure for promoting the Engineering segments with a focus on core components.

Furthermore, in the Company spun-off of the Rolling Stock segments and the Motorcycle & Engine segments in October 2021 and strengthened autonomous business operation in order to accelerate the formation of an agile structure responsive to market demand. Furthermore, the Company regrouped its businesses into the following three business groups: Land & Air Transportation Systems; Motion Control & Motor Vehicles; and Energy Solution & Marine Engineering. The KHI Group will pursue the synergy effect of sharing technologies and know-how and management resources through integrated operation of the groups including the new companies and promote further strengthening of the KHI Group’s competitiveness.

**(iii) Scenario for growth**

Motion Control & Motor Vehicles Motion Control and Energy Solution will recover performance at an early point and will be the KHI Group’s main profit centers in the immediate future. After containing the impact of the spread of COVID-19, which will take no more than a few years at the longest, the Aerospace Systems segments will recover performance and grow stably, thereby driving the KHI Group’s growth. Moreover, hydrogen and other new businesses will become the KHI Group’s main profit drivers and aim to form a stable growth path. In order to realize this scenario for growth, the KHI Group will review its business model such as shifting from a product seller to a service seller, and develop new businesses to establish a high-profit structure.

The Company will enact various measures to realize this growth scenario. As a structure for supporting growth going forward, in FY2020 the Company established the DX Promotion Department to drive the introduction of advanced digital technologies for improving and streamlining operations and management decisions, and the Cyber Security Group for protecting businesses from increasingly

sophisticated cyber-terrorism threats. From FY2021, the Company is promoting the growth of employees and encouraging them to take on new challenges by revamping the personnel system and introducing a system that places a greater emphasis on ability, role, and results. The Company also established the Presidential Project Management Division and the Hydrogen Strategy Division, and the entire Company is working together to swiftly set up and expand new businesses such as the automatic PCR test business, the near-future mobility business, and the hydrogen business. The Company is also actively pursuing open innovation with outside organizations, such as the establishment of a joint venture with Sony Group Corporation. In addition, on June 1, 2021 the Company held the "Group Vision 2020 Progress Status Briefing" to announce its progress on the above initiatives.

#### **(4) Material Business Reorganization**

Not applicable; provided, however, that we have the following plan going forward:

- (i) The Board of Directors of the Company resolved at its meeting held on March 31, 2021 that Kawasaki Railcar Manufacturing Co., Ltd. (a wholly-owned subsidiary of the Company) that was established on March 10, 2021 as a preparatory company related to the spin-off of the Company's Rolling Stock Company should succeed to the business conducted by the Rolling Stock Company, and the Company executed an absorption-type company split agreement on March 31, 2021. The agreement will take effect on October 1, 2021.
- (ii) The Board of Directors of the Company resolved at its meeting held on March 31, 2021 that Kawasaki Motors, Ltd. (a wholly-owned subsidiary of the Company) that was established on February 12, 2021 as a preparatory company related to the spin-off of the Company's Motorcycle & Engine Company should succeed to the business conducted by the Motorcycle & Engine Company, and the Company executed an absorption-type company split agreement on March 31, 2021. The agreement will take effect on October 1, 2021.
- (iii) The Company resolved at a Board of Directors meeting held on May 11, 2021 to conduct a share exchange making the Company the wholly owning parent company in a share exchange and Kawasaki Thermal Engineering Co., Ltd. a wholly owned subsidiary in a share exchange, and concluded a share exchange agreement on the same date. The share exchange is to take effect on August 1, 2021, pending the approval of the general meeting of shareholders at Kawasaki Thermal Engineering Co., Ltd.
- (iv) The Company resolved at a Board of Directors meeting held on May 20, 2021 to transfer the shield tunnel boring machine and civil engineering related businesses of the Company and Hitachi Zosen Corporation to a company to be established through a joint incorporation-type company split with Hitachi Zosen Corporation. The transfer is to take effect on October 1, 2021.

## (5) Capital Investments, Etc.

In the KHI Group, capital investments were made for the development of facilities to streamline production mainly for the Aerospace Systems segment and the Motorcycle & Engine segment. As a result, the KHI Group spent a total of ¥55.6 billion (including spending on intangible assets) on capital investments in the consolidated fiscal year under review. The investments were covered by internally generated funds and borrowed money.

Details of major investments in the respective segments are as follows:

(Billions of yen)		
Segment	Major investments	Investment amounts in the consolidated fiscal year under review
Aerospace Systems	Facilities for streamlining production of aircrafts, jet engines and other products and facilities for handling new models and products, etc.	22.1
Energy System & Plant Engineering	Facilities for streamlining production of industrial machinery, etc.	4.1
Precision Machinery & Robot	Facilities for increasing hydraulic components and industrial robot production, etc.	9.8
Ship & Offshore Structure	Facilities for streamlining ship construction, etc.	1.0
Rolling Stock	Facilities for increasing rolling stock production, etc.	2.4
Motorcycle & Engine	Facilities for handling new models and products of motorcycles, etc.	12.7
Others	Facilities for research and development and facilities for information, etc.	3.3
Total		55.6

## (6) Financing

Funds of ¥26.9 billion from long-term debt, ¥60.0 billion from domestic unsecured straight bonds and short-term debts and other funds from various sources were raised in the current consolidated fiscal year. The funds were allocated to such items as the scheduled payment for long-term debt, capital investments and working capital.

## (7) Principal Lenders

Lenders	(Billions of yen)		
	Balance of borrowings		
	Long term	Short term	Total
Mizuho Bank, Ltd.	7.4	47.1	54.6
Sumitomo Mitsui Banking Corporation	10.0	24.0	34.0
Sumitomo Mitsui Trust Bank, Ltd.	9.0	16.1	25.1
MUFG Bank, Ltd.	4.5	17.8	22.3
Development Bank of Japan Inc.	13.3	0	13.3



## (8) Major Parent Companies and Subsidiaries

### (i) Parent companies

Not applicable.

### (ii) Major subsidiaries

#### i) Japan

Company name (Location)	Capital	The Company's percentage of equity participation	Main business
Kawasaki Trading Co., Ltd. (Kobe, Hyogo)	¥600 million	70%	Sale of various types of industrial machinery, petroleum, steel stock, and air conditioning equipment, etc.
Kawasaki Machine Systems, Ltd. (Osaka, Osaka)	¥350 million	100%	Sale, repair and after-sales service of general-purpose gas turbine generators and other industrial machinery
NIPPI Corporation (Yokohama, Kanagawa)	¥6,048 million	100%	Manufacture of aircraft components, targeting systems, rocket components, aerospace equipment and marine equipment; repair, maintenance and remodeling of aircraft
Kawasaki Motors Corporation Japan (Akashi, Hyogo)	¥100 million	100%	Sole distributor of motorcycles, personal watercraft ("JET SKI®"), general-purpose gasoline engines and engine components in Japan
Kawasaki Thermal Engineering Co., Ltd. (Kusatsu, Shiga)	¥1,460 million	83%	Manufacture, sale, installation and after-sales service for boilers, air-conditioning equipment and absorption-style heat pumps, etc.
EarthTechnica Co., Ltd. (Chiyoda-ku, Tokyo)	¥1,200 million	100%	Design, manufacture, and sale of crushers, grinders, castings, and other equipment; design, execution and supervision of engineering, construction, installation of machinery and appliances
NICHIJO CORPORATION (Sapporo, Hokkaido)	¥120 million	75%	Design, manufacture, and sale of snow removal machinery, industrial vehicles, etc.

(Note) "JET SKI®" is a registered trademark of Kawasaki Heavy Industries, Ltd.

## ii) Overseas

Company name (Location)	Capital	The Company's percentage of equity participation	Main business
Kawasaki Motors Corp., U.S.A. (United States)	US\$ 165 million	100%	Sale of motorcycles, ATVs (all-terrain vehicles), utility vehicles, personal watercraft "JET SKI®" and general-purpose gasoline engines in the U.S. and South and Central America
Kawasaki Motors Manufacturing Corp., U.S.A. (United States)	US\$ 170 million	100%	Manufacture of personal watercraft "JET SKI®," utility vehicles, ATVs (all-terrain vehicles), rims for ATVs and utility vehicles, general-purpose engines and rolling stock and aircraft doors
Kawasaki Motors Enterprise (Thailand) Co., Ltd. (Thailand)	THB 1,900 million	100%	Manufacture and sale of motorcycles in Thailand
Kawasaki Motors Europe N.V. (Netherlands)	EUR 64 million	100%	Sale of motorcycles, ATVs (all-terrain vehicles), utility vehicles, personal watercraft "JET SKI®" and general-purpose gasoline engines in Europe
Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd. (China)	JPY 400 million	100%	Sale and servicing of precision machinery in China
Kawasaki Precision Machinery (Suzhou) Ltd. (China)	JPY 3,000 million	100%	Manufacture of hydraulic pumps and hydraulic motors for construction machinery, marine hydraulic products and industrial robots
Kawasaki Rail Car, Inc. (United States)	US\$ 60 million	Note 1	Manufacture, sale, servicing and engineering of rolling stock
Kawasaki Robotics (U.S.A.), Inc. (United States)	US\$ 1 million	Note 2	Sale and servicing of industrial robots in Americas
Flutek, Ltd. (South Korea)	KRW 1,310 million	50%	Manufacture, sale and servicing of hydraulic equipment products for construction machinery and marine hydraulic products in South Korea
Kawasaki Motors (Phils.) Corporation (Philippines)	PHP 101 million	50%	Manufacture and sale of motorcycles in the Philippines
Kawasaki Robotics (Kunshan) Co., Ltd. (China)	JPY 1,680 million	100%	Procurement of parts and components of robots and related equipment
Kawasaki Motors (Shanghai), Ltd. (China)	RMB 10 million	100%	Import and sale of products and related business of the Motorcycle & Engine Company.
PT. Kawasaki Motor Indonesia (Indonesia)	US\$ 80 million	90%	Manufacture and sale of motorcycles in Indonesia

Company name (Location)	Capital	The Company's percentage of equity participation	Main business
Kawasaki Robotics (Tianjin) Co., Ltd. (China)	JPY 200 million	100%	Sale and servicing of industrial robots in China

- (Notes)
1. Kawasaki Rail Car, Inc. is a wholly-owned subsidiary of Kawasaki Motors Manufacturing Corp., U.S.A.
  2. Kawasaki Robotics (U.S.A.), Inc. is a wholly-owned subsidiary of Kawasaki Motors Corp., U.S.A.
  3. There are 99 consolidated subsidiaries, including 21 companies (7 in Japan and 14 overseas) as major subsidiaries, and there are 19 companies which are accounted for using the equity method.

### (iii) Status of business combinations

Not applicable. However, the future plan for Kawasaki Thermal Engineering Co., Ltd. is as described in "(4) Material Business Reorganization."

## (9) Company Group's Main Business and Number of Employees

Segment	Main Business	Number of Employees
Aerospace Systems	Manufacture and sale of aircraft, aircraft engines, etc.	8,009
Energy System & Plant Engineering	Manufacture and sale of energy-related equipment and systems, marine propulsion machinery and systems, industrial machinery, environmental equipment, cryogenic storage equipment, hydrogen-related facilities, crushing machines, etc.	6,057
Precision Machinery & Robot	Manufacture and sale of hydraulic components, industrial robots, etc.	4,066
Ship & Offshore Structure	Manufacture and sale of ships, etc.	2,333
Rolling Stock	Manufacture and sale of rolling stock, snow removal machinery, etc.	3,566
Motorcycle & Engine	Manufacture and sale of motorcycles, All-Terrain Vehicles (ATVs), utility vehicles, personal watercraft ("JET SKI®"), general purpose gasoline engines, etc.	9,263
Others	Commerce, brokerage and mediation for sale and order reception and administration of welfare facilities, etc.	2,139
Companywide common areas	(Head Office Administration Department, Research & Development Department, etc.)	1,258
Total	-	36,691

- (Notes)
1. Employees total 26,901 people in Japan and 9,790 people overseas.
  2. The Company has 17,397 employees (average age: 39.4 years old; average years of service: 14.1 years)

## (10) Company Group's Principal Offices and Plants

		Name and location
Principal offices	Head office	Kobe Head Office (Kobe), Tokyo Head Office (Minato-ku, Tokyo): 2 Head Offices
	Branches	Sapporo Office (Sapporo), Sendai Office (Sendai), Nagoya Office (Nagoya), Osaka Office (Osaka), Hiroshima Office (Hiroshima), Fukuoka Office (Fukuoka), Okinawa Office (Naha, Okinawa): 7 Offices
Plants, etc.		Gifu Works (Kakamigahara, Gifu), Nagoya Works 1 (Yatomi, Aichi), Nagoya Works 2 (Ama-gun, Aichi), Kobe Works, Hyogo Works, Seishin Works, Nishi-Kobe Works (Kobe), Akashi Works (Akashi, Hyogo), Kakogawa Works (Kakogawa, Hyogo), Harima Works (Kako-gun, Hyogo), Sakaide Works (Sakaide, Kagawa), Technical Institute (Akashi, Hyogo): 12 Works (including a Technical Institute)

(Note) Location of principal offices of major subsidiaries are provided in "(8) Major Parent Companies and Subsidiaries."

## (11) Other Important Issues concerning Current Situation of Company Groups

The Company transitioned to a company with audit and supervisory committee on June 25, 2020 in accordance with a resolution of the 197<sup>th</sup> Ordinary General Meeting of Shareholders held on the same day.

## 2. Status of Shares (as of March 31, 2021)

- (1) **Aggregate Number of Issuable Shares** 336,000,000 shares
- (2) **Total Number of Shares Issued** 167,080,532 shares  
(including 38,282 treasury shares)
- (3) **Number of Shareholders** 109,080 persons

### (4) Major Shareholders (top 10)

Shareholder name	Number of shares held	Shareholding ratio
	thousand shares	%
Custody Bank of Japan, Ltd. (Trust Account)	14,173	8.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,021	8.3
Nippon Life Insurance Company	5,751	3.4
Kawasaki Heavy Industries, Ltd. Employees Shareholder Association	4,501	2.6
Mizuho Bank, Ltd.	4,176	2.5
Kawasaki Heavy Industries, Ltd. Kyoueikai	4,061	2.4
Custody Bank of Japan, Ltd. (Trust Account 7)	2,992	1.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,783	1.6
Custody Bank of Japan, Ltd. (Trust Account 5)	2,385	1.4
BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY 1	2,207	1.3

(Note) The shareholding ratio is calculated after subtracting treasury shares (38,282 shares).

## 3. 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.

## 4. Company Officers

### (1) Directors (as of March 31, 2021)

Position	Name	Areas of Responsibility within the Company and Other Significant Concurrent Positions
Representative Director	Yoshinori Kanehana	Chairman of the Board
Representative Director	Yasuhiko Hashimoto	President and Chief Executive Officer
Representative Director	Sukeyuki Namiki	Vice President and Senior Executive Officer, Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of TQM, General Administration and Rolling Stock Company
Representative Director	Katsuya Yamamoto	Vice President and Senior Executive Officer, Assistant to the President, with overall responsibility for finance and accounting, and human resources, and in charge of Sustainable Development, and Investor Relations and Corporate Communication
Director	Hiroshi Nakatani	Managing Executive Officer in charge of Corporate Planning, Digital Transformation, Cyber Security and Ship & Offshore Structure Company, and General Manager, Corporate Technology Division
Outside Director	Yoshiaki Tamura	Outside Director, DIC Corporation
Outside Director	Jenifer Rogers	General Counsel Asia, Asurion Japan Holdings G.K. Outside Director, Mitsui & Co., Ltd. Outside Director, Nissan Motor Co., Ltd. President, American Chamber of Commerce in Japan
Outside Director	Hideo Tsujimura	
Director, Full-Time Audit and Supervisory Committee Member	Katsuyoshi Fukuma	
Director, Full-Time Audit and Supervisory Committee Member	Akio Nekoshima	
Outside Director, Audit and Supervisory Committee Member	Satoru Kohdera	Managing Partner, Higashimachi LPC
Outside Director, Audit and Supervisory Committee Member	Atsuko Ishii	Outside Audit and Supervisory Committee Member, Mitsui Sumitomo Insurance Company, Limited Outside Director, NS Solutions Corporation
Outside Director, Audit and Supervisory Committee Member	Ryoichi Saito	

- (Notes)
1. The Company has registered all Outside Directors as Independent Officers with Tokyo Stock Exchange, Inc. pursuant to the rules of that stock exchange.
  2. The Company transitioned to a company with audit and supervisory committee on June 25, 2020 in accordance with a resolution of the 197th Ordinary General Meeting of Shareholders held on the same day. In connection therewith, Audit & Supervisory Board Members Katsuyoshi Fukuma, Akio Nekoshima, Satoru Kohdera, Atsuko Ishii and Ryoichi Saito resigned from office of Audit & Supervisory Board Member due to expiration of their terms of office on the same day.

In addition, on the same day, Mr. Katsuyoshi Fukuma and Mr. Akio Nekoshima both assumed office of Director, Full-Time Audit and Supervisory Committee Member and Mr. Satoru Kohdera, Ms. Atsuko Ishii and Mr. Ryoichi Saito each assumed office of Outside Director, Audit and Supervisory Committee Member.

3. Director, Full-Time Audit and Supervisory Committee Member Katsuyoshi Fukuma, who has many years of experience with administration and accounting operations at the Company, has substantial knowledge about finance and accounting.  
Director, Full-Time Audit and Supervisory Committee Member Akio Nekoshima, who has many years of experience with finance and accounting at the Company and Mizuho Bank, Ltd. (including The Dai-Ichi Kangyo Bank, Limited, a precursor of the bank), has substantial knowledge about finance and accounting.  
Outside Director, Audit and Supervisory Committee Member Ryoichi Saito, who has many years of experience with finance and accounting at NSK Ltd., has substantial knowledge about finance and accounting.

## **(2) Overview of Limited Liability Agreement**

The Company has, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, concluded a limited liability agreement with Outside Directors Yoshiaki Tamura, Jenifer Rogers and Hideo Tsujimura, and Directors, Full-Time Audit and Supervisory Committee Members Katsuyoshi Fukuma and Akio Nekoshima, and Outside Directors, Audit and Supervisory Committee Members Satoru Kohdera, Atsuko Ishii and Ryoichi Saito. The liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher.

## **(3) Overview of Directors and Officers Liability Insurance**

The Company has concluded a Directors and Officers Liability Insurance (D&O Insurance) contract prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company for the Company's Directors (except Directors serving as Audit and Supervisory Committee Members), Executive Officers, etc. The insureds do not bear insurance premiums. The insurance policy covers damages and court costs that may be incurred by the insured arising from the insured's act in connection with the execution of his or her duties. However, the policy does include certain exemption clauses, such as no compensation being given for liability attributable to acts in violation of laws or regulations that were carried out with full knowledge of their illegality.

## **(4) Appointment of Full-time Audit and Supervisory Committee Members and Reasons Therefor**

The Company appoints those who are familiar with the Company's internal affairs as Full Time Audit and Supervisory Committee Members in order to enhance the effectiveness of the Audit and Supervisory Committee's activities by sharing information obtained in the course of performance of their duties with all of the Audit and Supervisory Committee Members while making efforts to develop environment of auditing, etc. and collect internal information as well as supervising and verifying the status of establishment and operation of the internal control system on a daily basis. To this end, the Company has appointed Mr. Katsuyoshi Fukuma and Mr. Akio Nekoshima as Full Time Audit and Supervisory Committee Members.

## (5) Remuneration for Directors and Audit & Supervisory Board Members

(Millions of yen)

Position and number	Total amount of remuneration	Total amount of remuneration, etc. by category		
		Basic remuneration	Performance-based remuneration	Stock purchase fund
Directors (except (except Directors serving as Audit and Supervisory Committee Members) 13 persons)	395	328	23	43
Directors serving as Audit and Supervisory Committee Members 5 persons	81	81	-	-
Audit & Supervisory Board Members 5 persons	26	26	-	-
Total 18 persons (including 7 persons from outside)	502 (79)	436 (79)	23 (-)	43 (-)

- (Notes)
1. The amount of remuneration for Directors serving as Audit and Supervisory Committee Members is the total amount paid to them for the period from July 2020 through March 2021.
  2. The amount of remuneration for Audit & Supervisory Board Members is the total amount paid to them for the period from April 2020 through June 2020.
  3. Figures shown in total columns represent the number of persons actually paid.

### (i) Matters concerning resolution of a general meeting of shareholders on remuneration for Directors

i) Remuneration for Directors (except Directors serving as Audit and Supervisory Committee Members)

The maximum amount of remuneration for Directors (except Directors serving as Audit and Supervisory Committee Members) is ¥800 million per year as approved at the 197<sup>th</sup> Ordinary General Meeting of Shareholders held on June 25, 2020. The number of Directors at the resolution was eight (including three Outside Directors).

ii) Remuneration for Directors serving as Audit and Supervisory Committee Members

The maximum amount of remuneration for Directors serving as Audit and Supervisory Committee Members is ¥120 million per year as approved at the 197<sup>th</sup> Ordinary General Meeting of Shareholders held on June 25, 2020. The number of Directors serving as Audit and Supervisory Committee Members at the resolution was five.

iii) Remuneration for Audit & Supervisory Board Members

The maximum amount of remuneration for Audit & Supervisory Board Members is ¥120 million per year as approved at the 194<sup>th</sup> Ordinary General



Meeting of Shareholders held on June 28, 2017. The number of Audit & Supervisory Board Members at the resolution was five.

**(ii) Policy concerning the amount of remuneration and others to officers or its calculation method**

Remuneration for officers of the Company is set in such a way as to fall within the range of remuneration approved at the Ordinary General Meeting of Shareholders, and a remuneration scheme corresponds to the duties of individual officers for the purpose of sustainably enhancing corporate performance and enterprise value, sharing value with shareholders and securing competent human resources. The determined remuneration amount will be divided proportionally and paid monthly during the term of office.

i) Remuneration for Directors (except Directors serving as Audit and Supervisory Committee Members)

Remuneration for Directors (except Directors serving as Audit and Supervisory Committee Members) consists of basic remuneration, performance-based remuneration, and stock purchase fund. Among these, performance-based remuneration is determined by linking mainly to Profit attributable to owners of parent ("Profit"), consolidated ROIC and the ROIC of internal companies. The reasons for selecting these indicators are as follows:

Indicator	Reason for Selection
Profit	Net income, which funds dividends, was selected as an indicator to incentivize Directors to increase shareholder value.
Consolidated ROIC	Consolidated ROIC was selected as an indicator because Kawasaki has made ROIC management a part of its basic management policy and aims to achieve ROIC of 8% or above.
Internal Company ROIC	Internal company ROIC was selected as an indicator because Kawasaki aims to achieve ROIC of 8% or above at each internal company.

Note:  $ROIC = \frac{EBIT \text{ (Income before income taxes + interest expense)}}{\text{Invested capital (Interest-bearing debt + Shareholders' equity)}}$

The stock purchase fund is distributed for the purpose of sharing value with shareholders and incentivizing Directors to enhance medium- to long-term corporate value, with the entire amount contributed to the officers' stock ownership plan in order to purchase shares of the Company on a continuous basis.

The Company sets the ratio of performance-based remuneration so that the ratio between basic remuneration, performance-based remuneration and stock purchase funds will be about 65%:25%:10% when ROIC is 8%. Performance-based remuneration for FY2020 is based on performance for FY2019. Actual results of the indicator for performance-based remuneration are as follows:

• Profit: ¥18.6 billion • Consolidated ROIC: 4.2% • Each Internal Company ROIC: As stated in the following table.

Aerospace Systems	8.0%	Energy System & Plant Engineering	10.4%
Precision Machinery & Robot	8.8%	Ship & Offshore Structure	1.4%
Rolling Stock	(7.2%)	Motorcycle & Engine	(2.6%)

Remuneration for Outside Directors (except Directors serving as Audit and Supervisory Committee Members) is fixed compensation that is not linked to performance from the perspective of the independence of their duties.

Remuneration for each Director (except Directors serving as Audit and Supervisory Committee Members) is decided by Representative Director, President and Chief Executive Officer Yasuhiko Hashimoto, as delegated by the Board of Directors in accordance with internal regulations, based on the results of deliberation by the Compensation Advisory Committee, which consists mainly of Outside Directors and is chaired by an Outside Director. Therefore, the Company considers that remuneration for Outside Directors (except Directors serving as Audit and Supervisory Committee Members) complies with the policy on determination of Directors' remuneration. The reason for his delegation is that the Representative Director, President and Chief Executive Officer is judged to be suitable for determining the remuneration of each Director (except Directors serving as Audit and Supervisory Committee Members) while taking into account the performance of the entire Company.

ii) Remuneration for Directors serving as Audit and Supervisory Committee Members

Remuneration for Audit and Supervisory Committee Members is fixed compensation that is not linked to performance from the perspective of the independence of their duties, and is decided through discussion by Directors serving as Audit and Supervisory Committee Members.

iii) Remuneration for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is fixed compensation that is not linked to performance from the perspective of the independence of their duties, and is decided through discussion by Audit & Supervisory Board Members.

### **(iii) Activities of the Board of Directors and Compensation Advisory Committee**

Policy and systems related to remuneration for Directors (except Directors serving as Audit and Supervisory Committee Members) are decided by resolution of the Board of Directors based on the deliberations of the Compensation Advisory Committee. A majority of the members and the presiding officer of the Compensation Advisory Committee are Outside Directors. The Compensation Advisory Committee met 12 times in FY2020. In addition to the matters described above, the committee discussed the form of the corporate officer compensation system going forward.

## **(6) Outside Officers**

### **(i) Concurrent managing officer positions at other companies and the relationship between the Company and said companies**

Not applicable.

**(ii) Concurrent Outside Officer positions at other companies and the relationship between the Company and said companies**

Position	Name	Significant concurrent positions	Relationships with the Company
Outside Director	Yoshiaki Tamura	Outside Director, DIC Corporation	The Company does not have any important dealing or other special relationship with the said companies.
	Jenifer Rogers	General Counsel Asia, Asurion Japan Holdings G.K.	
		Outside Director, Mitsui & Co., Ltd.	
		Outside Director, Nissan Motor Co., Ltd.	
	President, American Chamber of Commerce in Japan		
Outside Director, Audit and Supervisory Committee Member	Atsuko Ishii	Outside Audit and Supervisory Committee Member, Mitsui Sumitomo Insurance Company, Limited	
		Outside Director, NS Solutions Corporation	

**(iii) Family relationships with managing officers or officers, of the Company or of specific related business operators of the Company**  
Not applicable.

**(iv) Main activities during the fiscal year under review**

Name	Attendance		Provision of opinions and outlines of duties executed in connection with roles expected of Outside Directors
	Board of Directors meetings	Audit and Supervisory Committee meetings	
		Audit & Supervisory Board meetings	
Yoshiaki Tamura	14/14 meetings	—	He has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on his abundant management experience and deep insight into manufacturing. Furthermore, as chair of the Nomination and Compensation Advisory Committees, he fulfills an important role in deliberating on the appropriateness of the policy regarding election of officers and proposals for officer election, as well as the appropriateness of the policy on officer remuneration and the remuneration system for officers, and reporting on each to the Board of Directors.
Jenifer Rogers	14/14 meetings	—	She has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value at the Board of Directors meetings mainly based on her extensive international experience gained at financial institutions in Japan and overseas and deep insights into legal affairs, compliance, and risk management.
Hideo Tsujimura	11/11 meetings	—	He has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on his abundant management experience and deep insight into product development and intellectual property. Furthermore, as a member of the Nomination and Compensation Advisory Committees, he fulfills an important role in deliberating on the appropriateness of the policy regarding election of officers and proposals for officer election, as well as the appropriateness of the policy on officer remuneration and the remuneration system for officers, and reporting on each to the Board of Directors.

Name	Attendance		Provision of opinions and outlines of duties executed in connection with roles expected of Outside Directors
	Board of Directors meetings	Audit and Supervisory Committee meetings	
		Audit & Supervisory Board meetings	
Satoru Kohdera	14/14 meetings	13/13 meetings	He has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on his abundant experience as an attorney and deep insight into legal affairs. In addition, he has made efforts to develop auditing environment in cooperation with other Audit & Supervisory Board Members and Audit and Supervisory Committee Members by actively obtaining information necessary for auditing.
		5/5 meetings	
Atsuko Ishii	14/14 meetings	13/13 meetings	She has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on her abundant experience in and deep insight into Japan's labor administration. In addition, she has made efforts to develop auditing environment in cooperation with other Audit & Supervisory Board Members and Audit and Supervisory Committee Members by actively obtaining information necessary for auditing.
		5/5 meetings	
Ryoichi Saito	14/14 meetings	13/13 meetings	He has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on his abundant management experience and deep insights into business planning, finance and accounting, and risk management. In addition, he has made efforts to develop auditing environment in cooperation with other Audit & Supervisory Board Members and Audit and Supervisory Committee Members by actively obtaining information necessary for auditing. Furthermore, he has served as a member of the Nomination and Compensation Advisory Committee and played an important role in discussing nomination of, and compensation for, Directors, etc. and reporting to the Board of Directors.
		5/5 meetings	

- (Notes)
1. The number of attendances at the Board of Directors meetings for Mr. Hideo Tsujimura is based on his attendance records after he assumed the office of Director on June 25, 2020.
  2. The Company transitioned to a company with audit and supervisory committee on June 25, 2020 in accordance with a resolution of the 197th Ordinary General Meeting of Shareholders held on the same day.

## **Reference**

### **[Corporate Governance Structure]**

The Company's main deliberative bodies, their composition and roles are as follows.

#### **Board of Directors**

The Board of Directors comprises 13 Directors (of whom, five serve as Audit and Supervisory Committee Members), with the chairman serving as the presiding officer by resolution of the Board. Six Directors are Outside Directors (of whom, three serve as Audit and Supervisory Committee Members) and independent of business execution. By avoiding having Directors serve concurrently as officers responsible for specific businesses (the internal company presidents), the Company seeks to enhance the separation of management oversight and business execution and thereby further reinforce the Board of Director's oversight functions.

Furthermore, the Nomination Advisory Committee and Compensation Advisory Committee have been established as advisory bodies to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. A majority of the members of both committees are Outside Directors, as are the presiding officers of each. The Nomination Advisory Committee discusses such matters as policies regarding the appointment of Directors and other officers and the appropriateness of candidates for such positions. The Compensation Advisory Committee discusses such matters as Director compensation policy and the appropriateness of the Director compensation system. These committees provide reports and advice to the Board of Directors.

#### **Audit and Supervisory Committee**

The Audit and Supervisory Committee comprises five Directors, including three Outside Directors. To secure effective oversight, the two Internal Directors have been appointed as full-time Audit and Supervisory Committee Members. Furthermore, to ensure the reliability of financial reporting, the Company appoints Audit and Supervisory Committee Members who have considerable knowledge of finance and accounting.

#### **Business Execution Framework**

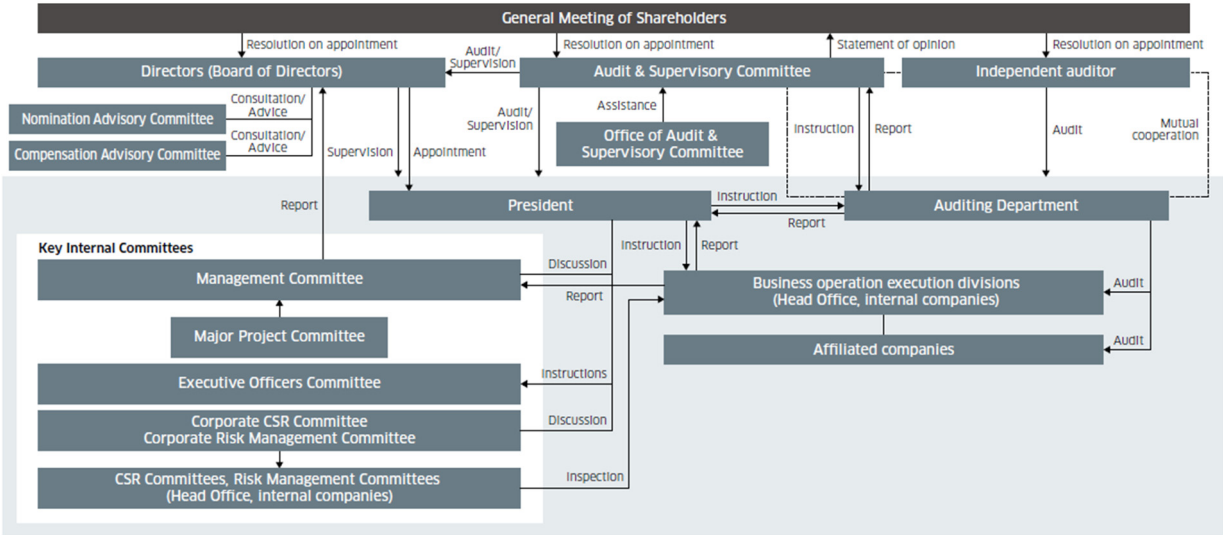
The Company has adopted an executive officer system in order to facilitate response to rapid changes in the business environment. A great deal of authority over business execution decisions is delegated to the executive Directors and executive officers, who are appointed by the Board of Directors, thereby realizing more agile decision making. The Company maintains a Management Committee, comprising mainly executive Directors and internal company presidents, as an advisory body to the president. The Management Committee discusses matters that are important to Group management, including management policy, strategy and challenges.

Furthermore, the Company maintains an Executive Officers Committee, comprising all executive officers. This committee issues business execution policy based on management policy and plans determined mainly by the Board of Directors and Management Committee. It also discusses management issues, striving to build unified consensus in Group management.

**Other Major Committee and Internal Deliberative Bodies**

Corporate CSR Committee	Discusses and decides on basic policy and important matters related to CSR for the Group as a whole and monitors implementation.
Corporate Risk Management Committee	Discusses and identifies important issues pertaining to risk management for the Group as a whole and monitors implementation.
Major Project Committee	Assesses risk and considers appropriate responses before the acceptance of major projects.

The Kawasaki Group’s Governance Structure (As of March 31, 2021)



**5. Accounting Auditor**

**(1) Accounting Auditor’s Name**

KPMG AZSA LLC

**(2) Accounting Auditors’ Remuneration, Etc., for the Fiscal Year under Review**

**(i) Remuneration, etc. as an Accounting Auditor for the fiscal year under review**

¥205 million

**(ii) Cash and other profits payable by the company or its subsidiaries to the accounting auditors**

¥253 million

- (Notes)
1. The Audit and Supervisory Committee verifies the reasonableness of audit plans, audit performance and progress, and estimate and calculation of remuneration regarding its Accounting Auditor in accordance with the “Practical Guidelines for Cooperation with Accounting Auditors” issued by Japan Audit & Supervisory Board Members Association. Following such verification, the Audit and Supervisory Committee determines whether it agrees to the amount of remuneration and other related costs payable to the Accounting Auditor.
  2. Under the audit agreement between the Company and its Accounting Auditor, remuneration, etc., for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not separated, and they cannot be separated in a practical way. Consequently, the above amounts reflect total remuneration.
  3. Of the Company’s major subsidiaries, some overseas subsidiaries have been audited by certified public accountants or audit corporations (including those who possess equivalent qualifications in foreign countries) other than the Company’s Accounting Auditor.

**(3) Details of Non-audit Services**

Accounting related consulting services, etc., such as advice on addressing advisory remuneration related to accounting peripheral operations and “Accounting Standard for Revenue Recognition.”

**(4) Policy Regarding Determination of Dismissal or Non-reappointment of Accounting Auditors**

When it is recognized that the Accounting Auditor has engaged in an activity falling under any of causes for dismissal set forth in Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the Accounting Auditor with the approval of all the Audit and Supervisory Committee Members. Besides, when the Audit and Supervisory Committee assesses independence in accordance with laws and regulations etc., auditing system, status of executing duties, and others in a comprehensive manner, and judges that there is a need for change, it shall determine the contents of the proposal concerning dismissal and non-reappointment of the Accounting Auditor to submit to the General Meeting of Shareholders.

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(Note) Amounts in this Business Report are rounded down to the nearest unit.



## Consolidated Balance Sheet

(As of March 31, 2021)

(Unit: Millions of yen)

| Description                            | Amount           | Description                                                            | Amount           |
|----------------------------------------|------------------|------------------------------------------------------------------------|------------------|
| (Assets)                               |                  | (Liabilities)                                                          |                  |
| <b>Current assets</b>                  | <b>1,285,407</b> | <b>Current liabilities</b>                                             | <b>917,555</b>   |
| Cash and deposits                      | 126,702          | Notes and accounts payable - trade                                     | 247,294          |
| Notes and accounts receivable - trade  | 460,436          | Electronically recorded obligations - operating                        | 107,849          |
| Merchandise and finished goods         | 69,223           | Short-term borrowings                                                  | 141,579          |
| Work in process                        | 452,848          | Current portion of bonds payable                                       | 30,000           |
| Raw materials and supplies             | 136,471          | Lease obligations                                                      | 1,061            |
| Other                                  | 43,314           | Income taxes payable                                                   | 4,753            |
| Allowance for doubtful accounts        | (3,589)          | Provision for sales promotion expenses                                 | 7,380            |
|                                        |                  | Provision for bonuses                                                  | 18,239           |
|                                        |                  | Provision for construction warranties                                  | 12,550           |
|                                        |                  | Provision for loss on construction contracts                           | 14,263           |
|                                        |                  | Advances received                                                      | 153,298          |
|                                        |                  | Other                                                                  | 179,283          |
| <b>Non-current assets</b>              | <b>677,868</b>   | <b>Non-current liabilities</b>                                         | <b>562,944</b>   |
| Property, plant and equipment          | 451,259          | Bonds payable                                                          | 190,000          |
| Buildings and structures, net          | 172,951          | Long-term borrowings                                                   | 199,177          |
| Machinery, equipment and vehicles, net | 142,951          | Lease obligations                                                      | 9,532            |
| Land                                   | 57,743           | Deferred tax liabilities                                               | 1,125            |
| Leased assets, net                     | 10,564           | Retirement benefit liability                                           | 115,456          |
| Construction in progress               | 16,635           | Provision for the in service issues of commercial aircraft jet engines | 5,984            |
| Other, net                             | 50,413           | Other                                                                  | 41,668           |
| Intangible assets                      | 22,427           | <b>Total liabilities</b>                                               | <b>1,480,500</b> |
| Investments and other assets           | 204,180          | (Net assets)                                                           |                  |
| Investment securities                  | 12,721           | <b>Shareholders' equity</b>                                            | <b>465,467</b>   |
| Retirement benefit asset               | 155              | Share capital                                                          | 104,484          |
| Deferred tax assets                    | 70,452           | Capital surplus                                                        | 54,542           |
| Other                                  | 122,254          | Retained earnings                                                      | 306,576          |
| Allowance for doubtful accounts        | (1,403)          | Treasury shares                                                        | (136)            |
|                                        |                  | <b>Accumulated other comprehensive income</b>                          | <b>(134)</b>     |
|                                        |                  | Valuation difference on available-for-sale securities                  | 1,955            |
|                                        |                  | Deferred gains or losses on hedges                                     | (179)            |
|                                        |                  | Foreign currency translation adjustment                                | (931)            |
|                                        |                  | Remeasurements of defined benefit plans                                | (979)            |
|                                        |                  | <b>Non-controlling interests</b>                                       | <b>17,442</b>    |
|                                        |                  | <b>Total net assets</b>                                                | <b>482,775</b>   |
| <b>Total assets</b>                    | <b>1,963,276</b> | <b>Total liabilities and net assets</b>                                | <b>1,963,276</b> |

## Consolidated Statement of Profit and Loss

(April 1, 2020 - March 31, 2021)

(Unit: Millions of yen)

| Description                                                                        | Amount  |                  |
|------------------------------------------------------------------------------------|---------|------------------|
| <b>Net sales</b>                                                                   |         | <b>1,488,486</b> |
| <b>Cost of sales</b>                                                               |         | <b>1,297,324</b> |
| Gross profit                                                                       |         | 191,162          |
| <b>Selling, general and administrative expenses</b>                                |         | <b>196,468</b>   |
| Operating loss                                                                     |         | 5,305            |
| <b>Non-operating income</b>                                                        |         | <b>15,218</b>    |
| Interest income                                                                    | 677     |                  |
| Dividend income                                                                    | 2,161   |                  |
| Share of profit of entities accounted for using equity method                      | 411     |                  |
| Foreign exchange gain                                                              | 4,074   |                  |
| Reversal of provision for the in-service issues of commercial aircraft jet engines | 3,306   |                  |
| Other                                                                              | 4,587   |                  |
| <b>Non-operating expenses</b>                                                      |         | <b>12,768</b>    |
| Interest expenses                                                                  | 3,790   |                  |
| Loss on retirement of non-current assets                                           | 2,886   |                  |
| Other                                                                              | 6,091   |                  |
| <b>Ordinary loss</b>                                                               |         | <b>2,855</b>     |
| <b>Extraordinary income</b>                                                        |         | <b>4,817</b>     |
| Gain on sales of non-current assets                                                | 3,236   |                  |
| Gain on sales of shares of subsidiaries and associates                             | 1,581   |                  |
| <b>Extraordinary losses</b>                                                        |         | <b>16,649</b>    |
| Impairment loss                                                                    | 15,205  |                  |
| Loss on valuation of shares of subsidiaries and associates                         | 1,444   |                  |
| <b>Loss before income taxes</b>                                                    |         | <b>14,688</b>    |
| Income taxes - current                                                             | 10,506  |                  |
| Income taxes - deferred                                                            | (7,707) | 2,798            |
| <b>Loss</b>                                                                        |         | <b>17,486</b>    |
| Profit attributable to non-controlling interests                                   |         | 1,846            |
| <b>Loss attributable to owners of parent</b>                                       |         | <b>19,332</b>    |

## Non-consolidated Balance Sheet

(As of March 31, 2021)

(Unit: Millions of yen)

| Description                                           | Amount           | Description                                                            | Amount           |
|-------------------------------------------------------|------------------|------------------------------------------------------------------------|------------------|
| (Assets)                                              |                  | (Liabilities)                                                          |                  |
| <b>Current assets</b>                                 | <b>1,011,663</b> | <b>Current liabilities</b>                                             | <b>828,769</b>   |
| Cash and deposits                                     | 84,611           | Notes payable - trade                                                  | 2,236            |
| Notes receivable - trade                              | 7,747            | Electronically recorded obligations                                    | 94,327           |
| Accounts receivable - trade                           | 390,472          | Accounts payable - trade                                               | 209,397          |
| Raw materials and supplies                            | 93,632           | Short-term borrowings                                                  | 181,154          |
| Work in process                                       | 381,745          | Accounts payable - other                                               | 50,484           |
| Advance payments - trade                              | 11,654           | Accrued expenses                                                       | 59,159           |
| Prepaid expenses                                      | 2,545            | Income taxes payable                                                   | 179              |
| Other                                                 | 39,377           | Advances received                                                      | 115,217          |
| Allowance for doubtful accounts                       | (124)            | Provision for bonuses                                                  | 11,092           |
|                                                       |                  | Provision for construction warranties                                  | 9,917            |
|                                                       |                  | Provision for loss on construction contracts                           | 13,360           |
|                                                       |                  | Lease obligations                                                      | 786              |
|                                                       |                  | Other                                                                  | 81,455           |
| <b>Non-current assets</b>                             | <b>618,908</b>   | <b>Non-current liabilities</b>                                         | <b>514,053</b>   |
| Property, plant and equipment                         | 335,567          | Bonds payable                                                          | 190,000          |
| Buildings                                             | 114,598          | Long-term borrowings                                                   | 198,754          |
| Structures                                            | 18,295           | Lease obligations                                                      | 8,890            |
| Docks and building berths                             | 2,370            | Provision for retirement benefits                                      | 78,655           |
| Machinery and equipment                               | 105,337          | Provision for the in service issues of commercial aircraft jet engines | 5,984            |
| Vessels                                               | 107              | Other                                                                  | 31,769           |
| Aircraft                                              | 68               |                                                                        |                  |
| Vehicles                                              | 1,204            |                                                                        |                  |
| Tools, furniture and fixtures                         | 41,720           |                                                                        |                  |
| Land                                                  | 31,217           |                                                                        |                  |
| Leased assets                                         | 9,733            |                                                                        |                  |
| Construction in progress                              | 10,912           |                                                                        |                  |
| Intangible assets                                     | 17,747           |                                                                        |                  |
| Software                                              | 11,526           |                                                                        |                  |
| Other                                                 | 6,221            |                                                                        |                  |
| Investments and other assets                          | 265,593          |                                                                        |                  |
| Investment securities                                 | 9,530            |                                                                        |                  |
| Shares of subsidiaries and associates                 | 114,194          |                                                                        |                  |
| Investments in capital of subsidiaries and associates | 42,871           |                                                                        |                  |
| Distressed receivables                                | 1,171            |                                                                        |                  |
| Deferred tax assets                                   | 63,265           |                                                                        |                  |
| Other                                                 | 35,863           |                                                                        |                  |
| Allowance for doubtful accounts                       | (1,303)          |                                                                        |                  |
|                                                       |                  | <b>Total liabilities</b>                                               | <b>1,342,822</b> |
|                                                       |                  | (Net assets)                                                           |                  |
|                                                       |                  | <b>Shareholders' equity</b>                                            | <b>287,276</b>   |
|                                                       |                  | Share capital                                                          | 104,484          |
|                                                       |                  | Capital surplus                                                        | 52,210           |
|                                                       |                  | Legal capital surplus                                                  | 52,210           |
|                                                       |                  | Other capital surplus                                                  | -                |
|                                                       |                  | Retained earnings                                                      | 130,718          |
|                                                       |                  | Other retained earnings                                                | 130,718          |
|                                                       |                  | Reserve for special depreciation                                       | 1,274            |
|                                                       |                  | Reserve for tax purpose reduction entry of non-current assets          | 5,147            |
|                                                       |                  | Retained earnings brought forward                                      | 124,295          |
|                                                       |                  | Treasury shares                                                        | (136)            |
|                                                       |                  | <b>Valuation and translation adjustments</b>                           | <b>472</b>       |
|                                                       |                  | Valuation difference on available-for-sale securities                  | 988              |
|                                                       |                  | Deferred gains or losses on hedges                                     | (516)            |
|                                                       |                  | <b>Total net assets</b>                                                | <b>287,749</b>   |
| <b>Total assets</b>                                   | <b>1,630,571</b> | <b>Total liabilities and net assets</b>                                | <b>1,630,571</b> |

## Non-consolidated Statement of Profit and Loss

(April 1, 2020 - March 31, 2021)

(Unit: Millions of yen)

| Description                                                                        | Amount   |                  |
|------------------------------------------------------------------------------------|----------|------------------|
| <b>Net sales</b>                                                                   |          | <b>1,098,661</b> |
| <b>Cost of sales</b>                                                               |          | <b>1,038,433</b> |
| Gross profit                                                                       |          | 60,228           |
| <b>Selling, general and administrative expenses</b>                                |          | <b>110,951</b>   |
| Operating loss                                                                     |          | 50,722           |
| <b>Non-operating income</b>                                                        |          | <b>26,783</b>    |
| Interest income                                                                    | 242      |                  |
| Dividend income                                                                    | 16,994   |                  |
| Foreign exchange gain                                                              | 3,554    |                  |
| Reversal of provision for the in-service issues of commercial aircraft jet engines | 3,306    |                  |
| Other                                                                              | 2,686    |                  |
| <b>Non-operating expenses</b>                                                      |          | <b>11,604</b>    |
| Interest expense                                                                   | 2,116    |                  |
| Loss on retirement of non-current assets                                           | 2,787    |                  |
| Other                                                                              | 6,700    |                  |
| <b>Ordinary loss</b>                                                               |          | <b>35,544</b>    |
| <b>Extraordinary income</b>                                                        |          | <b>3,378</b>     |
| Gain on sales of non-current assets                                                | 3,378    |                  |
| <b>Extraordinary losses</b>                                                        |          | <b>16,649</b>    |
| Impairment loss                                                                    | 15,205   |                  |
| Loss on valuation of shares of subsidiaries and associates                         | 1,444    |                  |
| <b>Loss before income taxes</b>                                                    |          | <b>48,815</b>    |
| Income taxes-current                                                               | (2,948)  |                  |
| Income taxes-deferred                                                              | (10,078) | (13,027)         |
| <b>Loss</b>                                                                        |          | <b>35,788</b>    |

**Audit Report**  
(English Translation)

The Audit and Supervisory Committee has conducted an audit concerning the performance of duties by the Directors for the 198th fiscal year from April 1, 2020 to March 31, 2021, and hereby reports the auditing methods and their results as follows.

1. Auditing Methods and Their Contents

- (1) The Audit and Supervisory Committee received reports on a regular basis from Directors, employees and other relevant personnel, sought explanations as necessary, and provided opinions with respect to the contents of the Board of Directors' resolutions pursuant to 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act and the status of the development and maintenance of the systems that are maintained based on such resolutions (internal control systems). The Committee also received reports from Directors, etc. and KPMG AZUSA LLC on the status of the evaluation and audit of internal controls over financial reporting under the Financial Instruments and Exchange Act and sought explanations as necessary.
  
- (2) In accordance with the auditing policies, audit plans and other relevant matters established by the Audit and Supervisory Committee, the Committee, in coordination with the Auditing Department (Internal Audit Department) and other departments concerned, participated in important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important documents and associated information, and studied the operations and financial positions at the head office and business offices.  
Moreover, as for subsidiaries, the Committee communicated its intentions and exchange information with the Directors and Audit & Supervisory Board Members of subsidiaries, including via online methods, and received business reports from the subsidiaries as necessary.
  
- (3) The Audit and Supervisory Committee monitored and examined whether the Accounting Auditor maintained their independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of their duties and, as necessary, attended its audits and sought explanations.  
Also, the Audit and Supervisory Committee received notice from the Accounting Auditor that "the system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance on Company Accounting) has been prepared in accordance with the "Product Quality Management Standards Regarding Audits" (issued by the Business Accounting Deliberation Council (BACD)) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and their supplementary schedules, as well as consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to the consolidated financial statements) related to the relevant fiscal year.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

(i) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company's condition.

(ii) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.

(iii) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. We have found no matters on which to remark regarding the information contained in this Business Report and the performance of duties by the Directors related to such internal controls system, including internal controls on financial reporting.

### (2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

In our opinion, the methods and results of audit employed and rendered by KPMG AZSA LLC are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results of audit employed and rendered by KPMG AZSA LLC are fair and reasonable.

May 18, 2021

Audit and Supervisory Committee, Kawasaki Heavy Industries, Ltd.

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Full-Time Audit and Supervisory Committee Member | Katsuyoshi Fukuma |
| Full-Time Audit and Supervisory Committee Member | Akio Nekoshima    |
| Audit and Supervisory Committee Member           | Satoru Kohdera    |
| Audit and Supervisory Committee Member           | Atsuko Ishii      |
| Audit and Supervisory Committee Member           | Ryoichi Saito     |

(Note) Audit and Supervisory Committee Members Satoru Kohdera, Atsuko Ishii and Ryoichi Saito are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act. Moreover, the Company transitioned from a company with an audit & supervisory board to a company with audit and supervisory committee by resolution of the 197th Ordinary General Meeting of Shareholders, held on June 25, 2020, and therefore information regarding their status from April 1, 2020 to June 24, 2020 is based on the content taken over from the former Audit & Supervisory Board.