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(Securities Code: 7012)

June 13, 2023

Dear Shareholders:

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

NOTICE OF THE 200th ORDINARY GENERAL MEETING OF SHAREHOLDERS

We would like to inform you that we will hold the 200th Ordinary General Meeting of Shareholders of Kawasaki Heavy Industries, Ltd. (the "Company" or "KHI") as described below. We will provide live streaming, on-demand streaming, and acceptance of questions in advance via the Internet, and encourage you to use them.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (items for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information as "Notice of the 200th Ordinary General Meeting of Shareholders" on each of the websites shown below. Please access either of the websites using the Internet addresses to review the information.

The Company's Website https://www.khi.co.jp/ir/stocks/shareholders_meeting/
(in Japanese)

TSE website <https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>
(in Japanese)

On the TSE website, enter the issue name (company name), "Kawasaki Heavy Industries" or securities code "7012," click "Search," then click "Basic information" and select "Documents for public inspection/PR information." Under "Filed information available for public inspection," click "Click here for access" under "[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting]."

Website for posted
informational materials
other than the above <https://d.sokai.jp/7012/teiji/> (in Japanese)
websites

If you will not be attending in person on the day, 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 Tuesday, June 27, 2023 (JST).

For details of the exercise of voting rights via the Internet or in writing (by mail), live streaming, and the acceptance of questions in advance, please refer to page 5 to page 8.

1. Date and Time: Wednesday, June 28, 2023 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 200th Fiscal Year (from April 1, 2022 to March 31, 2023) 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 200th Fiscal Year (from April 1, 2022 to March 31, 2023)

Matters to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Eight Directors (except Directors Serving as Audit and Supervisory Committee Members)

Proposal No. 3: Revision of Remuneration Amount for 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. Settled Matters Regarding Convocation of the General Meeting of Shareholders:

(1) Items excluded in accordance with laws and regulations and the Company's Articles of Incorporation from paper-based documents delivered in response to a request for delivery of documents stating items for which measures for providing information in electronic format are to be taken

The Company will deliver items for which measures for providing information in electronic format are to be taken as paper-based documents to shareholders requesting paper-based documents, but in accordance with laws and regulations and Article 16, paragraph (ii) of the Company's Articles of Incorporation, items in the following list will be excluded from delivery as paper-based documents.

- "Company Share Options," "Accounting Auditor" and "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 Equity" and "Notes to the Consolidated Financial Statements" in the Consolidated Financial Statements
- "Non-consolidated Statement of Changes in Net Assets" and "Notes to the Non-consolidated Financial Statements" in the Non-consolidated Financial Statements

The above items were audited together with the Business report, Consolidated Financial Statements and Non-consolidated Financial Statements as part of them, during the preparation of the audit reports by the Audit and Supervisory Committee and the Accounting Auditor.

(2) Concerning amendments on the web

In the event of 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, a notice of the amendments and the details of the items before and after the amendments will be posted on each of the websites (on page 1) for posting items for which measures for providing information in electronic format are to be taken.

5. Other Matters Regarding the General Meeting of Shareholders:

(1) 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.

(2) 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.

(3) 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.

(4) 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).

Guidance on Exercise of Voting Rights, Etc.

Exercise of Voting Rights in Writing

Please indicate your vote for or against each of the proposals on the Voting Rights Exercise Form enclosed with this Notice, and return it by post.

Exercise of Voting Rights via the Internet

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

- Notes:
1. When voting rights have been exercised in writing (by mail) using the Voting Rights Exercise Form, in cases where the vote for or against a proposal is not indicated, it shall be treated as a vote for the proposal.
 2. If you duplicate your vote, i.e., if you exercise your voting rights both via the Internet and in writing (by mail), we will consider only the vote cast via the Internet to be valid.
 3. If you vote a number of times via the Internet, we will consider the final vote to be the valid one.

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> (in Japanese)

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.

Live Streaming

We will provide a live streaming via the Internet to enable the viewing of the General Meeting of Shareholders from outside the venue.

Please view by accessing the streaming website from the following URL and entering your ID and password.

1. Date and time of streaming

From 10:00 a.m. to the end time of the General Meeting of Shareholders on Wednesday, June 28, 2023

* The streaming page will be available from around 30 minutes before the start time of the General Meeting of Shareholders (9:30 a.m.).

2. How to watch on the day

Prepare your shareholder ID (= shareholder number) and password (= postal code), which are to be required on the shareholder authentication screen (log-in screen), in advance before accessing to the following website for live streaming.

*Please make sure to have your shareholder number on hand before sending the Voting Rights Exercise Form.

Website for live streaming <https://7012.ksoukai.jp> (in Japanese)

Shareholder ID	▶	<u>"Shareholder number"</u> (nine digits) stated in the Voting Rights Exercise Form
Password	▶	<u>"Postal code"</u> (seven digits, with no hyphen) stated in the Voting Rights Exercise Form

Instructions for Shareholder Authentication Screen (Log-in Screen)

- (i) Enter the "shareholder ID (= shareholder number)"
- (ii) Enter the "password (= postal code)"
- (iii) Click "Log-in"

3. Points of attention

- Participation via the live streaming is not deemed as attendance at the General Meeting of Shareholders under the Companies Act, and you can neither ask questions nor exercise your voting rights on the day.
Please exercise your voting rights via the Internet or in writing (by mail) in advance.
- In consideration of the privacy, etc. of shareholders attending in person, filming of the venue for the live streaming will be limited to the images on screen and the area around officers' seats. However, please note that there may be cases in which shareholders in attendance are unavoidably filmed. We ask for your understanding in advance.
- Communication charges, etc. for viewing are each shareholder's responsibility.

Contact for enquiries concerning live streaming

Please contact the following if you have any concerns.

Shareholder ID (shareholder number) and password (postal code)

Sumitomo Mitsui Trust Bank, Ltd.

Dedicated phone line for Virtual General Meeting of Shareholders

Support

0120-782-041 (available only in Japan)

Business hours: 9:00 a.m. to 5:00 p.m. (excluding Saturdays, Sundays and national holidays) (JST)

Live streaming (Viewing issues, etc.)

V-cube, Inc.

03-6833-6859

Date and time for inquiries: June 28 (the day of the General Meeting of Shareholders) from 9:00 a.m. to the end of the General Meeting of Shareholders

Acceptance of enquiries in advance

- Please access the dedicated acceptance of questions website from the following URL and enter your question.
- We will accept up to two questions related to the matters that are the purpose of this General Meeting of Shareholders.
- We plan to select matters that are thought to be of a high level of interest to shareholders from among the questions, but please understand that we will not be able to answer individual questions. Of the questions received in advance, those not covered in the General Meeting of Shareholders will be used for future reference.

Website for enquiries in advance <https://7012.ksoukai.jp> (in Japanese)

Deadline of enquiries in advance ► 5:00 p.m. on Wednesday, June 21, 2023

Streaming following the conclusion of the General Meeting of Shareholders

The following URL will be available until July 31, 2023 to stream the day of the General Meeting of Shareholders.

The Company's Website https://www.khi.co.jp/ir/stocks/shareholders_meeting/
(in Japanese)

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The KHI Group considers the improvement of enterprise value, i.e., creating stable profit that exceeds capital costs over the future, as being a fundamental policy, and return of profits to shareholders by enhancing shareholder value over the long term through continuous, advanced research and development and innovative capital investment, which is necessary for future growth, as being an important management issue.

In addition, in order to keep a balance between shareholder value and returning profits to shareholders through dividends, the Company takes its overall financial position into consideration, including free cash flow and debt-equity ratio (D/E ratio) etc., in addition to future earnings trends, and, with stable dividends in mind, has established 30% as the basis for the medium- to long-term dividend payout ratio with respect to profit attributable to owners of parent.

The Company's basic policy is to distribute dividend surplus twice a year as an interim dividend and a year-end dividend. The Board of Directors determines the amount of the interim dividend and the shareholders determine the year-end dividend at a General Meeting of Shareholders.

Based on the policy above, the year-end dividend for the 200th term will amount to ¥60 per ordinary share of the Company for a total distribution of ¥10,072,808,700. As a result, annual dividend will be ¥90 per ordinary share of the Company, including interim dividend (¥30 per ordinary share of the Company).

In addition, the effective date for the dividends from surplus shall be June 29, 2023.

Type of dividend property	Cash
Dividend per share	¥60
Total amount of dividend	¥10,072,808,700
Effective date of dividends of surplus	June 29, 2023

Proposal No. 2: Election of Eight Directors (except Directors Serving as Audit and Supervisory Committee Members)

The terms of office for all seven 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. This fiscal year, to further enhance corporate governance, we propose to elect eight Directors, increasing the number of Outside Directors by one. As a result, a majority of the members of the Board of Directors will be Outside Directors.

Candidates for Directors were nominated by the Board of Directors in accordance with "Qualifications Expected of Directors," which is described on page 27. 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	Position, Duties, Significant concurrent positions etc.	Attendance at meetings of the Board of Directors
1	Yoshinori Kanehana	Chairman of the Board	16/16
2	Yasuhiko Hashimoto	President and Chief Executive Officer	16/16
3	Katsuya Yamamoto	Senior Corporate Executive Officer Assistant to the President, in charge of Finance & Accounting, Human Resources, Legal Affairs, Compliance and Corporate Communication, and General Manager, Human Resources Division	16/16
4	Hiroshi Nakatani	Senior Corporate Executive Officer Assistant to the President, in charge of Technology, Production, Procurement, TQM, General Administration, Digital Transformation (DX) Strategy, and the North America Project Management Task Force, and General Manager, Corporate Technology Division	16/16
5	Jenifer Rogers	General Counsel Asia, Asurion Japan Holdings G.K. Outside Director, Mitsui & Co., Ltd. Outside Director, Nissan Motor Co., Ltd. Outside Director, Seven & i Holdings Co., Ltd.	16/16
6	Hideo Tsujimura		16/16
7	Katsuhiko Yoshida	Outside Director, Citizen Watch Co., Ltd.	12/12
8	Melanie Brock	CEO, Melanie Brock Advisory Ltd. Outside Director, SEGA SAMMY HOLDINGS INC. Outside Director, Mitsubishi Estate Co., Ltd.	-/-

- (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. Katsuhiko Yoshida is based on his attendance records after he assumed the office of Director on June 24, 2022.
 3. The Company has entered into a Directors and Officers Liability Insurance (D&O Insurance) contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance contract 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, this excludes damages arising from an act undertaken with the knowledge that such act was in violation of laws and ordinances). If each candidate assumes the office as Director, the candidate will be included as an insured in the contract. 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 Advisory 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) 16/16 (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 (Representative Director) President, Rolling Stock Company</p> <p>Apr. 2016 Senior Executive Vice President (Representative Director) Assistant to the President</p> <p>Jun. 2016 President (Representative Director)</p> <p>Apr. 2018 Representative Director, President and Chief Executive Officer</p> <p>Jun. 2020 Representative Director, Chairman of the Board</p> <p>Jun. 2021 Chairman of the Board (present)</p> <p>Reasons for nomination as candidate 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, President of the Company in June 2016, and Chairman of the Board of the Company in 2020. 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>	44,600 shares (Of which, the number of shares to be granted under the stock compensation plan) (15,000 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
2	Yasuhiko Hashimoto (May 15, 1957) 16/16 (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 & Robot Company, in charge of promoting automation</p> <p>Jun. 2018 Director, Managing Executive Officer President, Precision Machinery & Robot Company, in charge of promoting automation</p> <p>Apr. 2020 Representative Director, Senior Corporate Executive Officer Assistant to the President</p> <p>Jun. 2020 Representative Director, President and Chief Executive Officer (present)</p> <p>Reasons for nomination as candidate 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, Senior Corporate 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>	36,200 shares (Of which, the number of shares to be granted under the stock compensation plan) (17,600 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
3	Katsuya Yamamoto (November 21, 1957) 16/16 (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 & Offshore Structure Company, General Manager, Corporate Planning Division</p> <p>Apr. 2020 Representative Director, Senior Corporate 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 Representative Director, Senior Corporate 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</p> <p>Apr. 2022 Representative Director, Senior Corporate Executive Officer Assistant to the President, in charge of Finance & Accounting, Human Resources, Legal Affairs, Compliance and Corporate Communication, and General Manager, Human Resources Division (present)</p> <p>Reasons for nomination as candidate Mr. Yamamoto has been mainly engaged in businesses related to corporate planning and finance & accounting of the plant & 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, Senior Corporate Executive Officer of the Company in 2020. Presently, as Director, Senior Corporate Executive Officer, he has been in charge of Finance & Accounting, Human Resources, Legal Affairs, Compliance 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>	24,600 shares (Of which, the number of shares to be granted under the stock compensation plan) (11,000 shares)

[Reference]

"Sustainability": This is the sustainability 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
4	Hiroshi Nakatani (August 9, 1960) 16/16 (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 & 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 & 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 & 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</p> <p>Apr. 2022 Representative Director, Senior Corporate Executive Officer Assistant to the President, in charge of Technology, Production, Procurement, TQM, General Administration, Digital Transformation (DX) Strategy, and the North America Project Management Task Force, and General Manager, Corporate Technology Division (present)</p> <p>Reasons for nomination as candidate Mr. Nakatani has been mainly engaged in businesses related to technical development and planning for many years. He was appointed Director, Managing Executive Officer in 2020 and Director, Senior Corporate Executive Officer of the Company in 2022. Presently, as Director, Senior Corporate Executive Officer, he has an overall responsibility for Technology, Production, Procurement, TQM, General Administration, Digital Transformation (DX) Strategy, and the North America Project Management Task Force, 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>	16,300 shares (Of which, the number of shares to be granted under the stock compensation plan) (9,100 shares)

[Reference]

“Digital Transformation” “DX”: 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.

“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
5	(Outside Director Candidate) (Independent Officer) Jenifer Rogers (June 22, 1963) 16/16 (100%)	<p>Sep. 1989 Joined Haight Gardner Poor & Havens (At present: Holland & 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.)</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)</p> <p>Nov. 2012 General Counsel Asia, Asurion Asia Pacific Limited (Hong Kong)</p> <p>Nov. 2014 General Counsel Asia, Asurion Japan Holdings G.K. (present)</p> <p>Jun. 2015 Outside Director, Mitsui & 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</p> <p>May 2022 Outside Director, Seven & i Holdings Co., Ltd. (present)</p> <p>[Significant concurrent positions] General Counsel Asia, Asurion Japan Holdings G.K. Outside Director, Mitsui & Co., Ltd. Outside Director, Nissan Motor Co., Ltd. Outside Director, Seven & i Holdings Co., Ltd.</p> <p>Policies regarding independence Ms. Rogers satisfies the independence standards specified by the Company, and the Company has submitted notification to Tokyo Stock Exchange, Inc. that she has been appointed as Independent Officer as provided for by the aforementioned exchange.</p> <p>Reasons for nomination as candidate and outline of expected role 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>	3,000 shares

- (Notes)
1. She is a candidate for Outside Director.
 2. Her tenure as Outside Director of the Company will have been five 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.

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) Hideo Tsujimura (June 6, 1954) 16/16 (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&D Planning Division, in charge of Intellectual Property Department</p> <p>Mar. 2015 Senior Managing Director, Suntory Holdings Limited Representative Director, President & 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&D Division, Suntory Holdings Limited</p> <p>Mar. 2017 Director, Executive Vice President, Suntory Beverage & Food Limited</p> <p>Apr. 2017 Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research & Development Department, Suntory Beverage & 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>Policies regarding independence Mr. Tsujimura satisfies the independence standards specified by the Company, and the Company has submitted notification to Tokyo Stock Exchange, Inc. that he has been appointed as Independent Officer as provided for by the aforementioned exchange.</p>	700 shares

	<p>Reasons for nomination as candidate and outline of expected role</p> <p>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&D Division of Suntory Holdings Limited, Representative Director, President & 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 & Development Department of Suntory Beverage & 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>	
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- (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. 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.

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) Katsuhiko Yoshida (April 5, 1954) 12/12 (100%)	<p>Apr. 1979 Joined Kao Soap Co., Ltd. (At present: Kao Corporation)</p> <p>Mar. 2014 Representative Director, Managing Executive Officer, with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd., Kao Corporation</p> <p>Mar. 2015 Representative Director, Senior Managing Executive Officer, with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd., Kao Corporation</p> <p>Jan. 2017 Representative Director, Senior Managing Executive Officer, with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd., with overall responsibility for Marketing Development Department, Kao Corporation</p> <p>Jun. 2022 Outside Director, Citizen Watch Co., Ltd. (present) Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p>[Significant concurrent positions] Outside Director, Citizen Watch Co., Ltd.</p> <p>Policies regarding independence Mr. Yoshida satisfies the independence standards specified by the Company, and the Company has submitted notification to Tokyo Stock Exchange, Inc. that he has been appointed as Independent Officer as provided for by the aforementioned exchange.</p> <p>Reasons for nomination as candidate and outline of expected role Mr. Yoshida has served in such roles as Representative Director, Senior Managing Executive Officer, with overall responsibility for Consumer Products Business Department at Kao Corporation. Since 2022, as Outside Director of the Company, he has provided helpful opinions and advice on important management decisions based on his extensive management experience, and his deep insights into sales and marketing, from a standpoint independent of the execution of business. 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>	1,300 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. Although Kao Corporation, 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 Kao Corporation and the KHI Group. However, the annual average transactions between the Group of Kao Corporation 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
8	(Newly- appointed) (Outside Director Candidate) (Independent Officer) Melanie Brock (April 10, 1964) -/- (-%)	<p>Mar. 2003 CEO, AGENDA Ltd. (At present: Melanie Brock Advisory Ltd.) (present)</p> <p>Mar. 2010 Board Member, Australia-Japan Foundation</p> <p>Apr. 2010 Board Member, Australia-Japan Business Co-operation Committee (present) Chair, Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ)</p> <p>Oct. 2010 Regional Manager - Japan, Meat & Livestock Australia (MLA)</p> <p>Dec. 2012 Chair, Australian Business Asia (ABA)</p> <p>Nov. 2016 Chair Emeritus, Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ) (present)</p> <p>Jun. 2019 Outside Director, SEGA SAMMY HOLDINGS INC. (present)</p> <p>Jul. 2019 Board Member, Australia-Japan Research Centre (AJRC) (present)</p> <p>Jun. 2022 Outside Director, Mitsubishi Estate Co., Ltd. (present)</p> <p>[Significant concurrent positions] CEO, Melanie Brock Advisory Ltd. Outside Director, SEGA SAMMY HOLDINGS INC. Outside Director, Mitsubishi Estate Co., Ltd.</p> <p>Policies regarding independence Ms. Brock satisfies the independence standards specified by the Company, and the Company has submitted notification to Tokyo Stock Exchange, Inc. that she has been appointed as Independent Officer as provided for by the aforementioned exchange.</p> <p>Reasons for nomination as candidate and outline of expected role Ms. Brock has been involved in international business support for many years, and possesses extensive international experience as well as deep insights into business strategy and marketing from a global perspective, and accordingly we have determined that she will be able to fully fulfill the role of supervising business execution and enhancing corporate value as an Outside Director of the Company. Considering these points, we have expected her to provide supervision leveraging her expertise and knowledge and newly nominated her as a candidate for Outside Director.</p>	- shares

- (Notes)
1. She is a candidate for Outside Director.
 2. If the election of the candidate is approved and adopted, the Company will enter into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the candidate. 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. Melanie Brock Advisory Ltd., at which the candidate currently serves as CEO, has no track record of transactions with KHI or the KHI Group. Consequently, we have determined that there is no issue as to the independence of the candidate and she will be able to fulfil her role as an Independent Officer.

Proposal No. 3: Revision of Remuneration Amount for Directors Serving as Audit and Supervisory Committee Members

The remuneration amount for Directors serving as Audit and Supervisory Committee Members of the Company of ¥120 million or less per year, which is the same remuneration amount that was previously paid to Audit & Supervisory Board Members, was approved at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020, since when it has remained in effect. We propose to revise the remuneration amount to ¥150 million or less per year.

Duties of Directors serving as Audit and Supervisory Committee Members have become increasingly important in order to maintain sound management and support the sustainable growth of the Company, and it has become an issue to recruit and retain human resources with abundant experience and knowledge in order to build an appropriate supervision system in response to changes in the business environment. In light of the foregoing, the Company judges it to be appropriate in consideration of various factors such as the common level and future developments.

There are currently five Directors serving as Audit and Supervisory Committee Members, including three Outside Directors.

Reference

[Skill Matrix if Proposal No. 2 is approved]

Position at the Company and Name	Expected Areas							Required Experience			
	Business Strategy	Governance	Finance / Accounting	Human Resources / Organizational Management	Manufacturing (Technology / Development / Production / Quality)	Sales / Marketing	IT / DX / Security	Corporate Management	Global	Legal Affairs / Government	Finance / Research / Institutions
Chairman of the Board Yoshinori Kanehana	•	•			•	•		•	•		
Representative Director, President and Chief Executive Officer Yasuhiko Hashimoto	•	•		•	•	•	•	•	•		
Representative Director, Senior Corporate Executive Officer Katsuya Yamamoto	•	•	•	•				•	•		
Representative Director, Senior Corporate Executive Officer Hiroshi Nakatani	•	•			•		•	•			•
Outside Director Jenifer Rogers	•	•	•						•	•	•
Outside Director Hideo Tsujimura	•	•		•	•	•		•	•		
Outside Director Katsuhiko Yoshida	•	•				•		•			
Outside Director Melanie Brock	•	•				•			•		
Director, Full-time Audit and Supervisory Committee Member Akio Nekoshima	•	•	•					•	•		•

Position at the Company and Name	Expected Areas							Required Experience			
	Business Strategy	Governance	Finance / Accounting	Human Resources / Organizational Management	Manufacturing (Technology / Development / Production / Quality)	Sales / Marketing	IT / DX / Security	Corporate Management	Global	Legal Affairs / Government	Finance / Research / Institutions
Director, Full-time Audit and Supervisory Committee Member Nobuhisa Kato	•	•	•					•	•		
Outside Director, Audit and Supervisory Committee Member Atsuko Ishii	•	•		•						•	
Outside Director, Audit and Supervisory Committee Member Ryoichi Saito	•	•	•	•				•	•		
Outside Director, Audit and Supervisory Committee Member Susumu Tsukui	•	•								•	

[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.

End

Business Report
(April 1, 2022 - March 31, 2023)

1. Overview concerning the Current Situation of Company Group

(1) Business Progress and Results

(i) General conditions

The overall orders received by the KHI Group on a consolidated basis for the fiscal year under review increased as a result of growth in segments such as the Rolling Stock segment and Powersports & Engine segment. Overall consolidated revenue increased compared to the previous fiscal year due to sales growth in segments such as the Powersports & Engine segment and Aerospace Systems segment.

As for profit, business profit increased compared to the previous fiscal year as a result of increased profits in segments such as Powersports & Engine, Aerospace Systems and Energy Solution & Marine Engineering, despite a decrease in profits in the Precision Machinery & Robot segment. Profit attributable to owners of parent increased due to increased business profit despite deterioration with foreign exchange (gains) losses.

As a result, consolidated orders received increased ¥435.3 billion from the previous fiscal year to ¥2,037.4 billion, consolidated revenue increased ¥224.7 billion from the previous fiscal year to ¥1,725.6 billion, and business profit increased ¥51.9 billion from the previous fiscal year to ¥82.3 billion. Profit attributable to owners of the parent increased ¥40.3 billion from the previous fiscal year to ¥53.0 billion.

Starting from the current consolidated fiscal year, International Financial Reporting Standards (IFRS) are being applied instead of Japanese standards. Therefore, figures for the previous consolidated fiscal year have also been adjusted based on IFRS for comparative analysis in this page and after.

Also, the name of the business segment that was formerly known as "Motorcycles & Engines" has been changed to "Powersports & Engine." This change to the name of the business segment has no impact on segment information.

(ii) Operating conditions by business segment

Aerospace Systems segment

In the Aerospace Systems segment, orders received were ¥345.5 billion, a decrease of ¥37.7 billion from the previous fiscal year where there were large orders received from the Ministry of Defense (MOD) in Japan, while the number of parts manufactured for commercial aircraft jet engines increased.

Revenue increased ¥50.6 billion from the previous fiscal year to ¥348.8 billion due to an increase of component parts manufactured for commercial aircraft jet engines and parts for commercial aircraft.

Business profit was ¥14.8 billion, an improvement of ¥25.2 billion from the previous fiscal year due to increased sales of components for commercial aircraft jet engines and components for commercial aircraft.

Rolling Stock segment

In the Rolling Stock segment, orders received were ¥313.2 billion, which was an increase of ¥241.7 billion from the previous fiscal year, mainly due to an option contract with the New York City Transit Authority for a new subway train.

Revenue increased ¥5.2 billion from the previous fiscal year to ¥131.9 billion, mainly due to an increase in sales of rolling stock for the US and Japanese markets.

Business profit was ¥1.3 billion, which is the same level as the previous fiscal year, as a result of factors such as delays in the rolling stock project for the Long Island Rail Road in the United States, while sales grew.

Energy Solution & Marine Engineering segment

In the Energy Solution & Marine Engineering segment, orders received were ¥439.0 billion, which was an increase of ¥95.4 billion from the previous fiscal year due to an increase in orders for submarines from the MOD, LPG/ammonia carriers, and power generation equipment.

Revenue increased by ¥17.2 billion from the previous fiscal year to ¥314.5 billion, mainly due to increased construction in the energy business and for submarines for the MOD, while construction in waste treatment facility projects for the Japanese market decreased.

Business profit was ¥3.9 billion, an improvement of ¥14.7 billion from the previous fiscal year due to sales growth with energy business and submarines for the MOD, along with improved equity in earnings. However, construction work for waste treatment facility projects in the Japanese market decreased.

Precision Machinery & Robot segment

In the Precision Machinery & Robot segment, orders received were ¥262.0 billion, a decrease of ¥9.8 billion from the previous fiscal year, due to a decrease in hydraulic components for the Chinese construction machinery market despite an increase in each series of robots.

Revenue was ¥252.6 billion, the same level as the previous fiscal year, as a result of sales growth and increased sales of various robots due to the easing of parts supply shortages, while sales of hydraulic equipment for the Chinese construction machinery market decreased.

Business profit decreased ¥5.1 billion from the previous fiscal year to ¥8.7 billion as a result of higher costs including soaring costs for electronic components and materials, a temporary decline in operations caused by the

lockdown in China, and a decrease in hydraulic equipment for the Chinese construction machinery market.

Powersports & Engine segment

In the Powersports & Engine segment, revenue was ¥591.1 billion, which was an increase of ¥143.2 billion from the previous fiscal year, due to sales growth of motorcycles in North America and Southeast Asia, automobiles in North America, general-purpose engines, and the depreciation of the yen.

Business profit increased by ¥34.0 billion from the previous fiscal year to ¥71.5 billion due to various factors including sales growth with motorcycles, automobiles, and general-purpose engines, and the impact of foreign exchange rates, in addition to the steady progress with price pass-through despite soaring costs with raw material and logistics and an increase in fixed costs.

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

Others segment

In the Others segment, revenue increased ¥8.3 billion from the previous fiscal year to ¥86.3 billion.

Business loss came to ¥1.8 billion, deteriorating ¥4.9 billion from the previous fiscal year.

Reference

i) Orders received, revenue and business profit/loss by segment

(Billions of yen)

Segment	Orders received		Revenue		Business profit/loss	
	Amount	Year-on-Year Change	Amount	Year-on-Year Change	Amount	Year-on-Year Change
Aerospace Systems	345.5	(37.7)	348.8	50.6	14.8	25.2
Rolling Stock	313.2	241.7	131.9	5.2	1.3	(0.8)
Energy Solution & Marine Engineering	439.0	95.4	314.5	17.2	3.9	14.7
Precision Machinery & Robot	262.0	(9.8)	252.6	0	8.7	(5.1)
Powersports & Engine	591.1	143.2	591.1	143.2	71.5	34.0
Others	86.4	2.4	86.3	8.3	(1.8)	(4.9)
Adjustment	-	-	-	-	(16.2)	(10.9)
Total	2,037.4	435.3	1,725.6	224.7	82.3	51.9

(Notes) 1. Revenue recorded is for revenue from external customers.

2. The figure for orders received for Powersports & 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

	FY2021	FY2022
[Before-tax ROIC]	[3.3%]	[7.7%]
After-tax ROIC	1.6%	5.7%
ROE	2.6%	9.8%

- (Notes)
1. Before-tax ROIC (return on invested capital) = (Profit before tax + interest expenses) ÷ Invested capital (Net debt + equity)
 2. After-tax ROIC (return on invested capital) = (Profit attributable to owners of parent + Interest expenses × (1 - Tax rate)) ÷ Invested capital
 3. 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}
 4. After-tax ROIC has been disclosed to foster dialogues with the capital market from the perspective of promoting capital cost-conscious management as the entire Group. The current capital costs (WACC) are estimated at the 4% range.

iii) Cash flows

(Billions of yen)

	FY2021	FY2022
Cash flows from operating activities	156.8	23.6
Cash flows from investing activities	(58.3)	(77.4)
Cash flows from financing activities	(108.9)	85.3

(2) Trends in Assets and Income

(Billions of yen)

Item	FY2019	FY2020	FY2021		FY2022 (Consolidated fiscal year under review)
	Japanese standards	Japanese standards	Japanese standards	IFRS	IFRS
Orders received	1,513.5	1,402.4	1,602.1	1,602.1	2,037.4
Net sales / Revenue	1,641.3	1,488.4	1,500.8	1,500.8	1,725.6
Operating profit (loss)	62.0	(5.3)	45.8	-	-
Business profit	-	-	-	30.3	82.3
Profit (loss) before income taxes / Profit before tax	39.3	(14.6)	30.8	27.6	70.3
Profit (loss) attributable to owners of parent	18.6	(19.3)	21.8	12.6	53.0
Earnings per share / Basic earnings per share (yen)	¥111.72	¥(115.73)	¥130.26	¥75.51	¥316.63
Total assets	1,957.8	1,963.2	2,022.7	2,174.6	2,457.7
Net assets / Total equity	471.5	482.7	498.5	524.8	596.8

(Note) Since FY2022, the Company has prepared consolidated financial statements based on International Financial Reporting Standards (IFRS). Figures for FY2021 are based on IFRS as a reference.

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

We have been promoting “Group Vision 2030” since November 2020 as the future ideal toward which the Group is aiming. The Group will strengthen existing core businesses, cultivate new businesses as future pillars by promoting synergy among businesses, and reform our business portfolio by choosing specific businesses on which to focus in order to pursue sustainable growth.

(i) Fields that the KHI Group focuses on

By giving attention to current social issues, the Group is focusing on the following three fields to provide timely solutions to various social issues, including the realization of a decarbonized society to protect the global environment, measures to address the aging society and labor shortages mainly in advanced countries, elimination of various regional disparities in medical care, prevention and fast recovery from natural disasters, and providing a stable supply of various natural resources and energy.

“Creating a Safe and Secure Remote Society” - Creating New Value through Robotics and Network

The KHI Group aims to create a society where people can live safely and securely in diverse fields, such as medical and healthcare, manufacturing, and industrial

infrastructure, using the Group's remote control technology, remote information technology, robotics, etc., and proposes new ways of working and living styles that enable all people to participate in society through the realization of a remote society.

"Mobility in the Near Future" - Responding Quickly to Changing Trends in Movement of People and Goods

In order to quickly respond to changes and trends in the movement of people and goods, such as the need for home deliveries and the increasing demand for personal mobility due to changing lifestyles, the KHI Group will propose new means of transport and movement, such as helicopters and automated delivery robots that autonomously transport goods, aiming to create a society where affluent, smart, and seamless movement is possible.

"Energy and Environmental Solutions" – for stable supply of clean energy

The KHI Group is building a world-leading hydrogen supply chain for the quick realization of a carbon-neutral society. The KHI Group is also advancing standalone carbon neutrality with the aim of achieving virtually zero CO₂ emissions by 2030 at Company sites in Japan. Expectations for hydrogen that can be produced in various methods at locations around the world have increased not only for the aim of becoming carbon neutral but also for energy security aspects, and the KHI Group will accelerate initiatives to quickly achieve a hydrogen-based society. As a Group, we will also spread decarbonization solutions including electrification to cover a wide range of society and stakeholders as we aim to be Zero-Carbon Ready by 2040, and achieve net zero CO₂ emissions for the entire Group by 2050.

(ii) Scenario for growth

Mass production related businesses such as the Powersports & Engine segment, which achieved record high profit in FY2022, is the main profit center for the KHI Group as a whole. The full-fledged recovery in aviation demand, including international flights, will steadily grow the profit from businesses in which products are made to order such as Aerospace Systems segment, thereby driving the KHI Group's growth. Furthermore, the KHI Group is aiming for other new businesses including hydrogen, medical robots and Near Future Mobility to become revenue pillars, leading to a stable growth trajectory. To achieve growth scenarios, we will review business models such as by shifting from selling products to selling services. We will also work to create a new society through collaborations with the National and local governments, other companies and research institutes, and work on portfolio and organizational reforms to create a highly profitable structure. By promoting digital transformation (DX) as a system for supporting these, the KHI Group is implementing initiatives to create new solutions through the utilization of data, enhance efficiency and value added in operational processes, and speed up management decision making. People are the most important asset for supporting our growth scenario. Therefore, we will implement various measures to secure and develop diverse human resources, to create an environment that will allow them to demonstrate their individuality and abilities, and to realize employees and an organization that will willingly take on challenges. The KHI Group has been fostering a corporate culture that allows us to constantly advance various innovations such as the reform of the personnel system including the allocation of human resources regardless of age to posts where they can demonstrate their potential to the full.

(4) Material Business Reorganization

Not applicable.

(5) Financing

Funds of ¥18.5 billion from long-term debt, 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.

(6) Principal Lenders

(Billions of yen)

Lenders	Balance of borrowings		
	Long term	Short term	Total
Mizuho Bank, Ltd.	2.0	49.0	51.0
Sumitomo Mitsui Banking Corporation	5.5	25.7	31.2
Sumitomo Mitsui Trust Bank, Ltd.	9.5	10.9	20.4
MUFG Bank, Ltd.	4.5	15.6	20.1
Development Bank of Japan Inc.	17.8	0	17.8

(7) Capital Investments, Etc.

In the KHI Group, investments were mainly made in facilities for increasing production capability in the Powersports & Engine segment, and in facilities for streamlining production in the Aerospace Systems and Precision Machinery & Robot segments. As a result, the KHI Group spent a total of ¥96.3 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, commercial aircraft jet engines and other products.	17.0
Rolling Stock	Facilities for streamlining production of rolling stock, etc.	2.2
Energy Solution & Marine Engineering	Facilities for increasing industrial machinery production, etc.	7.5
Precision Machinery & Robot	Facilities for streamlining production of hydraulic components and industrial robot production, etc.	25.8
Powersports & Engine	Facilities for increasing powersports production, etc.	27.2
Others	Information equipment, etc.	16.4
Total		96.3

(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 Railcar Manufacturing Co., Ltd. (Kobe, Hyogo)	¥9,685 million	100%	Design, development, manufacture, repair, sale and lease of rolling stock, railroad systems and components
Kawasaki Motors, Ltd. (Akashi, Hyogo)	¥1,000 million	100%	Manufacture, sale, lease and repair of automobiles, bicycles, industrial vehicles, other transportation machinery/equipment, engines and related equipment
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
Kawasaki Motors Corporation Japan (Akashi, Hyogo)	¥100 million	Note 3	Sole distributor of motorcycles, PWC ("JET SKI®"), general-purpose gasoline engines and engine components in Japan
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 Thermal Engineering Co., Ltd. (Kusatsu, Shiga)	¥1,460 million	100%	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
NICHIGO CORPORATION (Sapporo, Hokkaido)	¥120 million	Note 4	Design, manufacture, and sale of snow removal machinery, industrial vehicles, etc.
BENIC SOLUTION CORP. (Akashi, Hyogo)	¥50 million	100%	Information processing systems, system construction, operation and maintenance of information communication networks, software and hardware sales, IT solutions

(Notes) 1. "PWC" stands for "personal watercraft" and is a water scooter.

2. "JET SKI®" is a registered trademark of Kawasaki Motors, Ltd.
3. A wholly-owned subsidiary of Kawasaki Motors, Ltd.
4. Kawasaki Railcar Manufacturing Co., Ltd. has a 75% stake.

ii) Overseas

Company name (Location)	Capital	The Company's percentage of equity participation	Main business
Kawasaki Motors Corp., U.S.A. (United States)	USD 165 million	Note 2	Sale of motorcycles, ATVs, UVs, PWC "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)	USD 170 million	Note 2	Manufacture of PWC "JET SKI®," UVs, ATVs, rims for ATVs and UVs, general-purpose engines and rolling stock and aircraft doors
Kawasaki Motors Enterprise (Thailand) Co., Ltd. (Thailand)	THB 1,900 million	Note 2	Manufacture and sale of motorcycles in Thailand
Kawasaki Motors Europe N.V. (Netherlands)	EUR 64 million	Note 2	Sale of motorcycles, ATVs, UVs, PWC "JET SKI®" and general-purpose gasoline engines in Europe
Kawasaki Rail Car, Inc. (United States)	USD 60 million	Note 3	Manufacture, sale, servicing and engineering of rolling stock
Kawasaki Motors (Phils.) Corporation (Philippines)	PHP 101 million	Note 6	Manufacture and sale of motorcycles in the Philippines
Kawasaki Robotics (U.S.A.), Inc. (United States)	USD 1 million	Note 4	Sale and servicing of industrial robots in Americas
PT. Kawasaki Motor Indonesia (Indonesia)	USD 80 million	Note 5	Manufacture and sale of motorcycles in Indonesia
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 (Shanghai), Ltd. (China)	RMB 10 million	Note 2	Import and sale of products and related business of Kawasaki Motors, Ltd.
Kawasaki Robotics (Kunshan) Co., Ltd. (China)	JPY 1,680 million	100%	Procurement of parts and components of robots and related equipment
Canadian Kawasaki Motors Inc. (Canada)	CAD 2 million	Note 2	Sale of motorcycles, ATVs, UVs and PWC "JET SKI®" in Canada
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 Precision Machinery Trading (Shanghai) Co., Ltd. (China)	JPY 400 million	100%	Sale and servicing of precision machinery in China

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
Kawasaki Motors Pty. Ltd. (Australia)	AUD 2 million	Note 2	Sales of motorcycles, ATVs, RUVs, UVs, and PWC "Jet Ski®" in Australia
Kawasaki Precision Machinery (UK) Ltd. (England)	£10 million	100%	Production of hydraulic pumps and hydraulic motors, and sales/services for various hydraulic products in Europe
Kawasaki Motores do Brasil Ltda. (Brazil)	BRL 16 million	Note 2	Manufacture and sale of motorcycles, ATVs, PWC "Jet Ski®," etc. in Brazil

- (Notes)
1. ATV stands for "All Terrain Vehicle," UV for "Utility Vehicle," and RUV for "Recreational Utility Vehicle." All are types of off-road four-wheel vehicle.
 2. A wholly-owned subsidiary of Kawasaki Motors, Ltd.
 3. A wholly-owned subsidiary of Kawasaki Motors Manufacturing Corp., U.S.A.
 4. A wholly-owned subsidiary of Kawasaki Motors Corp., U.S.A.
 5. Kawasaki Motors, Ltd. has a 90% stake.
 6. Kawasaki Motors, Ltd. has a 50% stake.
 7. There are 104 consolidated subsidiaries, including 28 companies (10 in Japan and 18 overseas) as major subsidiaries, and there are 20 companies which are accounted for using the equity method.

(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.	8,118
Rolling Stock	Manufacture and sale of rolling stock, snow removal machinery, etc.	3,483
Energy Solution & Marine 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, ships, etc.	8,506
Precision Machinery & Robot	Manufacture and sale of hydraulic components, industrial robots, etc.	4,294
Powersports & Engine	Manufacture and sale of motorcycles, off-road four-wheel vehicles (SxS, ATV), PWC ("JET SKI®"), general purpose gasoline engines, etc.	10,159
Others	Commerce, brokerage and mediation for sale and order reception and administration of welfare facilities, etc.	2,318
Companywide common areas	(Head Office Administration Department, Research & Development Department, etc.)	1,376
Total	-	38,254

- (Notes)
1. Employees total 27,583 people in Japan and 10,671 people overseas.
 2. The Company has 13,662 employees (average age: 40.9 years old; average years of service: 15.2 years)
 3. SxS is an abbreviation for "side by side," and it is a "type of multipurpose four-wheeled vehicle."

(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

Conduct deemed inappropriate related to the inspection of absorption chillers was discovered at Kawasaki Thermal Engineering Co., Ltd. (announced on June 7, 2022). An investigation was later conducted by a special committee composed of outside lawyers, and the results were disclosed (announced on March 24, 2023). The Company will implement comprehensive quality control measures and other initiatives Group-wide to prevent recurrence.

2. Status of Shares (as of March 31, 2023)

(1) Aggregate Number of Issuable Shares	336,000,000 shares
(2) Total Number of Shares Issued	167,921,800 shares (including 41,655 treasury shares)
(3) Number of Shareholders	129,341 persons

(4) Major Shareholders (top 10)

Shareholder name	Number of shares held	Shareholding ratio (Note)
	thousand shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,042	14.9
Custody Bank of Japan, Ltd. (Trust Account)	10,542	6.2
Nippon Life Insurance Company	5,751	3.4
Kawasaki Heavy Industries, Ltd. Employees Shareholder Association	5,223	3.1
STATE STREET BANK AND TRUST COMPANY 505001	4,953	2.9
Kawasaki Heavy Industries, Ltd. Kyoeikai	4,097	2.4
Mizuho Bank, Ltd.	3,135	1.8
THE BANK OF NEW YORK MELLON 140044	2,772	1.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,227	1.3
SSBTC CLIENT OMNIBUS ACCOUNT	1,922	1.1

(Note) The shareholding ratio is calculated after subtracting treasury shares (41,655 shares).

(5) Status of shares granted to Company Officers for performance of duties during the current fiscal year

Item	Number of shares	Number of recipients
Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors)	4,100	1

- (Notes) 1. Details on the Company's stock compensation are as provided in "3. (2) 2) (I) (i) Remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors. Hereinafter referred to as "Subject Directors.")".
2. An eligible individual retired from their position as Company Director on June 24, 2022.

3. Company Officers (as of March 31, 2023)

(1) Directors

Position	Name	Areas of Responsibility within the Company and Other Significant Concurrent Positions
Director	Yoshinori Kanehana	Chairman of the Board
Representative Director	Yasuhiko Hashimoto	President and Chief Executive Officer
Representative Director	Katsuya Yamamoto	Senior Corporate Executive Officer Assistant to the President, in charge of Finance & Accounting, Human Resources, Legal Affairs, Compliance and Corporate Communication, and General Manager, Human Resources Division
Representative Director	Hiroshi Nakatani	Senior Corporate Executive Officer Assistant to the President, in charge of Technology, Production, Procurement, TQM, General Administration, Digital Transformation (DX) Strategy, and the North America Project Management Task Force, and General Manager, Corporate Technology Division
Outside Director	Jenifer Rogers	General Counsel Asia, Asurion Japan Holdings G.K. Outside Director, Mitsui & Co., Ltd. Outside Director, Nissan Motor Co., Ltd. Outside Director, Seven & i Holdings Co., Ltd.
Outside Director	Hideo Tsujimura	
Outside Director	Katsuhiko Yoshida	Outside Director, Citizen Watch Co., Ltd.
Director, Full-Time Audit and Supervisory Committee Member	Akio Nekoshima	
Director, Full-Time Audit and Supervisory Committee Member	Nobuhisa Kato	
Outside Director, Audit and Supervisory Committee Member	Atsuko Ishii	Outside Director, NS Solutions Corporation Outside Director, Mitsui Sumitomo Insurance Company, Limited
Outside Director, Audit and Supervisory Committee Member	Ryoichi Saito	
Outside Director, Audit and Supervisory Committee Member	Susumu Tsukui	Managing Partner, Ashiya Nishinomiya Citizen Law Office

- (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. Directors Sukeyuki Namiki and Yoshiaki Tamura, and Directors, Audit and Supervisory Committee Members Katsuyoshi Fukuma and Satoru Kohdera resigned during the fiscal year under review at the conclusion of the 199th Ordinary General Meeting of Shareholders held on June 24, 2022.
 3. 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 Corporate Bank, Ltd. (including The Dai-Ichi Kangyo Bank, Limited, a precursor of the bank), has substantial knowledge about finance and accounting.

Director, Full-Time Audit and Supervisory Committee Member Nobuhisa Kato, who has many years of experience with finance, accounting and administration operations at the Company, 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) Remuneration for Directors

(Millions of yen)

Position and number	Total amount of remuneration	Total amount of remuneration, etc. by category		
		Monetary reward		Performance-linked stock compensation
		Basic remuneration	Performance-based remuneration	
Directors (excluding Directors serving as Audit and Supervisory Committee Members) 9 persons	392	249	70	72
Directors serving as Audit and Supervisory Committee Members 7 persons	117	117	—	—
Total 16 persons (including 8 persons from Outside Directors)	510 (83)	367 (83)	70 (—)	72 (—)

- (Notes) 1. Stock remuneration represents the total amount recorded as expenses during the fiscal year under review based on the performance-linked stock compensation plan approved at the 198th Ordinary General Meeting of Shareholders held on June 25, 2021.
 2. 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

Subject	Remuneration type	Remuneration limit and points	Meeting of shareholders resolution	Number of Directors at resolution
Directors (excluding those serving as Audit and Supervisory Committee Members)	Cash	¥800 million per year	197th Ordinary General Meeting of Shareholders June 25, 2020	8 (including 3 Outside Directors)
Excluding Outside Directors	Stock	<ul style="list-style-type: none"> · Contribute up to ¥975 million to the trust every three fiscal years · Maximum number of points (shares) to be granted per fiscal year: 50,000 points (50,000 shares) 	198th Ordinary General Meeting of Shareholders June 25, 2021	5 persons
Directors serving as Audit and Supervisory Committee Members	Cash	¥120 million per year	197th Ordinary General Meeting of Shareholders June 25, 2020	5 (including 3 Outside Directors)

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

(I) Remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members)

Compensation for Company Officers shall be set to within the compensation scope approved at the Ordinary General Meeting of Shareholders. The compensation system is according to the performance-based stock compensation that was introduced by a resolution at the 198th Ordinary General Meeting of Shareholders on June 25, 2021. The determined remuneration amount will be divided proportionally and paid monthly during the term of office.

(i) Remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors. Hereinafter referred to as "Subject Directors.")

Based on the concept of "Pay for Mission (Reward for accomplishing what the Company needs to accomplish)" toward the realization of "Group Vision 2030" "Trustworthy Solutions for the Future" established in November 2020, the remuneration system is designed according to the responsibilities and performance of each Director, and rewards contributions to the enhancement of corporate value in the medium and long term as well as in the short term, while realizing shared value with shareholders and other stakeholders.

It consists of base remuneration, short-term incentive-based remuneration, and long-term incentive-based remuneration.

Base remuneration and short-term incentive-based remuneration are paid in cash. In addition, long-term incentive-based remuneration is a performance-linked stock compensation, with the aim of sharing profits and risks with shareholders and increasing incentives to contribute to the enhancement of corporate value over the medium to long term. The specific structure is as follows.

- Basic remuneration

Individual grades are determined based on the mission of each Subject Director, and remuneration will be set accordingly.

- Short-term incentive-based remuneration

Performance-linked compensation is based on the achievement level of performance targets for a single fiscal year, and will be determined based on the consolidated performance of the Group and the target achievement level of each Subject Director. The indicator of the consolidated performance of the Group is Profit attributable to owners of parent ("Net Profit"), and it is set to encourage the steady achievement of performance targets for a single fiscal year and the sharing of value among shareholders. The payment ratio is as follows.

Net Profit	Payment ratio (%)
Under 0	—
0 to less than ¥25 billion	0-45
¥25 billion to less than ¥45 billion	50-95
¥45 billion to less than ¥70 billion	100-195
¥70 billion or more	200~

The achievement level of the goals of each Subject Director is determined based on the achievement level of the goals set by each Subject Director in the previous fiscal year for short-term issues relating with the company as a whole, those in organizations under management of the Director, as well as tasks in charge.

- Long-term incentive-based remuneration

Utilizing the mechanism of a Board Benefit Trust, the Company will, in principle, deliver shares of the Company stock when a Director retires based on the points granted according to the tenure of office (fixed points) and those granted according to the achievement level of goals of the Subject Director (performance points), and provide cash benefits equivalent to the amount of the share exchange value of the Company.

Points are divided into two categories: fixed points and performance points. For the fixed points, a fixed number of shares is granted based on the length of tenure to share the value with shareholders.

For the performance points, shares are granted based on the achievement level of the goals of each Subject Director to work as an incentive to improve corporate value over the medium to long term. The achievement level of the goals of each Subject Director is determined based on the achievement level of the goals set by each Subject Director in the previous fiscal year for medium-term issues relating with the company as a whole, those in organizations under management of the Director, as well as tasks in charge.

The overall remuneration ratio comprising the base remuneration, short-term incentive-based remuneration, and long-term incentive-based remuneration is set to be approximately "50%:30%:20%" when the consolidated performance of the Group for the previous fiscal year achieves the target level and the individual targets set by each Subject Director for the previous fiscal year are achieved 100%.

Performance-linked compensation is based on performance for FY2021. Net Profit related to performance-linked compensation for this term was ¥21.8 billion. (*)

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

Fixed compensation that is not linked to performance due to the independent nature of the work involved.

(iii) Method of determining remuneration

Remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) is determined by resolution of the Board of Directors, within the range of remuneration, etc., in advance, based on the deliberations of the Compensation Advisory Committee. The majority of the members and the presiding chairman of the Compensation Advisory Committee are Outside Directors.

By resolution of the Board of Directors, decision on individual remuneration of each Director (excluding Directors serving as Audit and Supervisory Committee Member) may be left to the Director, President and Chief Executive Officer. In such cases, in accordance with the policy concerning the amount of remuneration and others to officers (excluding Directors serving as Audit and Supervisory Committee Member) or its calculation method, the amount of remuneration, etc. are determined based on deliberations by the Compensation Advisory Committee.

The details of remuneration, etc. for each individual Director (excluding Directors serving as Audit and Supervisory Committee Members) for the fiscal year under review are determined by Representative Director, President and Chief Executive Officer Yasuhiko Hashimoto, under the delegation of the Board of Directors, as it is necessary to determine such details based on the Group's performance and the responsibilities of each Director (excluding Directors serving as Audit and Supervisory Committee Members). In delegating, the policy concerning the amount of remuneration and others to Directors (excluding Directors serving as Audit and Supervisory Committee Members) or its calculation method determined at the Board of Directors meetings held on May 20, 2021 and June 25, 2021 is followed. Together, based on deliberations by the Compensation Advisory Committee, we have determined that the policies are in line. (*)

- * As for performance-based compensation starting from FY2022, according to International Financial Reporting Standards (IFRS), evaluation indicators for short-term incentive-type compensation will be replaced according to the following at the meeting held on March 31, 2023 as determined by the Board of Directors.

Japanese standards "Net Profit" → International accounting standards "Profit"

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

Fixed compensation that is not linked to performance due to the independent nature of the work, and is decided through consultation among the Directors serving as Audit and Supervisory Committee Members.

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

Policy and systems related to remuneration for Directors (excluding 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 seven times in FY2022. In addition to the matters described above, the committee discussed the form of the corporate officer compensation system going forward.

(3) 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 Jenifer Rogers, Hideo Tsujimura and Katsuhiko Yoshida, and Directors, Full-Time Audit and Supervisory Committee Members Akio Nekoshima and Nobuhisa Kato, and Outside Directors, Audit and Supervisory Committee Members Atsuko Ishii, Ryoichi Saito, and Susumu Tsukui. 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.

(4) 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 Directors of the Company, Kawasaki Railcar Manufacturing Co., Ltd. and Kawasaki Motors, Ltd. (excluding Directors serving as Audit and Supervisory Committee Members), Audit & Supervisory Committee Members and 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, to ensure that the execution of duties by insured persons is not compromised, no compensation for damages, etc. will be made if there are actions that the Group recognizes as a violation of laws and regulations.

(5) 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. Akio Nekoshima and Mr. Nobuhisa Kato as Full Time Audit and Supervisory Committee Members.

(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	Jenifer Rogers	General Counsel Asia, Asurion Japan Holdings G.K.	The Company does not have any important dealing or other special relationship with the said companies.
		Outside Director, Mitsui & Co., Ltd.	
		Outside Director, Nissan Motor Co., Ltd.	
		Outside Director, Seven & i Holdings Co., Ltd.	
Katsuhiko Yoshida	Outside Director, Citizen Watch Co., Ltd.		
Outside Director, Audit and Supervisory Committee Member	Atsuko Ishii	Outside Director, NS Solutions Corporation	
		Outside Director, Mitsui Sumitomo Insurance Company, Limited	

(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	Meetings of the Audit and Supervisory Committee	
Jenifer Rogers	16/16 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.

Name	Attendance		Provision of opinions and outlines of duties executed in connection with roles expected of Outside Directors
	Board of Directors meetings	Meetings of the Audit and Supervisory Committee	
Hideo Tsujimura	16/16 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 Advisory Committee and Compensation Advisory Committee, 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.
Katsuhiko Yoshida	12/12 meetings	-	He has provided comments at Board of Director Meetings 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 sales and marketing.
Atsuko Ishii	16/16 meetings	14/14 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 and Supervisory Committee Members by actively obtaining information necessary for auditing. Furthermore, as a member of the Nomination Advisory Committee and Compensation Advisory Committee, she 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	Meetings of the Audit and Supervisory Committee	
Ryoichi Saito	16/16 meetings	14/14 meetings	<p>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 and Supervisory Committee Members by actively obtaining information necessary for auditing.</p> <p>Furthermore, as chair of the Nomination Advisory Committee and Compensation Advisory Committee, 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.</p>
Susumu Tsukui	12/12 meetings	9/9 meetings	<p>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.</p> <p>In addition, he has made efforts to develop auditing environment in cooperation with other Audit and Supervisory Committee Members by actively obtaining information necessary for auditing.</p>

- (Notes)
1. The number of attendances at the Board of Directors meetings for Mr. Katsuhiko Yoshida is based on his attendance records after he assumed the office of Director on June 24, 2022.
 2. The number of attendances at the Board of Directors meetings for Director and Audit and Supervisory Committee Member Mr. Susumu Tsukui is based on his attendance records after he assumed the office of Director and Audit and Supervisory Committee Member on June 24, 2022.

Message from Outside Director

Jenifer Rogers

The last year was another year of change and uncertainty. We are living during challenging times when adapting to change becomes even more important from a business perspective as well as for the betterment of society. During COVID, KHI adapted to the situation by creating testing capabilities using its strength in robotics, deployed at various locations, including airports, to assist in fighting against the infection. Kawasaki also continued its investment in sustainability initiatives for less environmental impact by promoting development of technologies for the hydrogen supply chain and pursuing more green financing. Being responsive to social issues while developing solutions for our customers that help them adapt to the changing world is important.

The board is focused on this in line with the spirit of "Changing forward" and I look forward to working with my other directors on delivering on that towards achieving the Kawasaki "Group Vision 2030" for all of our stakeholders.

Hideo Tsujimura

The Kawasaki Heavy Industries Group is taking positive steps toward achieving "Group Vision 2030." We are breaking ground on many new businesses, and I'm confident the Group will see significant growth in the future. However, getting a new business to be able to stand on its own requires time and investment while it is supported by existing businesses. Consistent effort is essential to improve earnings and implement structural reforms.

It is our aim to improve management quality by promoting TQM activities and strengthening compliance while fostering an organizational culture that is frank, flat and transparent. It is my sincere hope that, under the slogan "Powering your potential" that everyone will continue taking on challenges with ambitious goals and the strong belief that "If you try, you can do it, someday you will do it, you will definitely succeed."

Katsuhiko Yoshida

As indicated in December 2022 at the meeting to give an update on progress with "Group Vision 2030," preparations to transform our main businesses to achieve sustainable growth and establish new businesses as the next growth engine are steadily proceeding. People are the key to achieving any great vision, and we are reforming our personnel system to create opportunities and an environment where enthusiastic workers will be able to thrive.

I was just appointed as an Outside Director last year, but I feel that the fact that these two initiatives are progressing quickly at the same time indicates that "Group Vision 2030" is already being realized to a high degree.

It is my particular hope that there will be greater progress with hydrogen-related business, which promotes carbon neutrality, in order to help resolve future energy problems.

Message from Outside Director, Audit and Supervisory Committee Member

Atsuko Ishii

Change takes courage, and we are becoming a company that is not afraid to face change. This is seen by the fact that the Kawasaki Heavy Industries Group took the opportunity to formulate "Group Vision 2030" and review its personnel system amid the challenges posed by the major environmental changes in Japan and other countries, including global warming. Even in these circumstances, my desire is to pass on and deepen this enthusiasm and actions toward resolving social issues. The key to successfully achieving change and reform is to increase employee engagement, make sure that we secure and foster human talent with the necessary knowledge for new businesses. While it is important to enhance governance and thorough risk management, it is my goal to give ever greater attention to human resource strategies.

Ryoichi Saito

Because of the COVID-19 pandemic, earnings were sluggish in the aircraft segment and with portions of the mass-production segment. At the same time, the Powersports & Engine segment performed well, and as a whole, the Group posted a record profit. I realized once again that a business portfolio capable of withstanding long-term environmental changes is the key to sustainable management. This year also marks the point where a company-wide approach is being established toward hydrogen business. A Company's dedication is reflected in its personnel and organization. To succeed in this business, which has great significance in social contributions but carries risks at the same time, we must ensure a business foundation that can generate more stable profits and greater cash flows than ever before. Promotion of business structural reforms is essential. Therefore, I will endeavor to give appropriate advice based on my perspective as an Outside Director.

Susumu Tsukui

I have been working with the Kawasaki Heavy Industries Group for one year as an Audit and Supervisory Committee Member. What has impressed me most is the passion shown for resolving social issues and the sincere attitude toward fair management. Based on the clear perspective of "Group Vision 2030," the abilities of each employee have been united, and efforts have been made to increase the value of the Kawasaki brand based on reliable technological capabilities, resulting in record profits. By continuing on this path, we can expect further global growth with an ever-higher degree of certainty. It is my desire to support future growth through the strengthening corporate governance by focusing on meeting current needs, while providing quick decision-making and persuasive explanations.

Consolidated Statement of Financial Position

(As of March 31, 2023)

(Unit: Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets		Current liabilities	
Cash and cash equivalents	138,420	Trade and other payables	452,250
Trade and other receivables	470,398	Bonds, borrowings and other financial liabilities	340,176
Contract assets	159,422	Income taxes payable	18,071
Inventories	690,431	Contract liabilities	256,247
Income taxes receivable	551	Provisions	22,897
Other financial assets	10,741	Other current liabilities	219,019
Other current assets	100,385	Total current liabilities	1,308,661
Total current assets	1,570,350	Non-current liabilities	
Non-current assets		Bonds, borrowings and other financial liabilities	445,082
Property, plant and equipment	451,010	Retirement benefit liability	91,552
Intangible assets	66,248	Provisions	1,942
Right-of-use assets	68,422	Deferred tax liabilities	833
Investments accounted for using equity method	77,440	Other non-current liabilities	12,779
Other financial assets	70,224	Total non-current liabilities	552,190
Deferred tax assets	110,264	Total liabilities	1,860,852
Other non-current assets	43,763	(Equity)	
Total non-current assets	887,374	Share capital	104,484
		Capital surplus	55,716
		Retained earnings	380,255
		Treasury shares	(1,107)
		Other components of equity	36,852
		Total equity attributable to owners of parent	576,201
		Non-controlling interests	20,670
		Total equity	596,872
Total assets	2,457,725	Total liabilities and equity	2,457,725

Consolidated Statement of Profit or Loss

(April 1, 2022 - March 31, 2023)

(Unit: Millions of yen)

Description	Amount
Revenue	1,725,609
Cost of sales	1,391,787
Gross profit	333,822
Selling, general and administrative expenses	252,311
Share of profit (loss) of investments accounted for using equity method	3,314
Other income	4,850
Other expenses	7,320
Business profit	82,355
Finance income	2,291
Finance costs	14,297
Profit before tax	70,349
Income tax expense	15,058
Profit	55,290
Profit attributable to	
Owners of parent	53,029
Non-controlling interests	2,261

Non-consolidated Balance Sheet

(As of March 31, 2023)

(Unit: Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	911,267	Current liabilities	823,504
Cash and deposits	88,269	Notes payable - trade	187
Notes receivable - trade	7,514	Electronically recorded obligations - operating	126,355
Accounts receivable - trade	178,010	Accounts payable - trade	140,761
Contract assets	58,316	Short-term borrowings	147,632
Raw materials and supplies	105,002	Accounts payable - other	48,674
Work in process	304,590	Accrued expenses	84,336
Advance payments - trade	62,382	Income taxes payable	2,480
Prepaid expenses	949	Contract liabilities	169,838
Other	109,367	Provision for bonuses	23,000
Allowance for doubtful accounts	(3,135)	Provision for construction warranties	6,570
		Provision for loss on construction contracts	1,087
		Lease liabilities	662
		Other	71,917
Non-current assets	611,574	Non-current liabilities	427,314
Property, plant and equipment	284,592	Bonds payable	149,000
Buildings	103,961	Long-term borrowings	188,251
Structures	19,281	Lease liabilities	7,288
Docks and building berths	2,208	Provision for retirement benefits	60,519
Machinery and equipment	86,082	Provision for the in service issues of commercial aircraft jet engines	837
Vessels	78	Other	21,418
Aircraft	5		
Vehicles	724		
Tools, furniture and fixtures	32,881	Total liabilities	1,250,818
Land	21,346		
Leased assets	7,678	(Net assets)	
Construction in progress	10,343	Shareholders' equity	270,137
Intangible assets	17,371	Share capital	104,484
Software	11,520	Capital surplus	54,126
Other	5,851	Legal capital surplus	54,126
Investments and other assets	309,610	Other capital surplus	-
Investment securities	12,665	Retained earnings	112,633
Shares of subsidiaries and associates	94,045	Other retained earnings	112,633
Investments in capital of subsidiaries and associates	35,963	Reserve for special depreciation	543
Distressed receivables	1,216	Reserve for tax purpose reduction entry of non-current assets	4,765
Deferred tax assets	91,201	Retained earnings brought forward	107,324
Other	75,871	Treasury shares	(1,107)
Allowance for doubtful accounts	(1,352)	Valuation and translation adjustments	1,885
		Valuation difference on available-for-sale securities	1,465
		Deferred gains or losses on hedges	420
		Total net assets	272,022
Total assets	1,522,841	Total liabilities and net assets	1,522,841

Non-consolidated Statement of Profit and Loss

(April 1, 2022 - March 31, 2023)

(Unit: Millions of yen)

Description	Amount	
Net sales		791,099
Cost of sales		696,849
Gross profit		94,250
Selling, general and administrative expenses		95,792
Operating loss		(1,542)
Non-operating income		18,418
Interest income	614	
Dividend income	15,576	
Other	2,228	
Non-operating expenses		13,905
Interest expenses	1,657	
Foreign exchange losses	4,259	
Loss on retirement of non-current assets	1,208	
Other	6,780	
Ordinary profit		2,970
Extraordinary losses		4,513
Impairment losses	4,513	
Loss before income taxes		(1,542)
Income taxes - current	(1,624)	
Income taxes - deferred	(11,916)	(13,540)
Profit		11,998

Audit Report
(English Translation)

The Audit and Supervisory Committee has conducted an audit concerning the performance of duties by the Directors for the 200th fiscal year from April 1, 2022 to March 31, 2023, 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 consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to the consolidated financial statements), as well as the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of profit and loss, non-consolidated statement of changes in net assets, and

notes to the non-consolidated financial statements) and their supplementary schedules 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 Consolidated Financial Statements

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 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.

May 25, 2023

Audit and Supervisory Committee, Kawasaki Heavy Industries, Ltd.

Full-Time Audit and Supervisory Committee Member	Akio Nekoshima
Full-Time Audit and Supervisory Committee Member	Nobuhisa Kato
Audit and Supervisory Committee Member	Atsuko Ishii
Audit and Supervisory Committee Member	Ryoichi Saito
Audit and Supervisory Committee Member	Susumu Tsukui

(Note) Audit and Supervisory Committee Members Atsuko Ishii, Ryoichi Saito and Susumu Tsukui are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.