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(Securities Code: 7012)

June 5, 2019

Dear Shareholders:

Yoshinori Kanehana
President
Kawasaki Heavy Industries, Ltd.
1-1 Higashikawasaki-cho 3-chome,
Chuo-ku, Kobe
(Registered Office)
1-3 Higashikawasaki-cho 1-chome,
Chuo-ku, Kobe

NOTICE OF THE 196th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 196th Ordinary General Meeting of Shareholders of Kawasaki Heavy Industries, Ltd. (the "Company" or "KHI"). The meeting will be held as described below.

If you are unable to attend on the day of the meeting, we kindly ask you to review the "Reference Documents for the General Meeting of Shareholders" (described hereinafter), and exercise your voting right in writing or via the Internet, etc., by 5:00 p.m. on Tuesday, June 25, 2019 (JST).

- 1. Date and Time:** **Wednesday, June 26, 2019 at 10:00 a.m. (JST) (Door opens at 9 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 196th Fiscal Year (from April 1, 2018 to March 31, 2019) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board Members
2. Non-Consolidated Financial Statements for the Company's 196th Fiscal Year (from April 1, 2018 to March 31, 2019)

Matters to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Eleven Directors

Proposal No. 3: Election of One Audit & Supervisory Board Member

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

4. Other matters regarding procedures of the General Meeting of Shareholders:

(1) Concerning web disclosure

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

(2) Concerning amendments on the web

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

The Company's Website

<https://www.khi.co.jp/ir/>

(3) Concerning entrance of persons other than shareholders

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

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

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

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

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

Exercise of Voting Rights in Writing

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

Exercise of Voting Rights via the Internet, etc.

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

Notes:

1. If you duplicate your vote, i.e., if you exercise your voting rights both in writing and via the Internet, etc., we will consider only the vote cast via the Internet, etc. to be valid. Also, if you vote a number of times, we will consider the final vote to be the valid one.
2. Shareholders who intend to diversely exercise voting rights are requested to give written notification to that effect, and the reason(s) thereof, no later than three days prior to the day of the General Meeting of Shareholders.

Scanning QR code® "Smart Vote"

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

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

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

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

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

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

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

Entering login ID and password

Voting website:

<https://www.web54.net>

1 Please access the voting website.

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

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

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

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The Company 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 net income 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 196th term will amount to ¥35 per ordinary share of the Company for a total distribution of ¥5,846,586,760. As a result, annual dividend will be ¥70 per ordinary share of the Company, including interim dividend (¥35 per ordinary share of the Company).

In addition, the effective date for the dividends from surplus shall be June 27, 2019.

Type of dividend property	Cash
Dividend per share	¥35
Total amount of dividend	¥5,846,586,760
Effective date of dividends of surplus	June 27, 2019

Proposal No. 2: Election of Eleven Directors

The terms of office of all twelve Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. We propose to elect eleven Directors due to the change in management structure (reduction in number of Directors by one) this fiscal year. Candidates for Directors were nominated by the Board of Directors in accordance with "Qualifications Expected of Directors," which is described on page 17. The Company has obtained a report to the effect that this nomination is appropriate from the Nomination Advisory Committee, which consists mainly of independent outside officers.

The candidates for Directors are as follows:

No.		Name	Duties, Significant concurrent positions etc.	Attendance to meetings of the Board of Directors
1	Reappointed	Shigeru Murayama		17/17 (100%)
2	Reappointed	Yoshinori Kanehana	Chief Executive Officer	17/17 (100%)
3	Reappointed	Kenji Tomida	Assistant to the President, with overall responsibility for finance and accounting, and human resources	17/17 (100%)
4	Reappointed	Tatsuya Watanabe	President, Energy System & Plant Engineering Company	15/17 (88%)
5	Reappointed Outside Independent	Michio Yoneda	Outside Audit & Supervisory Board Member, Sumitomo Chemical Company, Limited Outside Director, Audit and Supervisory Committee Member, Asahi Broadcasting Group Holdings Corporation	17/17 (100%)
6	Reappointed	Katsuya Yamamoto	In charge of Corporate Planning, Investor Relations, Corporate Communication and Ship & Offshore Structure Company, General Manager, Corporate Planning Division	17/17 (100%)
7	Reappointed	Sukeyuki Namiki	Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of Quality Control and Rolling Stock Company	14/14 (100%)
8	Reappointed	Yasuhiko Hashimoto	President, Precision Machinery & Robot Company, in charge of promoting automation	14/14 (100%)
9	Reappointed Outside Independent	Yoshiaki Tamura	Outside Director, DIC Corporation	14/14 (100%)
10	Reappointed Outside Independent	Jenifer Rogers	Outside Director, Mitsui & Co., Ltd.	14/14 (100%)
11	New	Hiroyoshi Shimokawa	President, Aerospace Systems Company	-/- (-%)

(Note) The number shown under "Attendance to meetings of the Board of Directors" for Sukeyuki Namiki, Yasuhiko Hashimoto, Yoshiaki Tamura and Jenifer Rogers indicates their attendance to the meetings after their assumption on June 27, 2018.

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
1	(Reappointed) Shigeru Murayama (February 27, 1950) 17/17 (100%)	<p>Apr. 1974 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2010 Senior Vice President President, Aerospace Company</p> <p>Jun. 2013 President</p> <p>Jun. 2016 Chairman of the Board</p> <p>Reasons for nomination as candidate for Director Mr. Murayama has been mainly engaged in business related to technology and development of the aerospace segment of the Company for many years. He assumed the office of its Senior Vice President in 2010 and its President in 2013. He has served as Chairman of the Board since 2016. Presently, as Chairman of the Board, he has been demonstrating outstanding leadership, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him again as a candidate for Director.</p>	23,300 shares
2	(Reappointed) Yoshinori Kanehana (February 19, 1954) 17/17 (100%)	<p>Apr. 1976 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2012 Senior Vice President General Manager, Marketing Division</p> <p>Jun. 2013 Senior Vice President President, Rolling Stock Company</p> <p>Apr. 2016 Senior Executive Vice President Assistant to the President</p> <p>Jun. 2016 President</p> <p>Apr. 2018 President and Chief Executive Officer</p> <p>Reasons for nomination as candidate for Director 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 its Senior Vice President in 2012 and its Senior Executive Vice President in April 2016. He has served as its President since June 2016. Presently, as 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 again as a candidate for Director.</p>	16,500 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
3	(Reappointed) Kenji Tomida (August 7, 1955) 17/17 (100%)	<p>Apr. 1978 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2014 Senior Vice President General Manager, Corporate Planning Division</p> <p>Apr. 2015 Senior Vice President President of Motorcycle & Engine Company</p> <p>Dec. 2016 Senior Vice President General Manager, Corporate Planning Division, in charge of Finance & Accounting and Personnel & Labor Administration Department</p> <p>Apr. 2017 Senior Executive Vice President Assistant to the President, in charge of Head Office Administration Department</p> <p>Apr. 2018 Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for finance and accounting, in charge of Head Office Administration Department</p> <p>May 2018 Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for finance and accounting, in charge of Head Office Administration Department and Ship & Offshore Structure Company</p> <p>Apr. 2019 Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for finance and accounting, and human resources</p> <p>Reasons for nomination as candidate for Director Mr. Tomida has been mainly engaged in business related to finance & accounting and corporate planning of the Company and its overseas business for many years. He was appointed as its Senior Vice President in 2014 and has served as its Senior Executive Vice President since 2017. Presently, as Director, Vice President and Senior Executive Officer, he has an overall responsibility for corporate finance and accounting, and human resources, 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 again as a candidate for Director.</p>	9,600 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
4	(Reappointed) Tatsuya Watanabe (September 30, 1957) 15/17 (88%)	<p>Apr. 1981 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2013 Executive Officer Senior Manager, Energy Plant Engineering Division of Plant & Infrastructure Company</p> <p>Apr. 2015 Executive Officer Vice President, Plant & Infrastructure Company</p> <p>Apr. 2016 Managing Executive Officer President, Plant & Infrastructure Company</p> <p>Jun. 2016 Senior Vice President President, Plant & Infrastructure Company</p> <p>Apr. 2018 Director, Managing Executive Officer President, Energy System & Plant Engineering Company</p> <p>Reasons for nomination as candidate for Director Mr. Watanabe has been mainly engaged in business related to technology and development of the plant & infrastructure segment of the Company for many years. He has served as Senior Vice President since 2016. Presently, as Director, Managing Executive Officer and President of Energy System & Plant Engineering Company, 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 again as a candidate for Director.</p>	5,900 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
5	(Reappointed) (Outside Director Candidate) (Independent Officer) Michio Yoneda (June 14, 1949) 17/17 (100%)	<p>Apr. 1973 Joined Bank of Japan</p> <p>Apr. 2000 Resigned Bank of Japan</p> <p>Apr. 2000 Executive Director, Osaka Securities Exchange</p> <p>Apr. 2001 Executive Director (Member of the Board), Osaka Securities Exchange Co., Ltd.</p> <p>Dec. 2003 President & CEO (Member of the Board), Osaka Securities Exchange Co., Ltd.</p> <p>Jan. 2013 Director & Representative Executive Officer, Group COO, Japan Exchange Group, Inc. Director, Tokyo Stock Exchange, Inc.</p> <p>Jun. 2015 Resigned Director & Representative Executive Officer, Group COO of Japan Exchange Group, Inc. Resigned Director of Tokyo Stock Exchange, Inc.</p> <p>Jun. 2015 Outside Audit & Supervisory Board Member, The Resolution and Collection Corporation</p> <p>Jun. 2016 Outside Director, Kawasaki Heavy Industries, Ltd. (current position)</p> <p>Jun. 2018 Resigned Outside Audit & Supervisory Board Member, The Resolution and Collection Corporation Outside Audit & Supervisory Board Member, Sumitomo Chemical Company, Limited Outside Director, Audit and Supervisory Committee Member, Asahi Broadcasting Group Holdings Corporation</p> <p>[Significant concurrent positions] Outside Audit & Supervisory Board Member, Sumitomo Chemical Company, Limited Outside Director, Audit and Supervisory Committee Member, Asahi Broadcasting Group Holdings Corporation</p> <p>Reasons for nomination as candidate for Director Mr. Yoneda previously served as President & CEO (Member of the Board) of Osaka Securities Exchange Co., Ltd., and Director & Representative Executive Officer and Group COO of Japan Exchange Group, Inc., and other important positions. We have received helpful opinions and advice on important management decisions based on his deep insight for corporate governance and abundant management experience cultivated in those positions from a standpoint independent from the Company's execution of duties. Considering these points, we have nominated him again as a candidate for Director as we have judged that he will be able to fully perform his roles as an Outside Director supervising the execution of duties and enhancing its enterprise value.</p>	400 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
6	(Reappointed) Katsuya Yamamoto (November 21, 1957) 17/17 (100%)	<p>Apr. 1981 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jul. 2013 General Manager, Planning & Control Division, Precision Machinery Company</p> <p>Apr. 2015 Executive Officer General Manager, Planning & Control Division, Precision Machinery Company</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>Reasons for nomination as candidate for Director Mr. Yamamoto has been mainly engaged in business related to corporate planning and finance & accounting of the plant & infrastructure segment and the precision machinery segment of the Company for many years. He has served as Senior Vice President since 2017. Presently, as Director, Managing Executive Officer and General Manager of Corporate Planning Division, he exercises control over operations including overall corporate planning and investor relations, while also being in charge of Corporate Communication and Ship & Offshore Structure Company, 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 again as a candidate for Director.</p>	5,200 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
7	(Reappointed) Sukeyuki Namiki (June 6, 1955) 14/14 (100%)	<p>Apr. 1980 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2014 Staff officer to Aerospace Company (In charge of Next-Generation Wide-Body Project Promotion Department)</p> <p>Apr. 2015 Executive Officer Vice President, Aerospace Company</p> <p>Apr. 2016 Managing Executive Officer President, Aerospace Company</p> <p>Apr. 2018 Managing Executive Officer President, Aerospace Systems Company, with overall responsibility for production</p> <p>Jun. 2018 Director, Managing Executive Officer President, Aerospace Systems Company</p> <p>Apr. 2019 Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of Quality Control and Rolling Stock Company</p> <p>Reasons for nomination as candidate for Director Mr. Namiki has been mainly engaged in businesses related to technology and developing the aerospace segment of the Company for many years. He was appointed Director, Managing Executive Officer of the Company in 2018. Presently, as Director, Vice President and Senior Executive Officer, he has demonstrated outstanding leadership, he has an overall responsibility for technology, production and procurement, while also being in charge of Quality Control and Rolling Stock Company, 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 again as a candidate for Director.</p>	5,600 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
8	(Reappointed) Yasuhiko Hashimoto (May 15, 1957) 14/14 (100%)	<p>Apr. 1981 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2013 Executive Officer General Manager, Robot Business Division, Precision Machinery Company</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>Reasons for nomination as candidate for Director Mr. Hashimoto has been mainly engaged in businesses related to technology and developing of the industrial robots business unit of the Company for many years. He was appointed Director, Managing Executive Officer of the Company in 2018. Presently, as Director, Managing Executive Officer and President of Precision Machinery & Robot Company, he has demonstrated outstanding leadership, while also having overall responsibility for promoting companywide automation, 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 again as a candidate for Director.</p>	4,600 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
9	(Reappointed) (Outside Director Candidate) (Independent Officer) Yoshiaki Tamura (October 3, 1954) 14/14 (100%)	<p>Apr. 1979 Joined Asahi Glass Co., Ltd. (At present: AGC Inc.)</p> <p>Mar. 2013 Representative Director and Executive Vice President, Asahi Glass Co., Ltd. Overall Business Management, GM of Technology General Division, Deputy Leader of AGC Group Improvement Activities</p> <p>Jan. 2014 President of Glass Company, Asahi Glass Co., Ltd.</p> <p>Mar. 2014 Executive Vice President, President of Glass Company, Asahi Glass Co., Ltd.</p> <p>Jan. 2017 Assistant to CEO, Asahi Glass Co., Ltd.</p> <p>Mar. 2017 Executive Fellow, Asahi Glass Co., Ltd.</p> <p>Mar. 2018 Outside Director, DIC Corporation</p> <p>Jun. 2018 Outside Director, Kawasaki Heavy Industries, Ltd.</p> <p>Mar. 2019 Retired from Executive Fellow, AGC Inc.</p> <p>[Significant concurrent positions] Outside Director, DIC Corporation</p> <p>Reasons for nomination as candidate for Director Mr. Tamura served as Representative Director and Executive Vice President, Asahi Glass Co., Ltd. (At present: AGC Inc.), Overall Business Management, GM of Technology General Division, Deputy Leader of AGC Group Improvement Activities and Executive Vice President, President of Glass Company and other important positions. We have received helpful opinions and advice on important management decisions based on his deep insight for manufacturing and abundant management experience cultivated in those positions from a standpoint independent from the Company's execution of duties. Considering these points, we have judged that he will be able to fulfill his role as an Outside Director supervising the execution of duties of the Company and enhancing its enterprise value, and nominated him again as a candidate for Director.</p>	300 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
10	<p>(Reappointed) (Outside Director Candidate) (Independent Officer)</p> <p>Jenifer Rogers (June 22, 1963)</p> <p>14/14 (100%)</p>	<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>Nov. 1994 Retired from 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>Nov. 2012 General Counsel Asia, Asurion Japan Holdings G.K. (concurrently serving as Vice President)</p> <p>Jun. 2015 Outside Director, Mitsui & Co., Ltd.</p> <p>Jun. 2018 Outside Director, Kawasaki Heavy Industries, Ltd.</p> <p>[Significant concurrent positions] Outside Director, Mitsui & Co., Ltd.</p> <p>Reasons for nomination as candidate for Director Ms. Rogers has extensive international experience and deep insights into legal affairs, compliance, and risk management, having served as an in-house lawyer and counsel at financial institutions in Japan and overseas for many years. We have received helpful opinions and advice on important management decisions based on her deep insight for legal affairs, compliance, risk management and abundant international experience cultivated in those positions from a standpoint independent from the Company's execution of duties. Considering these points, we have judged that she will be able to fulfill her role as an Outside Director supervising the execution of duties of the Company and enhancing its enterprise value, and nominated her again as a candidate for Director.</p>	300 shares

No.	Name (Date of Birth) Attendance to meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]		Number of the Company's shares held
11	(Newly-appointed) Hiroyoshi Shimokawa (March 8, 1960) -/- (-%)	Apr. 1983	Joined Kawasaki Heavy Industries, Ltd.	800 shares
		Jul. 2014	Deputy General Manager (in charge of Manufacturing), Manufacturing Division, and Senior Manager, Production Control Department	
Apr. 2015	General Manager, QM Promoting Division, Aerospace Company			
Apr. 2017	Executive Officer Vice President, Aerospace Company, and General Manager, Manufacturing Division			
Apr. 2018	Executive Officer Vice President (in charge of the Aerospace business), Aerospace Systems Company			
Apr. 2019	Managing Executive Officer President, Aerospace Systems Company			
		Reasons for nomination as candidate for Director Mr. Shimokawa has been mainly engaged in businesses related to manufacturing and quality assurance of the aerospace business unit of the Company for many years. He was appointed Executive Officer of the Company in 2017 and has served as Managing Executive Officer of the Company since 2019. Presently, as Managing Executive Officer and President of Aerospace Systems Company, he has demonstrated 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 newly nominated him as a candidate for Director.		

- (Notes)
1. There is no special interest relationship between each candidate and the Company.
 2. Mr. Michio Yoneda, Mr. Yoshiaki Tamura and Ms. Jenifer Rogers are candidates for Outside Director.
 3. Mr. Michio Yoneda's tenure as Outside Director of the Company will have been three years at the conclusion of this Ordinary General Meeting of Shareholders.
 4. Tenure of Mr. Yoshiaki Tamura and Ms. Jenifer Rogers as Outside Director of the Company will have been one year at the conclusion of this Ordinary General Meeting of Shareholders.
 5. Mr. Michio Yoneda, Mr. Yoshiaki Tamura and Ms. Jenifer Rogers have entered into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, 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. Should the reappointment of Mr. Michio Yoneda, Mr. Yoshiaki Tamura and Ms. Jenifer Rogers be approved, the Company will extend the above agreement with them.
 6. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Michio Yoneda, Mr. Yoshiaki Tamura and Ms. Jenifer Rogers have been appointed as Independent Officer as provided for by the aforementioned exchange.
 7. The Company has no special transactional relationship, with the exception of transactions based on the listing agreement between Tokyo Stock Exchanges, Inc., where Mr. Michio Yoneda served as managing officer in the past, and the Company. Because a conflict of interest is not likely to be caused with general shareholders, we have judged that he will be able to fulfill his role as an Independent Officer.
 8. Although Asahi Glass Co., Ltd. (At present: AGC Inc.), where Mr. Yoshiaki Tamura served as a managing officer in the past, is a business partner of the Company, the annual average transactions between the Group of Asahi Glass Co., Ltd and the KHI Group for the most recent five fiscal years account for less than 1% of the annual average net sales each for the said Group and the KHI Group over the corresponding period. Consequently, we have

determined that there is no issue as to the independence of Mr. Tamura and he will be able to fulfill his role as an Independent Officer.

Proposal No. 3: Election of One Audit & Supervisory Board Member

The term of office of Outside Audit & Supervisory Board Member Mr. Takashi Torizumi will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we propose to elect one Audit & Supervisory Board Member.

We have obtained the prior consent of the Audit & Supervisory Board Members on this proposal.

Candidate for Audit & Supervisory Board Member was nominated by the Board of Directors in accordance with "Qualifications Expected of Audit & Supervisory Board Members," which is described on page 17. 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 candidate for Audit & Supervisory Board Member is as follows:

Name (Date of Birth)	Carrier Summary and Positions [Significant concurrent positions]	Number of the Company's shares held
<p>(Newly-appointed) (Outside Audit & Supervisory Board Member Candidate) (Independent Officer)</p> <p>Ryoichi Saito (February 3, 1950)</p>	<p>Apr. 1974 Joined NSK Ltd. Jun. 2006 Senior Vice President, Head of Corporate Planning Division HQ Jun. 2011 Director, Representative, Executive Vice President, Head of Corporate Strategy Division HQ, Crisis Management Committee Chairperson Jun. 2013 Senior Advisor Jun. 2016 Administrative Officer Jun. 2017 Retired</p> <hr/> <p>Reasons for nomination as candidate for Audit & Supervisory Board Member Mr. Saito has not only extensive management experience but also deep insights into business planning, finance and accounting, and risk management, having joined NSK Ltd., where he assumed key posts, including Senior Vice President, Head of Corporate Planning Division HQ, Director, Representative, Executive Vice President, Head of Corporate Strategy Division HQ and Crisis Management Committee Chairperson. Considering these points, we have judged that he will be able to fulfil his role as an Outside Audit & Supervisory Board Member auditing the Company from an independent position, and newly nominated him as a candidate for Audit & Supervisory Board Member.</p>	<p>0 shares</p>

- (Notes)
1. There is no special conflict of interest between the Company and the candidate for Audit & Supervisory Board Member.
 2. Mr. Ryoichi Saito is a candidate for Outside Audit & Supervisory Board Member.
 3. Mr. Ryoichi Saito will enter into a limited liability agreement after his election pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company on condition that Proposal No. 3 is adopted in its original form. Liability under the said agreement shall be limited to either ¥10 million or an amount specified by laws and regulations, whichever is higher.

4. The Company will submit notification to Tokyo Stock Exchange, Inc. that Mr. Ryoichi Saito is appointed as Independent Officer as provided for by the aforementioned exchange.
5. Although NSK Ltd., where Mr. Ryoichi Saito previously served as business executive, is a business partner of the Company, the annual average transactions between the Group of NSK Ltd. and the KHI Group for the most recent five fiscal years account for less than 1% of the annual average net sales each for the said Group and the KHI Group over the corresponding period. Consequently, we have determined that there is no issue as to the independence of Mr. Saito and he will be able to fulfill his role as an Independent Officer.

Reference

[Qualifications Expected of Directors]

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

[Qualifications Expected of Audit & Supervisory Board Members]

1. Be able to contribute to ensuring the soundness of the KHI Group's management
2. Have the ability to make fair and appropriate judgment from an independent and objective standpoint
3. Be able to exercise one's authority in an active and positive manner, and properly express one's opinions to the Board of Directors or the management
4. Be familiar with the Company's business and corporate management or have abundant and broad experience, deep insight and expertise
5. At least one Audit & Supervisory Board 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 a managing 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 managing director, executive officer, operating officer or other important employee of the KHI Group.

Attachment:

Business Report
(April 1, 2018 - March 31, 2019)

1. Overview concerning the Current Situation of Company Group

(1) Business Progress and Results

(i) General conditions

While the global economy, centered on the U.S. with a strong real economy, has continued to grow moderately, it lacks momentum as a whole mainly due to an economic slowdown in some emerging economies and resource-rich countries. In addition, deterioration in corporate earnings is becoming manifest, resulting from U.S.-China trade friction, and there remains the possibility of a no-deal Brexit, even though the departure of the UK from the EU was postponed. Under these circumstances, uncertainty over the prospects of the real economy has persisted, requiring continued attention on the risk of a global economic downturn.

The Japanese economy is recovering moderately mainly due to a slight increase in capital investment and improvements in corporate earnings. Going forward, although moderate growth is expected in general, it is also possible that the yen will appreciate primarily due to the economic policies of the U.S. and other countries, so continued attention must be paid to the foreign exchange markets.

Amid such an operating environment, the KHI Group achieved growth in orders received mainly in the Ship & Offshore Structure segment. However, sales in the Rolling Stock and Aerospace Systems segments contracted, decreasing the Group's overall net sales by 1% year-on-year down to ¥1,585.9 billion in the fiscal year ended March 31, 2019. Net sales, as a whole, were ¥1,594.7 billion, 1% higher than the previous fiscal year, due to increased sales primarily in the Motorcycle & Engine segment and the Precision Machinery & Robot segment, while sales of the Rolling Stock segment decreased.

In terms of profit, operating income was ¥64.0 billion, 14% higher than the previous fiscal year, due to an improvement in the Ship & Offshore Structure segment and increased profit in the Energy System & Plant Engineering segment and others. Recurring profit was ¥37.8 billion, 12% lower than the previous fiscal year mainly due to payments for the in-service issues of commercial aircraft jet engines, while operating income increased. Net income attributable to owners of parent was ¥27.4 billion, 5% lower than the previous fiscal year, mainly due to a decrease in recurring profit.

(ii) Operating conditions by business segment

The Company has reviewed the method of business segment classification from the fiscal year ended March 31, 2019 and has changed its reportable segments from the previous Ship & Offshore Structure, Rolling Stock, Aerospace, Gas Turbine & Machinery, Plant & Infrastructure, Motorcycle & Engine, Precision Machinery, and Others to Aerospace Systems, Energy

System & Plant Engineering, Precision Machinery & Robot, Ship & Offshore Structure, Rolling Stock, Motorcycle & Engine, and Others.

Information by business segment for the previous fiscal year has been prepared using the revised segment classification method.

Aerospace Systems segment

In the Aerospace Systems segment, orders received were ¥431.6 billion, a decrease of ¥67.2 billion from the previous fiscal year, due to decreased orders received from the Ministry of Defense (MOD) in Japan and component parts for commercial aircraft, while component parts for commercial aircraft jet engines increased.

Net sales decreased ¥5.5 billion from the previous fiscal year to ¥463.9 billion, due to decreased sales to MOD and of component parts for commercial aircraft, while sales of component parts for commercial aircraft jet engines increased.

Operating income increased ¥1.7 billion from the previous fiscal year to ¥32.6 billion, which was mainly attributable to the increased profitability of component parts for commercial aircraft.

Energy System & Plant Engineering segment

In the Energy System & Plant Engineering segment, orders received were ¥263.5 billion, an increase of ¥39.8 billion from the previous fiscal year, which was mainly due to orders received for Combined Cycle Power Plant (CCPP) and LNG tanks in the domestic market and other factors.

Net sales increased ¥1.4 billion from the previous fiscal year to ¥253.0 billion, which was mainly due to an increase in the volume of construction works of energy business, despite decreased sales of construction works of municipal waste treatments facilities in the domestic market and construction works of chemical plants for overseas market.

Operating income increased ¥3.9 billion from the previous fiscal year to ¥11.6 billion mainly due to an increase in profitability of energy business.

Precision Machinery & Robot segment

In the Precision Machinery & Robot segment, orders received were ¥222.4 billion, an increase of ¥15.3 billion from the previous fiscal year, due to an increase of hydraulic components for the construction machinery market despite a decrease of robots for semiconductor manufacturing equipment.

Net sales increased ¥23.0 billion from the previous fiscal year to ¥222.0 billion due to an increase in sales of hydraulic components for the construction machinery market despite a decrease in sales of robots for semiconductor manufacturing equipment.

Operating income was ¥21.3 billion, around the same level as the previous fiscal year, mainly due to an increase in selling, general and administrative

expenses, such as costs for increasing production capacity and research and development expenses, despite increased sales.

Ship & Offshore Structure segment

The Ship & Offshore Structure segment received orders amounting to ¥81.1 billion, an increase of ¥76.4 billion from the previous fiscal year, when the cancellation of an agreement for the construction of ships related to offshore service vessels, mainly due to orders received for a submarine for MOD.

Net sales were ¥78.9 billion, a decrease of ¥16.6 billion from the previous fiscal year, mainly due to a change in sales mix between LNG carriers and LPG carriers.

Operating income improved ¥4.9 billion from the previous fiscal year, with an operating income of ¥1.0 billion mainly due to construction cost reduction, despite decreased sales.

Rolling Stock segment

In the Rolling Stock segment, orders received were ¥136.0 billion, a decrease of ¥121.0 billion from the previous fiscal year, when orders for new subway cars for New York City Transit were received, despite orders received for passenger cars from the Port Authority Trans-Hudson Corporation.

Net sales decreased ¥17.0 billion from the previous fiscal year to ¥124.6 billion, mainly due to a decrease in sales for overseas markets including the US and Asia.

Operating income decreased ¥1.3 billion from the previous fiscal year, resulting in an operating loss of ¥13.7 billion, mainly due to deterioration of profitability of the US projects continuing from the previous fiscal year.

Motorcycle & Engine segment

Net sales of the Motorcycle & Engine segment increased ¥25.1 billion from the previous fiscal year to ¥356.8 billion. This was attributable to increased sales of motorcycles and utility vehicles in developed countries.

Operating income decreased ¥0.8 billion from the previous fiscal year to ¥14.3 billion mainly due to rising prices of steel stock and other materials cost, and weakness of emerging market currency, despite increased sales.

(Note) The net sales figure for the Motorcycle & Engine segment is also used as the figure for orders received.

Others segment

In the Others segment, net sales increased ¥10.0 billion from the previous fiscal year to ¥95.1 billion.

Operating income decreased ¥0.4 billion from the previous fiscal year to ¥2.5 billion.

Reference

i) Orders Received, Net Sales and Operating Income/Loss by Segment

(Billions of yen)

Segment	Orders Received		Net Sales		Operating Income/Loss	
	Amount	Year-on-Year Change	Amount	Year-on-Year Change	Amount	Year-on-Year Change
Aerospace Systems	431.6	(67.2)	463.9	(5.5)	32.6	1.7
Energy System & Plant Engineering	263.5	39.8	253.0	1.4	11.6	3.9
Precision Machinery & Robot	222.4	15.3	222.0	23.0	21.3	(0.2)
Ship & Offshore Structure	81.1	76.4	78.9	(16.6)	1.0	4.9
Rolling Stock	136.0	(121.0)	124.6	(17.0)	(13.7)	(1.3)
Motorcycle & Engine	356.8	25.1	356.8	25.1	14.3	(0.8)
Others	94.2	9.4	95.1	10.0	2.5	(0.4)
Adjustment	-	-	-	-	(5.7)	0.4
Total	1,585.9	(22.0)	1,594.7	20.5	64.0	8.0

- (Notes) 1. Net sales recorded are for sales to external customers.
 2. The net sales figure for Motorcycle & Engine segment is also used as the figure for orders received.

ii) ROIC and ROE

	FY2017 (195th fiscal year)	FY2018 (196th fiscal year)
ROIC	3.9%	4.5%
ROE	6.4%	5.8%

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

iii) Cash flows

(Billions of yen)

	FY2017 (195th fiscal year)	FY2018 (196th fiscal year)
Cash flows from operating activities	56.0	109.7
Cash flows from investing activities	(80.5)	(85.3)
Cash flows from financing activities	37.7	(19.7)

(2) Capital Investments, etc.

In the KHI Group, capital investments were made predominantly for the development of facilities to increase the production capacity in the Aerospace Systems segment and Precision Machinery & Robot segment, and for the development of facilities to handle new models in the Motorcycle & Engine segment. As a result, the KHI Group spent a total of ¥66.9 billion (including spending on intangible assets) on capital investments in the 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 increasing aircraft, jet engine and other productions and facilities for handling new models and products, etc.	24.0
Energy System & Plant Engineering	Facilities for streamlining production of industrial machinery, etc.	2.2
Precision Machinery & Robot	Facilities for increasing hydraulic components and industrial robot production, etc.	11.6
Ship & Offshore Structure	Facilities for streamlining ship construction, etc.	2.3
Rolling Stock	Facilities for increasing rolling stock production, etc.	3.3
Motorcycle & Engine	Facilities for handling new models and products of motorcycles, etc.	18.5
Others	Research and development facilities and information facilities, etc.	4.7
Total		66.9

(3) Assignment of businesses, absorption-type company split and incorporation-type company split

Not applicable.

(4) Transfer of business from other companies

Not applicable.

(5) Succession of rights and obligations pertaining to the business of another juridical person, etc., due to absorption-type merger or absorption-type company split

Not applicable.

(6) Acquisition or disposal of other company's shares or other holdings, or share options, etc.

Not applicable.

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

The Group has been progressing steadily toward realizing its image of business operations ten years down the road through development and investment activities in the energy systems business field, particularly regarding the hydrogen supply chain demonstration project, and also in the medical business field. However, over the period covered by MTBP2016 targeting FY2016 through FY2018, while suffering losses in various large projects and being impeded by the slow recovery of sluggish markets, the Group has proactively made growth investments targeting the future.

Consequently, the quantitative targets set in MTBP2016 were not achieved. In addition, we would like to sincerely apologize to our shareholders and other stakeholders for causing significant inconvenience and concern over “Defects during Manufacturing Process of Series N700 Shinkansen Train Bogie Frames.”

Reflecting on the above, the Group has formulated a new medium-term business plan “MTBP2019” targeting FY2019 through FY2021. In MTBP2019, our priority challenge is to strengthen the financial base in readiness for future growth. While more stringently selecting where to invest our business resources from the viewpoint of overall optimization, we will implement the following measures.

For details of MTBP, please refer to the URL below.

https://www.khi.co.jp/ir/library/management_plan.html

(i) Boost profitability and improve free cash flow

As seen by our recognition of a large-scale loss in the Rolling Stock segment in FY2018, the primary reason for not achieving the quantitative targets in MTBP 2016 was the losses incurred in large-scale projects. Also, because investments for future growth and investments for the renewal of aging facilities have also inflated, free cash flow has slumped as a result. Under MTBP 2019, with the exception of businesses earmarked for investment, our first priority will be to boost profitability and generate free cash flow.

Furthermore, in recognition of a growing concern over yen appreciation, we aim to construct a business operational system that is resilient against foreign exchange fluctuation risk by not only using foreign currency forward contracts to hedge against short term risk, but also strengthening the global supply chain, applying price adjustment in contracts following fluctuations in commodity prices and foreign exchange rates (escalation clauses) and pursuing countermeasures best suited to the business characteristics, such as passing costs on to prices.

(ii) Thorough attention to project risk management

We will proceed with various efforts, including thorough elimination of risks by strengthening the function of risk checking carried out prior to committing to an order, and strengthening the Project Risk Management Committee’s monitoring of projects underway. As part of our efforts to thoroughly manage risk going forward, we have started to share among the Group the lessons learned from past failures and other experiences, enhance the examinations carried out by experts before committing to orders, and formulate various rules and protocols for projects involving numerous first-off products, or large-scale projects.

(iii) Strengthen quality management systems

Targeting all inspections carried out under quality management systems across the entire Group, our newly established the TQM Department is leading efforts to establish a TQM (Total Quality Management) system that coordinates the demanded characteristics of products and operational processes. This system is being implemented to all companies and all divisions, including senior management levels, and it includes comprehensive quality management education.

In regards to the “Defects during Manufacturing Process of Series N700 Shinkansen Train Bogie Frames” matter, based on the above efforts and in order to avoid similar issues from occurring in the future, we are implementing corrective measures to prevent recurrence as announced by the Company on September 28, 2018.

(iv) Clarify the ideal composition of the business portfolio and selectively invest in growth fields

In anticipation of the future, we are stringently selecting the growth fields in which we will prioritize investment during the MTBP2019 period while continuously revising the business portfolio (structure of business scale, profitability, growth, etc.) so that our business operations collectively provide a good balance of areas to grow, stabilize, and challenge. To further enhance our provision of added value, we are striving to transition our business model to one that focuses on not simply products but also the value chain such as development, procurement, design, manufacturing, sales, services. In addition, we are pushing forward various measures aimed at restructuring the Ship & Offshore Structure segment and the Rolling Stock segment.

(v) Organizational and Corporate Culture Reform

Through our implementation of “Kawasaki Workstyle Innovation Activities (K-Win Activities)” we are striving to change attitudes among employees to facilitate bold action in response to change and realize various personnel systems that encourage forward-thinking employees, who are conscious of the importance of speed, to take bold action. We also promote diversity, and in addition to considering the child rearing and caregiving commitments of employees, we also are creating work-friendly environments in the workplace so that employees with diverse values and ways of thinking can express their individuality and demonstrate their abilities to the fullest.

(8) Trends in Assets and Income

(i) Company Group Assets and Income

(Billions of yen)

Item	The 193rd fiscal year	The 194th fiscal year	The 195th fiscal year	The 196th fiscal year (under review)
Orders received	1,693.6	1,348.7	1,608.0	1,585.9
Net sales	1,541.0	1,518.8	1,574.2	1,594.7
Operating income	95.9	45.9	55.9	64.0
Recurring profit	93.2	36.6	43.2	37.8
Net income attributable to owners of parent	46.0	26.2	28.9	27.4
Net income per share (yen)	¥275.61	¥156.85	¥173.09	¥164.34
Total assets	1,620.4	1,687.3	1,785.0	1,838.8
Net assets	445.6	451.3	481.3	492.2

(Note) The Company consolidated 10 ordinary shares into 1 ordinary share as of October 1, 2017, based on a resolution passed at the 194th Ordinary General Meeting of Shareholders held on June 28, 2017. Net income per share was calculated on the assumption that the share consolidation took place at the beginning of the 193rd term.

(ii) Company Assets and Income

(Billions of yen)

Item	The 193rd fiscal year	The 194th fiscal year	The 195th fiscal year	The 196th fiscal year (under review)
Orders received	1,309.0	1,005.0	1,184.6	1,171.8
Net sales	1,161.0	1,172.4	1,213.6	1,195.1
Operating income	56.8	4.7	13.6	15.2
Recurring profit	68.5	12.5	23.0	9.5
Net income attributable to owners of parent	30.7	17.4	24.6	15.0
Net income per share (yen)	¥184.34	¥104.71	¥147.70	¥90.37
Total assets	1,300.7	1,388.0	1,469.9	1,499.6
Net assets	306.8	304.7	322.7	325.5

(Note) The Company consolidated 10 ordinary shares into 1 ordinary share as of October 1, 2017, based on a resolution passed at the 194th Ordinary General Meeting of Shareholders held on June 28, 2017. Net income per share was calculated on the assumption that the share consolidation took place at the beginning of the 193rd term.

(9) Major Parent Companies and Subsidiaries

(i) Parent Companies

Not applicable.

(ii) Major Subsidiaries

i) Japan

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

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

ii) Overseas

Company name (Location)	Capital	The Company's percentage of equity participation	Main business
Kawasaki Motors Corp., U.S.A. (United States)	US\$ 165 million	100%	Sale of motorcycles, ATVs (all-terrain vehicles), utility vehicles, personal watercraft "JET SKI®" and general-purpose gasoline engines in the U.S. and South and Central America
Kawasaki Motors Manufacturing Corp., U.S.A. (United States)	US\$ 170 million	100%	Manufacture of ATVs (all-terrain vehicles), utility vehicles, personal watercraft "JET SKI®" and general-purpose gasoline engines; manufacture, servicing and engineering of rolling stock; manufacture of aircraft components
Kawasaki Motors Europe N.V. (Netherlands)	EUR 64 million	100%	Sale of motorcycles, ATVs (all-terrain vehicles), utility vehicles, personal watercraft "JET SKI®" and general-purpose gasoline engines in Europe
Kawasaki Motors Enterprise (Thailand) Co., Ltd. (Thailand)	THB 1,900 million	100%	Manufacture and sale of motorcycles in Thailand
Kawasaki Rail Car, Inc. (United States)	US\$ 60 million	Note 1	Manufacture, sale, servicing and engineering of rolling stock
Kawasaki Motors (Phils.) Corporation (Philippines)	PHP 101 million	50%	Manufacture and sale of motorcycles in the Philippines
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
PT. Kawasaki Motor Indonesia (Indonesia)	US\$ 80 million	90%	Manufacture and sale of motorcycles in Indonesia
Kawasaki Robotics (U.S.A.), Inc. (United States)	US\$ 1 million	Note 2	Sale and servicing of industrial robots in Americas
Kawasaki Robotics (Kunshan) Co., Ltd. (China)	JPY 1,680 million	100%	Procurement of parts and components of robots and related equipment
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 Robotics (Tianjin) Co., Ltd. (China)	JPY 200 million	100%	Sale and servicing of industrial robots in China

(Notes) 1. Kawasaki Rail Car, Inc. is a wholly-owned subsidiary of Kawasaki Motors Manufacturing Corp., U.S.A.

2. Kawasaki Robotics (U.S.A.), Inc. is a wholly-owned subsidiary of Kawasaki Motors Corp., U.S.A.
3. There are 94 consolidated subsidiaries, including 20 companies (7 in Japan and 13 overseas) as major subsidiaries, and there are 17 companies which are accounted for using the equity method.

(iii) Status of Business Combinations

Not applicable.

(10) 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.	7,983
Energy System & Plant Engineering	Manufacture and sale of energy-related equipment and systems, marine propulsion machinery and systems, industrial machinery, environmental equipment, cryogenic storage equipment, hydrogen-related facilities, crushing machines, etc.	5,878
Precision Machinery & Robot	Manufacture and sale of hydraulic components, industrial robots, etc.	3,862
Ship & Offshore Structure	Manufacture and sale of ships, etc.	2,416
Rolling Stock	Manufacture and sale of rolling stock, snow removal machinery, etc.	3,355
Motorcycle & Engine	Manufacture and sale of motorcycles, All-Terrain Vehicles (ATVs), utility vehicles, personal watercraft ("JET SKI®"), general purpose gasoline engines, etc.	9,070
Others	Commerce, brokerage and mediation for sale and order reception and administration of welfare facilities, etc.	1,949
Companywide common areas	(Head Office Administration Department, Research & Development Department, etc.)	1,178
Total	-	35,691

- (Notes)
1. Employees total 26,171 people in Japan and 9,520 people overseas.
 2. The Company has 16,899 employees (average age: 38.7 years old; average years of service: 13.6 years).

(11) 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)

Location of principal offices of major subsidiaries are provided in "(9) Major Parent Companies and Subsidiaries."

(12) Financing

Funds of ¥34.5 billion from long-term debt, ¥20.0 billion from domestic unsecured straight bonds and short-term debts and other funds from various sources were raised in the current fiscal year. The funds were allocated to such items as the scheduled payment for long-term debt, capital investments and working capital.

(13) Principal lenders

(Billions of yen)

Lenders	Balance of borrowings		
	Long term	Short term	Total
Mizuho Bank, Ltd.	7.3	20.1	27.5
Development Bank of Japan Inc.	13.4	5.3	18.7
Sumitomo Mitsui Trust Bank, Ltd.	9.0	7.7	16.7
Sumitomo Mitsui Banking Corporation	10.0	5.9	15.9
MUFG Bank, Ltd.	0.0	9.3	9.3

(14) Other important issues concerning the current situation of company groups

Not applicable.

2. Status of Shares (as of March 31, 2019)

- (1) **Aggregate number of issuable shares** 336,000,000 shares
- (2) **Total number of shares issued** 167,080,532 shares
(including 35,196 shares of treasury stock)
- (3) **Number of shareholders** 113,819 persons

(4) Major shareholders (top 10)

Shareholder name	Number of shares held	Shareholding ratio
	thousand shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,911	6.5
Japan Trustee Services Bank, Ltd. (Trust Account)	8,256	4.9
Nippon Life Insurance Company	5,751	3.4
Mizuho Bank, Ltd.	4,176	2.5
Kawasaki Heavy Industries, Ltd. Kyoueikai	3,768	2.2
JFE Steel Corporation	3,539	2.1
Kawasaki Heavy Industries, Ltd. Employees Shareholder Association	3,286	1.9
Sompo Japan Nipponkoa Insurance Inc.	3,057	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,051	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,012	1.8

(Note) The shareholding ratio is calculated after subtracting treasury stock (35,196 shares).

3. Company Share Options

(1) Share options held by company officers at the end of the fiscal year under review

Not applicable.

(2) Share options delivered to employees, etc. during the fiscal year under review

Not applicable.

(3) Other important issues concerning share options, etc.

Not applicable.

4. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2019)

Position	Name	Areas of Responsibility within the Company and Other Significant Concurrent Positions
Chairman of the Board	Shigeru Murayama	
Representative Director and President	Yoshinori Kanehana	Chief Executive Officer
Representative Director	Munenori Ishikawa	Assistant to the President, with overall responsibility for technology, production and procurement, and, in charge of Quality Control and Rolling Stock Company
Representative Director	Kenji Tomida	Assistant to the President, with overall responsibility for finance and accounting, and, in charge of Head Office Administration Department and Ship & Offshore Structure Company
Director	Kazuo Ota	President, Motorcycle & Engine Company
Director	Tatsuya Watanabe	President, Energy System & Plant Engineering Company
Director	Katsuya Yamamoto	General Manager, Corporate Planning Division, in charge of Risk Management
Director	Sukeyuki Namiki	President, Aerospace Systems Company
Director	Yasuhiko Hashimoto	President, Precision Machinery & Robot Company, in charge of promoting automation
Director (Outside)	Michio Yoneda	Outside Audit & Supervisory Board Member, Sumitomo Chemical Company, Limited Outside Director, Audit and Supervisory Committee Member, Asahi Broadcasting Group Holdings Corporation
Director (Outside)	Yoshiaki Tamura	Outside Director, DIC Corporation
Director (Outside)	Jenifer Rogers	Outside Director, Mitsui & Co., Ltd.
Full-Time Audit & Supervisory Board Member	Katsuyoshi Fukuma	
Full-Time Audit & Supervisory Board Member	Akio Nekoshima	
Audit & Supervisory Board Member (Outside)	Takashi Torizumi	
Audit & Supervisory Board Member (Outside)	Satoru Kohdera	Managing Partner, Higashimachi LPC
Audit & Supervisory Board Member (Outside)	Atsuko Ishii	Outside Audit & Supervisory Board Member, Mitsui Sumitomo Insurance Company, Limited

- (Notes)
1. The Company has registered all Outside Directors and Outside Audit & Supervisory Board Members as Independent Officers with Tokyo Stock Exchange, Inc. pursuant to the rules of that stock exchange.
 2. Mr. Hayashi, formerly Senior Vice President of the Company, has been appointed as Outside Audit & Supervisory Board Member of Kawasaki Kisen Kaisha, Ltd. ("Kawasaki Kisen"), to which Mr. Torizumi belonged. Kawasaki Kisen owns 1.03% of total number of shares issued in the Company. Meanwhile, the Company owns voting rights of 3.61% of total number of shares issued in Kawasaki Kisen, which are held by Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust

account re-entrusted by Mizuho Trust and Banking Co., Ltd.). However, Kawasaki Kisen is not a company of the KHI Group. In addition, although Kawasaki Kisen is a business partner of the Company mainly in ship-related transactions, the annual average transactions between the Kawasaki Kisen Group and KHI Group for the most recent five fiscal years account for less than 1% of the total annual average net sales each for the Kawasaki Kisen Group and KHI Group over the corresponding period. Consequently, we have determined that there is no issue as regards to the independence of Mr. Torizumi and he is therefore suitable for an Independent Officer.

3. Directors Yoshihiko Morita, Kazuo Hida, Toshiyuki Kuyama and Makoto Ogawara, and Audit & Supervisory Board Member Takafumi Shibahara resigned during the fiscal year under review at the conclusion of the 195th Ordinary General Meeting of Shareholders.
4. With revisions made to the positions of directors effective April 1, 2019, Representative Director, Vice President and Senior Executive Officer Munenori Ishikawa became a Director, and Director, Managing Executive Officer Sukeyuki Namiki became Representative Director, Vice President and Senior Executive Officer.
5. Audit & Supervisory Board Member Katsuyoshi Fukuma, who has many years of experience with administration and accounting operations at the Company, has substantial knowledge about finance and accounting.
Audit & Supervisory Board Member Akio Nekoshima, who has many years of experience with finance and accounting at the Company and Mizuho Bank, Ltd. (including The Dai-Ichi Kangyo Bank, Limited, a precursor of the bank), has substantial knowledge about finance and accounting.

(2) 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
Director	Michio Yoneda	Outside Audit & Supervisory Board Member, Sumitomo Chemical Company, Limited	The Company does not have any important dealing or other special relationship with the said companies.
		Outside Director, Audit and Supervisory Committee Member, Asahi Broadcasting Group Holdings Corporation	
	Yoshiaki Tamura	Outside Director, DIC Corporation	
	Jenifer Rogers	Outside Director, Mitsui & Co., Ltd.	
Audit & Supervisory Board Member	Atsuko Ishii	Outside Audit & Supervisory Board Member, 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
Attendance and comments at Board of Directors meetings and Audit & Supervisory Board meetings

Position	Name	Attendance		Main activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
Director	Michio Yoneda	17/17 meetings	-	He made comments mainly based on his substantial corporate management experience acquired at Japan Exchange Group, Inc. and his professional knowledge.
	Yoshiaki Tamura	14/14 meetings	-	He made comments mainly based on his vast experience and expertise in corporate management.
	Jenifer Rogers	14/14 meetings	-	She made comments mainly based on her substantial overseas experience and knowledge as a specialist acquired at the financial institutions in Japan and overseas.
Audit & Supervisory Board Member	Takashi Torizumi	17/17 meetings	17/17 meetings	He made comments mainly based on his vast experience and expertise in corporate management.
	Satoru Kohdera	17/17 meetings	17/17 meetings	He made comments mainly based on his vast experience and expert perspective as an attorney.
	Atsuko Ishii	17/17 meetings	17/17 meetings	She made comments mainly based on her vast governmental experience and expertise in the fields of welfare and labor.

(Note) With respect to the Directors Yoshiaki Tamura and Jenifer Rogers, the description refers to attendance at Board of Directors meetings, which were held after they assumed their positions of Directors on June 27, 2018.

(v) Overview of limited liability agreement

The Company has concluded limited liability agreement with Directors Michio Yoneda, Yoshiaki Tamura and Jenifer Rogers and Audit & Supervisory Board Members Takashi Torizumi, Satoru Kohdera and Atsuko Ishii, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. 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) Remuneration to Directors and Audit & Supervisory Board Members

(Millions of yen)

	Total amount of remuneration	Total amount of remuneration, etc. by category		
		Basic remuneration	Performance-based remuneration	Stock purchase fund
Directors 16 persons	605	445	97	62
Audit & Supervisory Board Members 6 persons	108	108	-	-
Total 22 persons (including 7 persons from outside)	713 (73)	553 (73)	97 (-)	62 (-)

- (Notes) 1. The amount of remuneration for the Directors is ¥1,200 million per year (which was resolved at the 189th Ordinary General Meeting of Shareholders held on June 27, 2012).
2. The amount of remuneration for the Audit & Supervisory Board Members is ¥120 million per year (which was resolved at the 194th Ordinary General Meeting of Shareholders held on June 28, 2017).

(4) Policy concerning the Amount of Remuneration and others to officers or its Calculation Method

With respect to remuneration for Directors and Audit & Supervisory Board Members of the Company, a remuneration scheme that corresponds to the duties of individual officers has been adopted for the purpose of sustainably enhancing corporate performance and enterprise value, and securing competent human resources.

Remuneration for Directors, excluding outside Directors, consists of basic remuneration, performance-based remuneration, and stock purchase fund. Among these, performance-based remuneration is determined by linking profits and ROIC of the Company overall and Business Companies with the aim of using remuneration as an incentive for achieving business goals. The stock purchase fund is distributed in fixed amounts each month for the purpose of sharing value with shareholders and incentivizing Directors to enhance medium- to long-term corporate value, with the entire amount contributed to the officers' stock ownership plan in order to purchase shares of the Company on a continuous basis.

Remuneration for outside Directors is fixed compensation that is not linked to performance from the perspective of the independence of their duties.

Remuneration for each Director is deliberated by the Remuneration Advisory Committee, which consists mainly of independent outside officers, and is decided by the President, who is delegated by the Board of Directors.

Remuneration for Audit & Supervisory Board Members is fixed compensation that is not linked to performance from the perspective of the independence of their duties, and is decided by the Board of Audit & Supervisory Board Members. The above remuneration for Directors and Audit & Supervisory Board Members is set and operated in such a way as to fall within the range of remuneration approved at the General Meeting of Shareholders.

(Reference) Executive Officers (as of April 1, 2019)

Position	Name	Areas of Responsibility within the Company
President and Chief Executive Officer	Yoshinori Kanehana	Chief Executive Officer
Vice President and Senior Executive Officer	Kenji Tomida	Assistant to the President, with overall responsibility for finance and accounting, and human resources
Vice President and Senior Executive Officer	Sukeyuki Namiki	Assistant to the President, with overall responsibility for technology, production and procurement, and, in charge of Quality Control and Rolling Stock Company
Managing Executive Officer	Tatsuya Watanabe	President, Energy System & Plant Engineering Company
Managing Executive Officer	Katsuya Yamamoto	In charge of corporate planning, Investor Relations, Corporate Communication and Ship & Offshore Structure Company, and General Manager, Corporate Planning Division
Managing Executive Officer	Ikuhiro Narimatsu	In charge of risk management, general administration, CSR and compliance, and Senior Manager, Risk Management Office
Managing Executive Officer	Yoshinori Mochida	President, Ship & Offshore Structure Company
Managing Executive Officer	Yasuhiko Hashimoto	President, Precision Machinery & Robot Company, in charge of promoting automation
Managing Executive Officer	Takeshi Ohata	Vice President, Energy System & Plant Engineering Company
Managing Executive Officer	Kazutoshi Honkawa	President, Rolling Stock Company
Managing Executive Officer	Hiroyoshi Shimokawa	President, Aerospace Systems Company
Managing Executive Officer	Hiroshi Nakatani	General Manager, Corporate Technology Division, Technical Institute and Manufacturing Improvement Center, in charge of IT Strategy
Managing Executive Officer	Yuji Horiuchi	President, Motorcycle & Engine Company
Executive Officer	Eiichi Harada	Deputy General Manager, Corporate Technology Division
Executive Officer	Yoshihiro Uetake	Vice President, Aerospace Systems Company (in charge of Engine Business), and, in charge of Quality Control and KPS, staff officer to Rolling Stock Company
Executive Officer	Ichiro Kono	Vice President, Ship & Offshore Structure Company
Executive Officer	Akihisa Yamamoto	In charge of technology, Plant Department, staff officer to Energy System & Plant Engineering Company
Executive Officer	Akira Matsufuji	Vice President, Rolling Stock Company
Executive Officer	Mitsumasa Sato	Vice President, Aerospace Systems Company (in charge of Aerospace segment)
Executive Officer	Makoto Shiota	General Manager, Marketing Division
Executive Officer	Keigo Imamura	General Manager, Planning & Control Division, Ship & Offshore Structure Company

Position	Name	Areas of Responsibility within the Company
Executive Officer	Nobuhisa Kato	General Manager, Finance & Control Division
Executive Officer	Hidehiko Shimamura	General Manager, Precision Machinery Business Division, Precision Machinery & Robot Company
Executive Officer	Shinji Fujita	General Manager, Robot Business Division, Precision Machinery & Robot Company
Executive Officer	Kouzou Tomiyama	General Manager, Human Resources Division
Executive Officer	Hiroshi Ito	General Manager, Planning Division, Motorcycle & Engine Company
Executive Officer	Yu Koshiyama	General Manager, Commercial Engine Project Division, Aerospace Systems Company
Executive Officer	Hiroshi Murao	In charge of sales management, staff officer to Rolling Stock Company
Executive Officer	Osamu Kobayashi	General Manager, Commercial Aircraft Project Division, Aerospace Systems Company
Executive Officer	Akiyoshi Saiki	Deputy General Manager, Corporate Technology Division, General Manager, System Technology Development Center, Senior Manager, ICT System Department, and seconded to Mediaroid Corporation
Executive Officer	Naoki Murakami	Senior Manager, Energy System Division, and Senior Manager, CCPP Promotion Department, Energy System & Plant Engineering Company
Executive Officer	Motohisa Amako	In charge of Plant Department and special mission, staff officer to Energy System & Plant Engineering Company

5. Accounting Auditor

(1) Accounting Auditor's Name

KPMG AZSA LLC

(2) Accounting Auditors' Remuneration, etc., for the fiscal year under review

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

¥190 million

(ii) Cash and Other Profits Payable by the Company or its Subsidiaries to the Accounting Auditors

¥313 million

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

(3) Details of Non-audit Services

Consulting services, etc. for accounting related advice with regards to addressing “Accounting Standard for Revenue Recognition”

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

When it is recognized that the Accounting Auditor has engaged in an activity falling under any of causes for dismissal set forth in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the Accounting Auditor with the approval of all the Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board Member who is selected by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for dismissal at the first General Meeting of Shareholders convened after dismissal.

Besides, when the Audit & Supervisory Board assesses independence in accordance with laws and regulations etc., auditing system, status of executing duties, and others in a comprehensive manner, and judges that there is a need for change, it shall determine the contents of the proposal concerning dismissal and non-reappointment of the Accounting Auditor to submit to the General Meeting of Shareholders.

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



## Consolidated Balance Sheet

(As of March 31, 2019)

(Unit: Millions of yen)

| Description                        | Amount           | Description                                                            | Amount           |
|------------------------------------|------------------|------------------------------------------------------------------------|------------------|
| (Assets)                           |                  | (Liabilities)                                                          |                  |
| <b>Current assets</b>              | <b>1,136,340</b> | <b>Current liabilities</b>                                             | <b>864,280</b>   |
| Cash on hand and in banks          | 74,311           | Trade payables                                                         | 247,191          |
| Trade receivables                  | 427,665          | Electronically recorded obligations                                    | 123,083          |
| Merchandise and finished products  | 68,176           | Short-term debt and current portion of long-term debt                  | 100,023          |
| Work in process                    | 405,087          | Current portion of bonds                                               | 10,000           |
| Raw materials and supplies         | 119,558          | Current portion of lease obligations                                   | 319              |
| Other current assets               | 45,333           | Income taxes payable                                                   | 10,390           |
| Allowance for doubtful receivables | (3,792)          | Accrued bonuses                                                        | 21,168           |
|                                    |                  | Provision for product warranties                                       | 13,096           |
|                                    |                  | Provision for losses on construction contracts                         | 27,609           |
|                                    |                  | Advances from customers                                                | 181,419          |
|                                    |                  | Other current liabilities                                              | 129,978          |
| <b>Fixed assets</b>                | <b>702,514</b>   | <b>Long-term liabilities</b>                                           | <b>482,313</b>   |
| Net property, plant and equipment  | 485,669          | Bonds payable                                                          | 140,000          |
| Buildings and structures, net      | 194,939          | Long-term debt, less current portion                                   | 187,568          |
| Machinery and equipment, net       | 148,620          | Lease obligations                                                      | 1,513            |
| Land                               | 62,705           | Deferred tax liabilities                                               | 593              |
| Leased assets, net                 | 2,148            | Liabilities for retirement benefits                                    | 97,602           |
| Construction in progress           | 18,227           | Provision for the in-service issues of commercial aircraft jet engines | 11,468           |
| Other, net                         | 59,028           | Other                                                                  | 43,566           |
| Intangible assets                  | 16,797           | <b>Total liabilities</b>                                               | <b>1,346,593</b> |
| Investments and other assets       | 200,048          | (Net assets)                                                           |                  |
| Investments in securities          | 14,501           | <b>Shareholders' equity</b>                                            | <b>483,502</b>   |
| Net defined benefit assets         | 93               | Common stock                                                           | 104,484          |
| Deferred tax assets                | 70,179           | Capital surplus                                                        | 54,542           |
| Other investments and other assets | 116,696          | Retained earnings                                                      | 324,606          |
| Allowance for doubtful receivables | (1,422)          | Treasury stock                                                         | (130)            |
|                                    |                  | <b>Accumulated other comprehensive income</b>                          | <b>(7,115)</b>   |
|                                    |                  | Net unrealized gains on securities, net tax                            | 2,682            |
|                                    |                  | Deferred gains (losses) on hedges                                      | (227)            |
|                                    |                  | Foreign currency translation adjustments                               | (4,556)          |
|                                    |                  | Accumulated adjustment for retirement benefits                         | (5,014)          |
|                                    |                  | <b>Non-controlling interests</b>                                       | <b>15,874</b>    |
|                                    |                  | <b>Total net assets</b>                                                | <b>492,261</b>   |
| <b>Total assets</b>                | <b>1,838,855</b> | <b>Total liabilities and net assets</b>                                | <b>1,838,855</b> |

## Consolidated Statement of Income

(April 1, 2018 - March 31, 2019)

(Unit: Millions of yen)

| Description                                                           | Amount         |                  |
|-----------------------------------------------------------------------|----------------|------------------|
| <b>Net sales</b>                                                      |                | <b>1,594,743</b> |
| <b>Cost of sales</b>                                                  |                | <b>1,326,668</b> |
| Gross profit                                                          |                | 268,075          |
| <b>Selling, general and administrative expenses</b>                   |                | <b>204,052</b>   |
| Operating income                                                      |                | 64,023           |
| <b>Non-operating income</b>                                           |                | <b>6,696</b>     |
| Interest income                                                       | 909            |                  |
| Dividend income                                                       | 294            |                  |
| Gain on sales of securities                                           | 862            |                  |
| Equity in income of non-consolidated subsidiaries and affiliates      | 1,574          |                  |
| Other non-operating income                                            | 3,056          |                  |
| <b>Non-operating expenses</b>                                         |                | <b>32,858</b>    |
| Interest expense                                                      | 3,427          |                  |
| Foreign exchange losses, net                                          | 4,721          |                  |
| Payments for the in-service issues of commercial aircraft jet engines | 14,851         |                  |
| Other non-operating expenses                                          | 9,857          |                  |
| <b>Recurring profit</b>                                               |                | <b>37,861</b>    |
| <b>Income before income taxes</b>                                     |                | <b>37,861</b>    |
| <b>Income taxes-current</b>                                           | <b>16,704</b>  |                  |
| <b>Income taxes-deferred</b>                                          | <b>(8,681)</b> | <b>8,022</b>     |
| <b>Net income</b>                                                     |                | <b>29,838</b>    |
| <b>Net income attributable to non-controlling interests</b>           |                | <b>2,385</b>     |
| <b>Net income attributable to owners of parent</b>                    |                | <b>27,453</b>    |

## Non-consolidated Balance Sheet

(As of March 31, 2019)

(Unit: Millions of yen)

| Description                                                                | Amount           | Description                                                            | Amount           |
|----------------------------------------------------------------------------|------------------|------------------------------------------------------------------------|------------------|
| <b>(Assets)</b>                                                            |                  | <b>(Liabilities)</b>                                                   |                  |
| <b>Current assets</b>                                                      | <b>873,718</b>   | <b>Current liabilities</b>                                             | <b>735,244</b>   |
| Cash on hand and in banks                                                  | 44,268           | Notes payable-trade                                                    | 8,877            |
| Notes receivable-trade                                                     | 12,244           | Electronically recorded obligations                                    | 107,081          |
| Accounts receivable-trade                                                  | 314,528          | Accounts payable-trade                                                 | 193,401          |
| Raw materials and supplies                                                 | 85,266           | Short-term debt                                                        | 104,273          |
| Work in process                                                            | 346,647          | Accounts payable-other                                                 | 19,691           |
| Advance payments                                                           | 25,424           | Accrued expenses                                                       | 52,030           |
| Prepaid expenses                                                           | 1,144            | Income taxes payable                                                   | 5,404            |
| Other current assets                                                       | 44,299           | Advances from customers                                                | 148,551          |
| Allowance for doubtful receivables                                         | (106)            | Accrued bonuses                                                        | 13,983           |
| <b>Fixed assets</b>                                                        | <b>625,959</b>   | Provision for product warranties                                       | 10,561           |
| Net property, plant and equipment                                          | 353,541          | Provision for losses on construction contracts                         | 27,209           |
| Buildings                                                                  | 119,836          | Lease obligations                                                      | 310              |
| Structures                                                                 | 19,411           | Other current liabilities                                              | 43,869           |
| Docks and building berths                                                  | 2,536            | <b>Noncurrent liabilities</b>                                          | <b>438,885</b>   |
| Machinery and equipment                                                    | 110,407          | Bonds payable, less current portion                                    | 140,000          |
| Vessels                                                                    | 139              | Long-term debt, less current portion                                   | 186,950          |
| Aircraft                                                                   | 444              | Lease obligations                                                      | 1,489            |
| Vehicles                                                                   | 1,665            | Employees' retirement and severance benefits                           | 60,225           |
| Tools, Furniture and fixtures                                              | 50,542           | Provision for the in-service issues of commercial aircraft jet engines | 11,468           |
| Land                                                                       | 35,379           | Other long-term liabilities                                            | 38,752           |
| Leased assets                                                              | 1,827            |                                                                        |                  |
| Construction in progress                                                   | 11,350           |                                                                        |                  |
| Intangible assets                                                          | 12,684           | <b>Total liabilities</b>                                               | <b>1,174,129</b> |
| Software                                                                   | 8,271            | <b>(Net assets)</b>                                                    |                  |
| Other intangible assets                                                    | 4,413            | <b>Shareholders' equity</b>                                            | <b>323,943</b>   |
| Investments and other assets                                               | 259,733          | Common stock                                                           | 104,484          |
| Investments in securities                                                  | 12,155           | Capital surplus                                                        | 52,210           |
| Stock of affiliates                                                        | 109,643          | Legal capital surplus                                                  | 52,210           |
| Investments in capital of affiliates                                       | 41,918           | Other capital surplus                                                  | -                |
| Long-term loans receivable from subsidiaries and associates                | 75               | Retained earnings                                                      | 167,378          |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 1,252            | Other retained earnings                                                | 167,378          |
| Deferred tax assets                                                        | 62,567           | Reserve for special depreciation                                       | 2,180            |
| Other investments and other assets                                         | 33,446           | Provision for advanced depreciation of fixed assets                    | 9,475            |
| Allowance for doubtful receivables                                         | (1,327)          | Retained earnings brought forward                                      | 155,722          |
|                                                                            |                  | Treasury stock                                                         | (130)            |
|                                                                            |                  | <b>Valuation and translation adjustments</b>                           | <b>1,604</b>     |
|                                                                            |                  | Net unrealized gains on securities, net tax                            | 1,891            |
|                                                                            |                  | Deferred gains (losses) on hedges                                      | (286)            |
|                                                                            |                  | <b>Total net assets</b>                                                | <b>325,548</b>   |
| <b>Total assets</b>                                                        | <b>1,499,677</b> | <b>Total liabilities and net assets</b>                                | <b>1,499,677</b> |

## Non-consolidated Statement of Income

(April 1, 2018 - March 31, 2019)

(Unit: Millions of yen)

| Description                                                           | Amount         |                  |
|-----------------------------------------------------------------------|----------------|------------------|
| <b>Net sales</b>                                                      |                | <b>1,195,164</b> |
| <b>Cost of sales</b>                                                  |                | <b>1,067,890</b> |
| Gross profit                                                          |                | 127,273          |
| <b>Selling, general and administrative expenses</b>                   |                | <b>112,072</b>   |
| Operating income                                                      |                | 15,200           |
| <b>Non-operating income</b>                                           |                | <b>24,768</b>    |
| Interest income                                                       | 475            |                  |
| Dividend income                                                       | 21,601         |                  |
| Other non-operating income                                            | 2,692          |                  |
| <b>Non-operating expenses</b>                                         |                | <b>30,444</b>    |
| Interest expense                                                      | 1,450          |                  |
| Foreign exchange losses                                               | 4,110          |                  |
| Loss on retirement of non-current assets                              | 1,629          |                  |
| Payments for the in-service issues of commercial aircraft jet engines | 14,851         |                  |
| Other non-operating expenses                                          | 8,403          |                  |
| <b>Recurring profit</b>                                               |                | <b>9,524</b>     |
| <b>Income before income taxes</b>                                     |                | <b>9,524</b>     |
| <b>Income taxes-current</b>                                           | <b>3,255</b>   |                  |
| <b>Income taxes-deferred</b>                                          | <b>(8,827)</b> | <b>(5,572)</b>   |
| <b>Net income</b>                                                     |                | <b>15,097</b>    |

**Audit Report**  
(English Translation)

Regarding the performance of duties by the Directors for the 196th fiscal year from April 1, 2018 to March 31, 2019, the Audit & Supervisory Board hereby submits its audit report, which has been prepared upon careful consideration based on the audit report prepared by each Audit & Supervisory Board Member.

1. Summary of Auditing Methods by the Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) The Board of Audit & Supervisory Board Members established auditing policies, audit plans and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding his/her audits and results thereof, as well as received reports from the Directors, and the Accounting Auditor regarding performance of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards of the Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, audit plans and other relevant matters, communicated with the Directors, internal control development division, Auditing Department (Internal Audit Department) and other employees, and any other relevant personnel, as well as making efforts to prepare the environment for information collection and audit, and conducted the audit by the following methods.
  - (i) Participated in the Board of Directors meetings and other important meetings, received reports from the Directors, Executive Officers, employees and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal business offices.  
As for subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Audit & Supervisory Board Members and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.
  - (ii) Received reports from the Directors, employees and other relevant personnel regarding the structure and operation status of the system for ensuring that the performance of duties by the Directors, described in the Business Report, conforms to the related laws and regulations and the Articles of Incorporation, and the system prepared based on the contents of the resolutions of the Board of Directors and such resolutions regarding preparation of the system stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act (internal control systems), which system is necessary for ensuring that a joint stock corporation's business is proper, and sought explanations as necessary.  
Furthermore, with respect to internal controls on financial reporting under the Financial Instruments and Exchange Act, each Audit & Supervisory Board Member received reports from the Directors and other relevant personnel as well as KPMG AZSA LLC regarding the assessment of the internal controls concerned and the status of auditing thereof, and sought explanations as necessary.
  - (iii) Audited 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 sought

explanations as necessary. Also, each Audit & Supervisory Board Member 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) on October 28, 2005) and other relevant standards, and sought explanations as necessary.

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

## 2. Results of Audit

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

- (i) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company’s condition.
- (ii) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
- (iii) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. We have found no matters on which to remark regarding the information contained in this Business Report and the performance of duties by the Directors related to such internal controls system, including internal controls on financial reporting.  
Regarding the discovery of defects in Shinkansen train bogie frames in 2017, the Companywide Quality Control Committee confirmed that the cause was determined and that revisions were implemented based on those results. Furthermore, the Board of Directors strengthened quality control not only of the Train Division, but of the whole company and provided supervision, and we will continue to monitor the continuation of these activities.

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

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

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

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

May 21, 2019

Audit & Supervisory Board, Kawasaki Heavy Industries, Ltd.

|                                            |                   |
|--------------------------------------------|-------------------|
| Full-Time Audit & Supervisory Board Member | Katsuyoshi Fukuma |
| Full-Time Audit & Supervisory Board Member | Akio Nekoshima    |
| Outside Audit & Supervisory Board Member   | Takashi Torizumi  |
| Outside Audit & Supervisory Board Member   | Satoru Kohdera    |
| Outside Audit & Supervisory Board Member   | Atsuko Ishii      |