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(Securities Code: 7012)

June 10, 2020

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 197th ORDINARY GENERAL MEETING OF SHAREHOLDERS

We would like to inform you that we will hold the 197th Ordinary General Meeting of Shareholders of Kawasaki Heavy Industries, Ltd. (the "Company" or "KHI") as described below.

Recently, a certain level of results has been produced in controlling infection due to the development of various initiatives, such as refraining from going out, in order to prevent the spread of the novel coronavirus disease (COVID-19). However, even at the stage where the declaration of the state of emergency has been lifted, we expect the current situation to last a long time until we reach the stage where health, safety and security can be guaranteed through a decrease in the risk of infection, the establishment of a treatment method or development of vaccines, etc.

After careful consideration, we have decided to hold this General Meeting of Shareholders by implementing appropriate infection prevention measures, taking into account the necessity of expeditiously making resolutions on matters including the transition to a company with audit and supervisory committee and the election of officers associated with such transition.

We believe that the General Meeting of Shareholders is a valuable occasion to communicate directly with the shareholders. However, we also believe that we must prioritize the lives, health and safety of our shareholders. In holding this General Meeting of Shareholders, we will be taking various measures to prevent infection. However, we are concerned that if a large number of shareholders come to the venue at a time, the "Three Cs (confined spaces, crowded places, and close contact with people)" will overlap as a result. **Accordingly, we kindly ask you to consider exercising your voting rights for the meeting in advance via the Internet, smartphones or in writing, as much as possible, and refraining from visiting the meeting on the day of the General Meeting of Shareholders, regardless of your health condition.**

Regarding the exercise of voting rights mentioned above, we kindly ask you to review the "Reference Documents for the General Meeting of Shareholders" described hereinafter, and exercise your voting rights by 5:00 p.m. on Wednesday, June 24, 2020 (JST).

1. Date and Time: Thursday, June 25, 2020 at 10:00 a.m. (JST) (Door opens at 9:00 a.m.)

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

2. Place: Kokusai Hall at The Kobe International House

1-6 Gokoudori 8-chome, Chuo-ku, Kobe

To prevent the spread of COVID-19 infections, the number of seats available this year will be significantly reduced compared to previous years due to widening spaces between seats (capacity of approximately 2,000 seats in previous years, but maximum of approximately 250 seats this year). Therefore, even if you come on the day of the General Meeting of Shareholders, your admission may be refused. We would appreciate your advance understanding.

3. Meeting Agenda:

Matters to be reported:

1. The Business Report, Consolidated Financial Statements for the Company's 197th Fiscal Year (from April 1, 2019 to March 31, 2020) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the Company's 197th Fiscal Year (from April 1, 2019 to March 31, 2020)

Matters to be resolved:

Proposal No. 1: Partial Amendments to the Articles of Incorporation

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

Proposal No. 3: Election of Five Directors Serving as Audit and Supervisory Committee Members

Proposal No. 4: Election of One Director Serving as Substitute Audit and Supervisory Committee Member

Proposal No. 5: Determination of Remuneration Amount for Directors (except Directors Serving as Audit and Supervisory Committee Members)

Proposal No. 6: Determination of Remuneration Amount for Directors Serving as Audit and Supervisory Committee Members

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

4 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 Audit & Supervisory Board Members and the Accounting Auditor.

(2) Concerning amendments on the web

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

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.

Guidance on Exercise of Voting Rights, Etc.

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

The exercise of voting rights by the voting form involves the risk of infections, stemming from the process of returning the form and the task of collating the votes. Accordingly, we kindly ask you that, if you intend to exercise your voting rights in advance, you do so via the Internet or smartphones, as much as possible.

Exercise of Voting Rights in Writing

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

Exercise of Voting Rights via the Internet, etc.

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

Scanning QR code® "Smart Vote"

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

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

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

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

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

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

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

Entering login ID and password

Voting website:

<https://www.web54.net>

1 Please access the voting website.

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

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

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

Notes:

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.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

(1) Amendments in connection with the transition to a company with audit and supervisory committee

The Company makes a continuous effort to strengthen its corporate governance system, aiming to achieve sustainable growth and increase its medium- to long-term enterprise value. Accordingly, we hereby propose to transition to a company with audit and supervisory committee to enable it to delegate a considerable portion of the Board of Directors' business execution authority to Executive Directors with a view to enhancing discussion of management strategy and so forth in the Board of Directors, and responding swiftly to rapid changes in the management environment while further strengthening its supervisory function.

- To this end, the Company will establish new provisions for Audit and Supervisory Committee Members and the Audit and the Supervisory Committee, and delete the provisions for Audit & Supervisory Board Members and the Audit & Supervisory Board, which are necessary for the transition to a company with audit and supervisory committee.
- The Company will also establish new provisions for delegation of authority to Executive Directors to increase management efficiency and enable them to make flexible decisions.
- In order to ensure that Directors who do not execute business, such as Directors who are Audit and Supervisory Committee Members, can adequately fulfill the roles expected of them by signing limited liability agreements with the Company, the Company will amend the related provisions regarding the scope of officers, etc. who can enter into limited liability agreements with the Company. Consent has been obtained from each Audit and Supervisory Board Member in regard to these amendments.

(2) Review in accordance with the clarification of duties, etc. of Directors and Executive Officers

On April 1, 2018, the Company reviewed Managing Director and Executive Officer system in order to promote the separation of the supervisory and monitoring functions and the execution functions of the Board of Directors to further strengthen corporate governance. Since this has recently advanced even further, the Company will review related provisions in order to clarify the duties and roles of Directors, Representative Directors, Managing Directors and Executive Officers.

(3) Addition of business purpose

The Company is working toward the full-scale construction of hydrogen supply chains and development of medical robots, so in order to expand business activities and prepare for future business development, the Company will make an addition to business purpose in Article 3 (Purpose) of the current Articles of Incorporation.

(4) Other overall amendments

The Company will make any other necessary amendments, such as renumbering of articles accompanying the addition and deletion of articles.

[Reference] System after the transition to a company with audit and supervisory committee

Upon approval of the proposals pertaining to the transition to a company with audit and supervisory committee, the Company will establish the following system.

| Current system | | | System after the transition to a company with audit and supervisory committee | | | | |
|---|----------|---|---|--|--|----------|---|
| Directors (11) | Internal | 8 | ➔ | Directors (13) | Directors not serving as Audit and Supervisory Committee Members | Internal | 5 |
| | Outside | 3 | | | Outside | 3 | |
| Audit & Supervisory Board Members (5) | Internal | 2 | | Directors serving as Audit and Supervisory Committee Members | Internal | 2 | |
| | Outside | 3 | | | Outside | 3 | |

(Unit: person)

2. Contents of proposed amendments

The contents of the proposed amendments are as follows.

The amendments to the Articles of Incorporation pertaining to this proposal will be effective at the conclusion of this Ordinary General Meeting of Shareholders.

(Underline indicates amendments.)

| Current Articles of Incorporation | Proposed provisions after amendments |
|---|--|
| Chapter I General Provisions (Purpose) Art. 3: The purposes for which the Corporation is organized are as follows: 1. Business concerning the design, construction, manufacture, installation, repair, disassembly, and sale and lease of the following and their components (1) to (10) (Provisions omitted) (Newly established) 2 to 3 (Provisions omitted) 4. Business relating to supply of <u>electricity and heat</u> 5. to 12. (Provisions omitted) | Chapter I General Provisions (Purpose) Art. 3: (Unchanged) 1. (Unchanged) (1) to (10) (Unchanged) <u>(11) Various medical devices</u> 2. to 3. (Unchanged) 4. Business relating to supply of <u>electricity, heat and gas</u> 5. to 12. (Unchanged) |

| Current Articles of Incorporation | Proposed provisions after amendments |
|--|--|
| <p>(Organization)</p> <p>Art. 4: The Corporation shall install the following in addition to the Ordinary Meeting of Shareholders and Directors:</p> <ol style="list-style-type: none"> 1. The Board of Directors 2. <u>Audit & Supervisory Board Members</u> 3. <u>The Audit & Supervisory Board</u> 4. Accounting Auditors <p style="text-align: center;">Chapter III Meeting of Shareholders</p> <p>(Convening Person)</p> <p>Art. 15: Unless otherwise provided for by law or ordinance, the Meeting of Shareholders shall be convened by the President in accordance with a resolution of the Board of Directors.</p> <p>(ii) If <u>the President</u> is unable to convene the Meeting of Shareholders, one of the other Representative Directors, in the order established in advance by the Board of Directors, shall act for <u>the President</u>.</p> <p>(Chairman)</p> <p>Art. 17: Either the President or Chairman of the Board shall be the Chairman of the Meeting of Shareholders pursuant to the determination by the Board of Directors.</p> <p>(ii) If the Chairman determined by the Board of Directors is unable to preside over the Meeting of Shareholders, one of the other <u>Representative</u> Directors, in the order established in advance by the Board of Directors, shall act for the Chairman.</p> <p>(iii) The Chairman may adjourn or continue the Meeting of Shareholders in accordance with a resolution of the Meeting of Shareholders, for which no further step shall be required to reconvene the Meeting.</p> <p>(Minutes)</p> <p><u>Art. 20: The substance of proceedings at the Meeting of Shareholders, the results thereof and other matters stipulated by law and ordinance shall be entered in the Minutes of the Meeting of Shareholders.</u></p> <p style="text-align: center;">Chapter IV Directors and Board of Directors</p> | <p>(Organization)</p> <p>Art. 4: The Corporation shall install the following in addition to the Ordinary Meeting of Shareholders and Directors:</p> <ol style="list-style-type: none"> 1. The Board of Directors 2. <u>The Audit and Supervisory Committee</u> (Deleted) 3. Accounting Auditors <p style="text-align: center;">Chapter III Meeting of Shareholders</p> <p>(Convening Person)</p> <p>Art. 15: Unless otherwise provided for by law or ordinance, the Meeting of Shareholders shall be convened by the President <u>servng as Director</u> in accordance with a resolution of the Board of Directors.</p> <p>(ii) If <u>there is no Director set forth above, or if such Director</u> is unable to convene the Meeting of Shareholders, one of the other Representative Directors, in the order established in advance by the Board of Directors, shall act for <u>such Director</u>.</p> <p>(Chairman)</p> <p>Art. 17: (Unchanged)</p> <p>(ii) If the Chairman determined by the Board of Directors is unable to preside over the Meeting of Shareholders, one of the other Directors, in the order established in advance by the Board of Directors, shall act for the Chairman.</p> <p>(iii) (Unchanged)</p> <p>(Deleted)</p> <p style="text-align: center;">Chapter IV Directors and Board of Directors</p> |

| Current Articles of Incorporation | Proposed provisions after amendments |
|---|---|
| <p>(Number of Directors)</p> <p>Art. <u>21</u>: The authorized number of Directors of the Corporation shall not exceed <u>18</u>.</p> <p>(Newly established)</p> | <p>(Number of Directors)</p> <p>Art. <u>20</u>: The authorized number of Directors <u>(except Directors serving as Audit and Supervisory Committee Members)</u> of the Corporation shall not exceed <u>12</u>.</p> <p><u>(ii) The authorized number of Directors serving as Audit and Supervisory Committee Members of the Corporation shall not exceed 5.</u></p> |
| <p>(Method of Election)</p> <p>Art. <u>22</u>: The Directors shall be elected at the Meeting of Shareholders.</p> <p>(ii) A resolution as to election of Directors must be adopted by a majority of votes of those shareholders present at a Meeting where those shareholders have more than one-third of the aggregate number of voting rights of shareholders who can exercise voting rights.</p> <p>(iii) Cumulative voting shall not be adopted in the election of Directors.</p> | <p>(Method of Election)</p> <p>Art. <u>21</u>: The Directors shall be elected at the Meeting of Shareholders <u>by separating Directors serving as Audit and Supervisory Committee Members from Directors other than the above.</u></p> <p>(ii) (Unchanged)</p> <p>(iii) (Unchanged)</p> |
| <p>(Term of Office)</p> <p>Art. <u>23</u>: The term of office of Directors shall be until the closing of the Ordinary Meeting of Shareholders convened for the first time after their election.</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p> | <p>(Term of Office)</p> <p>Art. <u>22</u>: The term of office of Directors <u>(except Directors serving as Audit and Supervisory Committee Members)</u> shall be until the closing of the Ordinary Meeting of Shareholders convened for the first time after their election.</p> <p><u>(ii) The term of office of Directors serving as Audit and Supervisory Committee Members shall be until the closing of the Ordinary Meeting of Shareholders for the latest fiscal year that ends within two years after their election.</u></p> <p><u>(iii) The term of office of Directors serving as Audit and Supervisory Committee Members who are elected as substitutes for Directors serving as Audit and Supervisory Committee Members resigned prior to the termination of their term of office shall be until the term of office of such resigned Directors expires.</u></p> <p><u>(iv) A resolution for election of substitute Directors serving as Audit and Supervisory Committee Members elected pursuant to Article 329, Paragraph 3, of the Companies Act shall be effective until the beginning of the Ordinary Meeting of Shareholders for the latest fiscal year</u></p> |

| Current Articles of Incorporation | Proposed provisions after amendments |
|---|--|
| <p>(Representative Directors and Managing Directors)</p> <p>Art. <u>24</u>: Representative Directors shall be elected by resolution of the Board of Directors.</p> <p>(ii) <u>A Chairman of the Board, a certain number of Vice Chairman of the Board, a President, a certain number of Senior Executive Vice Presidents, Executive Vice Presidents and Senior Vice Presidents</u> may be appointed by resolution of the Board of Directors.</p> <p>(Newly established)</p> | <p><u>that ends within two years after their election.</u></p> <p>(Representative Directors and Managing Directors)</p> <p>Art. <u>23</u>: (Unchanged)</p> <p>(ii) <u>A Chairman of the Board and Managing Directors</u> may be appointed by resolution of the Board of Directors.</p> <p><u>(Executive Officers and Managing Executive Officers)</u></p> <p>Art. <u>24</u>: <u>The Board of Directors shall, by its resolution, appoint Executive Officers and have them share the execution of business of the Corporation.</u></p> <p>(ii) <u>A President and Chief Executive Officer and Managing Executive Officers may be appointed by resolution of the Board of Directors.</u></p> |
| <p><u>(Powers and Duties of President)</u></p> <p>Art. <u>25</u>: <u>The President shall have general charge and control of all business and affairs of the Corporation.</u></p> <p>(ii) <u>If the President is unable to perform his duties, one of the other Representative Directors, in the order established in advance by the Board of Directors, shall act for the President.</u></p> | <p>(Deleted)</p> |
| <p>(Convening Person and Chairman of the Board of Directors)</p> <p>Art. <u>26</u>: Meeting of the Board of Directors shall be convened by the President and presided over by <u>the Chairman of the Board.</u></p> <p>(ii) If there <u>is</u> no <u>Chairman of the Board</u> or if <u>the Chairman of the Board</u> is unable to preside at the Meeting of the Board of Directors, one of the other directors shall act for <u>the Chairman of the Board</u> in accordance with the order established in advance by the Board of Directors.</p> | <p>(Convening Person and Chairman of the Board of Directors)</p> <p>Art. <u>25</u>: Meeting of the Board of Directors shall be convened by the President <u>servi</u>ng as Director and presided over by <u>a Director predetermined by the Board of Directors.</u></p> <p>(ii) If there <u>are</u> no <u>Directors set forth above</u> or if <u>such Directors are</u> unable to <u>convene or</u> preside at the Meeting of the Board of Directors, one <u>or two</u> of the other directors shall act for <u>such Directors</u> in accordance with the order established in advance by the Board of Directors.</p> |

| Current Articles of Incorporation | Proposed provisions after amendments |
|---|---|
| <p>(Notice of Meeting of the Board of Directors)</p> <p>Art. <u>27</u>: Notice of a Meeting of the Board of Directors shall be given to each Director <u>and Audit & Supervisory Board Member</u> 3 days before the meeting date. In the event of an emergency, however, such period may be shortened.</p> <p>(ii) If all Directors <u>and Audit & Supervisory Board Members</u> consent to the holding of a Meeting of the Board of Directors, the meeting may be held without such notice.</p> <p>(Newly established)</p> | <p>(Notice of Meeting of the Board of Directors)</p> <p>Art. <u>26</u>: Notice of a Meeting of the Board of Directors shall be given to each Director 3 days before the meeting date. In the event of an emergency, however, such period may be shortened.</p> <p>(ii) If all Directors consent to the holding of a Meeting of the Board of Directors, the meeting may be held without such notice.</p> <p><u>(Delegation of Decision on Execution of Important Operations)</u></p> <p>Art. <u>27</u>: <u>The Corporation may delegate all or part of decisions on the execution of important operations to Directors by the resolution of the Board of Directors pursuant to Art. 399-13, Paragraph 6, of the Companies Act (other than the items stated in each Item of Paragraph 5 of the said Article).</u></p> |
| <p><u>(Minutes of the Meeting of the Board of Directors)</u></p> <p>Art. <u>29</u>: <u>The substance of the proceedings of the Meeting of the Board of Directors and the results thereof as well as other matters stipulated by law and ordinance shall be recorded in the Minutes of the Meeting, and the Directors and Audit & Supervisory Board Members present shall inscribe their names and affix their seals thereon.</u></p> | <p>(Deleted)</p> |
| <p>(Operation of the Board of Directors)</p> <p>Art. <u>30</u>: (Provisions omitted)</p> | <p>(Operation of the Board of Directors)</p> <p>Art. <u>29</u>: (Unchanged)</p> |
| <p>(Compensation, etc.)</p> <p>Art. <u>31</u>: The amount of compensation to Directors and financial benefit such as bonuses that they receive from the Corporation in compensation for execution of duties (hereinafter referred to as "compensation, etc.") shall be fixed by resolution of the Meeting of Shareholders.</p> | <p>(Compensation, etc.)</p> <p>Art. <u>30</u>: The amount of compensation to Directors and financial benefit such as bonuses that they receive from the Corporation in compensation for execution of duties (hereinafter referred to as "compensation, etc.") shall be fixed by resolution of the Meeting of Shareholders <u>by separating compensation, etc. for Directors serving as Audit and Supervisory Committee Members from those for Directors other than the above.</u></p> |

| Current Articles of Incorporation | Proposed provisions after amendments |
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| <p>(Exemption of Liabilities of Directors)</p> <p>Art. <u>32</u>: Pursuant to Art. 427, Paragraph 1, of the Companies Act, the Corporation may enter into an agreement with <u>outside Directors</u> to limit such <u>outside Directors'</u> liabilities for damage attributable to such <u>outside Directors'</u> negligence of duties. However, the upper limit of liabilities based on the agreement shall be the higher of either ¥10 million or the amount provided by law.</p> | <p>(Exemption of Liabilities of Directors)</p> <p>Art. <u>31</u>: Pursuant to Art. 427, Paragraph 1, of the Companies Act, the Corporation may enter into an agreement with <u>Directors (except those concurrently serving as Executive Directors, etc.)</u> to limit such Directors' liabilities for damage attributable to such Directors' negligence of duties. However, the upper limit of liabilities based on the agreement shall be the higher of either ¥10 million or the amount provided by law.</p> |
| <p style="text-align: center;"><u>Chapter V</u> <u>Audit & Supervisory Board Members and the</u> <u>Audit & Supervisory Board</u> <u>(Number of Audit & Supervisory Board</u> <u>Members)</u></p> | <p>(Deleted)</p> |
| <p>Art. <u>33</u>: <u>The authorized number of Audit & Supervisory Board Members of the Corporation shall not exceed 5.</u></p> | <p>(Deleted)</p> |
| <p>(Method of Election)</p> | |
| <p>Art. <u>34</u>: <u>The Audit & Supervisory Board Members shall be elected at the Meeting of Shareholders.</u></p> <p>(ii) <u>A resolution as to election of Audit & Supervisory Board Members must be adopted by a majority of votes of those shareholders present at a Meeting where those shareholders have more than one-third of the aggregate number of voting rights held by shareholders who can exercise voting rights.</u></p> | <p>(Deleted)</p> |
| <p>(Term of Office)</p> | |
| <p>Art. <u>35</u>: <u>The term of office of Audit & Supervisory Board Members shall be until the Ordinary Meeting of Shareholders is concluded for the latest fiscal year that ends within four years after their election.</u></p> | <p>(Deleted)</p> |
| <p>(Substitute Audit & Supervisory Board Members)</p> | |
| <p>Art. <u>36</u>: <u>For the purpose of preparing for the case when the number of statutory Audit & Supervisory Board Members might become insufficient, Substitute Audit & Supervisory Board Members may be elected in the Meeting of Shareholders.</u></p> <p>(ii) <u>A resolution as to election of Substitute Audit & Supervisory Board Members must be adopted by a majority of votes of those shareholders present at a Meeting</u></p> | <p>(Deleted)</p> |

| Current Articles of Incorporation | Proposed provisions after amendments |
|---|--------------------------------------|
| <p><u>where those shareholders have more than one-third of the aggregate number of voting rights held by shareholders who can exercise voting rights.</u></p> <p><u>(iii) The validity of the election of Substitute Audit & Supervisory Board Members shall be until the Ordinary Meeting of Shareholders is concluded for the latest fiscal year that ends within four years after their election.</u></p> <p><u>(iv) Substitute Audit & Supervisory Board Members shall assume the post of Audit & Supervisory Board Member to fill vacancies if the number of statutory Audit & Supervisory Board Members is insufficient.</u></p> <p><u>(v) In case Substitute Audit & Supervisory Board Members assume the post of Audit & Supervisory Board Member as per the preceding section, the term of office shall be until the Ordinary Meeting of Shareholders is concluded for the latest fiscal year that ends within four years after their election as Substitute Audit & Supervisory Board Member.</u></p> | |
| <p><u>(Notice of Meetings of the Audit & Supervisory Board)</u></p> | |
| <p><u>Art. 37 Notice of a Meeting of the Audit & Supervisory Board shall be given to each Audit & Supervisory Board Member 3 days before the meeting date. In the event of an emergency, however, such period may be shortened.</u></p> <p><u>(ii) If all Audit & Supervisory Board Members consent to holding of a Meeting of the Audit & Supervisory Board, the meeting may be held without such notice.</u></p> | (Deleted) |
| <p><u>(Resolution of the Audit & Supervisory Board)</u></p> | |
| <p><u>Art. 38: Unless otherwise provided for by law or ordinance, resolutions of the Audit & Supervisory Board shall be adopted by a majority of votes of all Audit & Supervisory Board Members.</u></p> | (Deleted) |
| <p><u>(Minutes of the Meeting of the Audit & Supervisory Board)</u></p> | |
| <p><u>Art. 39: The substance of the proceedings of the Meeting of the Audit & Supervisory Board and the results thereof as well as matters stipulated by law and ordinance shall be entered in the Minutes of the Meeting and the Audit & Supervisory Board Members present shall inscribe their names and affix</u></p> | (Deleted) |

| Current Articles of Incorporation | Proposed provisions after amendments |
|--|---|
| <p><u>their seals thereon.</u></p> | |
| <p><u>(Provision for the Audit & Supervisory Board)</u></p> | |
| <p><u>Art. 40: Unless otherwise provided for by law or ordinance or by these Articles of Incorporation, matters concerning the operation of the Audit & Supervisory Board which are not provided herein shall be controlled by regulations of the Audit & Supervisory Board as promulgated by the Audit & Supervisory Board.</u></p> | <p>(Deleted)</p> |
| <p><u>(Compensation, etc.)</u></p> | |
| <p><u>Art. 41: The amount of compensation, etc., to Audit & Supervisory Board Members shall be fixed by resolution of the Meeting of Shareholders.</u></p> | <p>(Deleted)</p> |
| <p><u>(Exemption of Liabilities of Audit & Supervisory Board Members)</u></p> | |
| <p><u>Art. 42: Pursuant to Art. 427, Paragraph 1, of the Companies Act, the Corporation may enter into an agreement with outside Audit & Supervisory Board Members to limit such outside Audit & Supervisory Board Members' liabilities for damage attributable to such outside Audit & Supervisory Board Members' negligence of duties. However, the upper limit of liabilities based on the agreement shall be the higher of either ¥10 million or the amount provided by law.</u></p> | <p>(Deleted)</p> |
| <p>(Newly established)</p> | <p style="text-align: center;"><u>Chapter V</u> <u>Audit and Supervisory Committee</u></p> |
| <p>(Newly established)</p> | <p><u>(Notice of Meetings of the Audit and Supervisory Committee)</u></p> |
| | <p><u>Art. 32: Notice of a Meeting of the Audit and Supervisory Committee shall be given to each Member 3 days before the meeting date. In the event of an emergency, however, such period may be shortened.</u></p> <p><u>(ii) If all Audit and Supervisory Committee Members consent to holding of a Meeting of the Audit and Supervisory Committee, the meeting may be held without such notice.</u></p> |
| <p>(Newly established)</p> | <p><u>(Full-time Audit and Supervisory Committee Members)</u></p> |
| | <p><u>Art. 33: The Audit and Supervisory Committee may, by its resolution, elect full-time Audit and Supervisory Committee Members from among the Audit and Supervisory Committee Members.</u></p> |

| Current Articles of Incorporation | Proposed provisions after amendments |
|---|--|
| <p>(Newly established)</p> <p style="text-align: center;">Chapter VI Accounting Auditors</p> <p>Art. <u>43</u> to <u>45</u>: (Provisions omitted) (Compensation, etc.)</p> <p>Art. <u>46</u>: Compensation, etc., to the Accounting Auditor shall be determined by the Representative Directors with approval of the <u>Audit & Supervisory Board</u>.</p> <p style="text-align: center;">Chapter VII Accounting</p> <p>Art. <u>47</u> to <u>51</u>: (Provisions omitted)</p> | <p><u>(Operation of the Audit and Supervisory Committee)</u></p> <p><u>Art. 34: Unless otherwise provided for by law or ordinance or by the Articles of Incorporation, any other matters concerning the operation of the Audit and Supervisory Committee of the Corporation shall be controlled by the regulations of the Audit and Supervisory Committee as promulgated by the said Committee.</u></p> <p style="text-align: center;">Chapter VI Accounting Auditors</p> <p>Art. <u>35</u> to <u>37</u>: (Unchanged) (Compensation, etc.)</p> <p>Art. <u>38</u>: Compensation, etc., to the Accounting Auditor shall be determined by the Representative Directors with approval of the <u>Audit and Supervisory Committee</u>.</p> <p style="text-align: center;">Chapter VII Accounting</p> <p>Art. <u>39</u> to <u>43</u>: (Unchanged)</p> |

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

If Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved and adopted in its original form, the Company will transition to a company with audit and supervisory committee, and the terms of office for all eleven Directors will expire at the effective date of the amendments to the Articles of Incorporation.

Therefore, we propose to elect eight Directors (except Directors serving as Audit and Supervisory Committee Members; the same shall apply hereinafter in this proposal). This proposal will be effective provided that the amendment to the Articles of Incorporation in Proposal No. 1 “Partial Amendments to the Articles of Incorporation” takes effect.

Candidates for Directors were nominated by the Board of Directors in accordance with “Qualifications Expected of Directors,” which is described on page 35. 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 | | Yoshinori Kanehana | President and Chief Executive Officer | 17/17 (100%) |
| 2 | | Sukeyuki Namiki | Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of TQM, General Administration and Rolling Stock Company | 17/17 (100%) |
| 3 | | Yasuhiko Hashimoto | Assistant to the President | 17/17 (100%) |
| 4 | | Katsuya Yamamoto | Assistant to the President, with overall responsibility for finance and accounting, and human resources, and in charge of Sustainable Development, Investor Relations and Corporate Communication | 17/17 (100%) |
| 5 | New | Hiroshi Nakatani | In charge of Corporate Planning, Digital Transformation and Ship & Offshore Structure Company, and General Manager, Corporate Technology Division | -/- (-%) |
| 6 | Outside Independent | Yoshiaki Tamura | Outside Director, DIC Corporation | 17/17 (100%) |
| 7 | Outside Independent | Jenifer Rogers | Outside Director, Mitsui & Co., Ltd. Outside Director, Nissan Motor Co., Ltd. | 16/17 (94%) |
| 8 | New Outside Independent | Hideo Tsujimura | | -/- (-%) |

| 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 | 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 (present)</p> <hr/> <p>Reasons for nomination as candidate Mr. Kanehana has been mainly engaged in business related to technology and development of the rolling stock segment of the Company and its overseas business for many years. He assumed the office of 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 as a candidate for Director.</p> | 21,500 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 |
|-----|---|--|--|
| 2 | Sukeyuki Namiki (June 6, 1955) 17/17 (100%) | <p>Apr. 1980 Joined Kawasaki Heavy Industries, Ltd.</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>Apr. 2020 Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for technology, production and procurement, and in charge of TQM, General Administration, and Rolling Stock Company (present)</p> <p>Reasons for nomination as candidate Mr. Namiki has been mainly engaged in businesses related to technology and development of the aerospace segment of the Company for many years. He was appointed Director, Managing Executive Officer of the Company in 2018. Presently, as Director, Vice President and Senior Executive Officer, he has an overall responsibility for technology, production and procurement, while also being in charge of TQM, General Administration, and Rolling Stock Company, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p> | 8,600 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 |
|-----|---|--|--|
| 3 | Yasuhiko Hashimoto (May 15, 1957) 17/17 (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>Apr. 2020 Director, Vice President and Senior Executive Officer Assistant to the President (present)</p> <p>Reasons for nomination as candidate Mr. Hashimoto has been mainly engaged in businesses related to technology and development of the industrial robots business unit of the Company for many years. He was appointed Director, Managing Executive Officer in 2018 and Director, Vice President and Senior Executive Officer of the Company in 2020. Presently, as Director, Vice President and Senior Executive Officer, he assists the President and Chief Executive Officer in the overall business execution, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p> | 7,300 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 |
|-----|---|--|--|
| 4 | Katsuya Yamamoto (November 21, 1957) 17/17 (100%) | <p>Apr. 1981 Joined Kawasaki Heavy Industries, Ltd.</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>Apr. 2020 Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for finance and accounting, and human resources, and in charge of Sustainable Development, Investor Relations and Corporate Communication (present)</p> <p>Reasons for nomination as candidate Mr. Yamamoto has been mainly engaged in businesses related to corporate planning and finance & accounting of the plant & infrastructure segment and the precision machinery segment of the Company for many years. He was appointed Senior Vice President in 2017 and Director, Vice President and Senior Executive Officer of the Company in 2020. Presently, as Director, Vice President and Senior Executive Officer, he has an overall responsibility for finance and accounting, and human resources, while also being in charge of Sustainable Development, Investor Relations and Corporate Communication, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p> | 7,600 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 |
|-----|---|---|--|
| 5 | (Newly- appointed) Hiroshi Nakatani (August 9, 1960) -/- (-%) | <p>Apr. 1984 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2016 Executive Officer Deputy General Manager, Corporate Technology Division, and General Manager, Technical Institute</p> <p>Apr. 2019 Managing Executive Officer General Manager, Corporate Technology Division, General Manager, Technical Institute, and Group Manager, Manufacturing Improvement Center, in charge of IT Strategy</p> <p>Apr. 2020 Managing Executive Officer In charge of Corporate Planning, Digital Transformation, and Ship & Offshore Structure Company, and General Manager, Corporate Technology Division (present)</p> <p>Reasons for nomination as candidate Mr. Nakatani has been mainly engaged in businesses related to technical development and planning for many years. He was appointed Executive Officer in 2016 and Managing Executive Officer of the Company in 2019. Presently, as Managing Executive Officer and General Manager of Corporate Technology Division, he has been demonstrating outstanding leadership, while also being in charge of overall Corporate Planning, Digital Transformation and Ship & Offshore Structure Company, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and newly nominated him as a candidate for Director.</p> | 2,900 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 |
|-----|---|---|--|
| 6 | (Outside Director Candidate) (Independent Officer) Yoshiaki Tamura (October 3, 1954) 17/17 (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. (retired in March 2019)</p> <p>Mar. 2018 Outside Director, DIC Corporation (present)</p> <p>Jun. 2018 Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p>[Significant concurrent positions] Outside Director, DIC Corporation</p> <p>Reasons for nomination as candidate Mr. Tamura served as Representative Director and Executive Vice President, Overall Business Management, GM of Technology General Division, Deputy Leader of AGC Group Improvement Activities and Executive Vice President, President of Glass Company and other important positions of Asahi Glass Co., Ltd. (At present: AGC Inc.). Since 2018, as Outside Director of the Company, we have received helpful opinions and advice on important management decisions based on his deep insight for manufacturing and abundant management experience cultivated in those positions from a standpoint independent from the Company's execution of duties. Considering these points, we have determined that he is suitable for an Outside Director and nominated him as a candidate for Director.</p> | 800 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 | (Outside Director Candidate) (Independent Officer) Jenifer Rogers (June 22, 1963) 16/17 (94%) | <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.) (retired in November 1994)</p> <p>Dec. 1994 Joined Merrill Lynch Japan Securities Co., Ltd.</p> <p>Nov. 2000 Merrill Lynch Europe Plc</p> <p>Jul. 2006 Bank of America Merrill Lynch (Hong Kong)</p> <p>Jan. 2012 Bank of America Merrill Lynch (NY) (retired in October 2012)</p> <p>Nov. 2012 General Counsel Asia, Asurion Japan Holdings G.K. (concurrently serving as Vice President from November 2014) (present)</p> <p>Jun. 2015 Outside Director, Mitsui & Co., Ltd. (present)</p> <p>Jun. 2018 Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Jun. 2019 Outside Director, Nissan Motor Co., Ltd. (present)</p> <p>[Significant concurrent positions] Outside Director, Mitsui & Co., Ltd. Outside Director, Nissan Motor Co., Ltd.</p> <p>Reasons for nomination as candidate Ms. Rogers served as an in-house lawyer and counsel at financial institutions in Japan and overseas for many years. Since 2018, as Outside Director of the Company, we have received helpful opinions and advice on important management decisions based on her extensive international experience and deep insights into legal affairs, compliance, and risk management cultivated in those positions from a standpoint independent from the Company's execution of duties. Considering these points, we have determined that she is suitable for an Outside Director and nominated her as a candidate for Director.</p> | 1,000 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 | (Newly- appointed) (Outside Director Candidate) (Independent Officer) Hideo Tsujimura (June 6, 1954) -/- (-%) | <p>Apr. 1980 Joined Suntory Limited</p> <p>Mar. 2004 Director, Suntory Limited</p> <p>Apr. 2009 Managing Executive Officer, Suntory Holdings Limited General Manager, R&D Planning Division, in charge of Intellectual Property Department</p> <p>Mar. 2015 Senior Managing Director, Suntory Holdings Limited Representative Director, President & Chief Executive Officer, Suntory Business Expert Limited (At present: Suntory MONOZUKURI Expert Limited)</p> <p>Apr. 2015 Senior Managing Director, in charge of Intellectual Property Department and R&D Division, Suntory Holdings Limited</p> <p>Mar. 2017 Director, Executive Vice President, Suntory Beverage & Food Limited</p> <p>Apr. 2017 Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research & Development Department, Suntory Beverage & Food Limited</p> <p>Apr. 2020 Full-time Advisor, Suntory Beverage & Food Limited (present) Chairman, Suntory Foundation for Life Sciences (present)</p> <p>Reasons for nomination as candidate Mr. Tsujimura has not only extensive management experience but also deep insights into product development and intellectual property, having served as Senior Managing Director, in charge of Intellectual Property Department and R&D Division of Suntory Holdings Limited, Representative Director, President & Chief Executive Officer of Suntory Business Expert Limited, as well as Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research & Development Department of Suntory Beverage & Food Limited and other important positions. Considering these points, we have judged that he will be able to fully fulfil his role as an Outside Director supervising the execution of duties and enhancing its enterprise value, and newly nominated him as a candidate for Director.</p> | 0 shares |

- (Notes)
1. There is no special interest relationship between each candidate and the Company.
 2. Mr. Yoshiaki Tamura, Ms. Jenifer Rogers and Mr. Hideo Tsujimura are candidates for Outside Director.
 3. Tenure of Mr. Yoshiaki Tamura and Ms. Jenifer Rogers as Outside Director of the Company will have been two years at the conclusion of this Ordinary General Meeting of Shareholders.
 4. Mr. Yoshiaki Tamura and Ms. Jennifer Rogers have entered into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company, and the liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher. The Company will extend the above agreement with them after their election on condition that Proposals No. 1 and No. 2 are adopted in their original form.
 5. Mr. Hideo Tsujimura 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 Proposals No. 1 and No. 2 are adopted in their 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.
6. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Yoshiaki Tamura and Ms. Jenifer Rogers have been appointed as Independent Officers as provided for by the aforementioned exchange.
 7. The Company will submit notification to Tokyo Stock Exchange, Inc. that Mr. Hideo Tsujimura is appointed as Independent Officer as provided for by the aforementioned exchange.
 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 fulfil his role as an Independent Officer.
 9. Although Suntory Beverage & Food Limited, where Mr. Hideo Tsujimura served as a managing officer in the past, is not a business partner of the Company, the KHI Group has a track record of transactions with the Group of Suntory Beverage & Food Limited and the KHI Group. However, the annual average transactions between the Group of Suntory Beverage & Food Limited and the KHI Group for the most recent five fiscal years account for less than 1% of the annual average net sales each for the said Group and the KHI Group over the corresponding period. Consequently, we have determined that there is no issue as to the independence of Mr. Tsujimura and he will be able to fulfil his role as an Independent Officer.

[Reference]

1. "TQM": Total Quality Management
2. "Sustainability": This is the sustainability of society and the environment. The Company promotes sustainable management, which it supports from the aspects of CSR, risk, legal affairs, etc., to contribute to the future of society and the environment.
3. "Digital Transformation": The reformation of products, services and business models based on the needs of customers and society, which utilizes data and digital technologies to respond to drastic changes in the business environment, as well as the reformation of business, organization, processes and corporate culture.

Proposal No. 3: Election of Five Directors Serving as Audit and Supervisory Committee Members

If Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved and adopted in its original form, the Company will transition to a company with audit and supervisory committee.

Accordingly, we propose to elect five Directors serving as Audit and Supervisory Committee Members. This proposal will be effective provided that the amendment to the Articles of Incorporation in Proposal No. 1 “Partial Amendments to the Articles of Incorporation” takes effect.

We have obtained the consent of the Audit & Supervisory Board on this proposal. Additionally, candidates for Directors serving as Audit and Supervisory Committee Members were nominated by the Board of Directors in accordance with “Qualifications Expected of Directors,” which is described on page 35. 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 serving as Audit and Supervisory Committee Members are as follows:

| No. | Name | Present position at the Company | Duties, Significant concurrent positions etc. | Attendance to meetings of the Board of Directors |
|-----|--|--|--|--|
| 1 | Katsuyoshi Fukuma | Full-Time Audit & Supervisory Board Member | | 17/17 (100%) |
| 2 | Akio Nekoshima | Full-Time Audit & Supervisory Board Member | | 17/17 (100%) |
| 3 | Outside Independent Satoru Kohdera | Audit & Supervisory Board Member (Outside) | Managing Partner, Higashimachi LPC | 17/17 (100%) |
| 4 | Outside Independent Atsuko Ishii | Audit & Supervisory Board Member (Outside) | Outside Audit & Supervisory Board Member, Mitsui Sumitomo Insurance Company, Limited Outside Director, NS Solutions Corporation | 17/17 (100%) |
| 5 | Outside Independent Ryoichi Saito | Audit & Supervisory Board Member (Outside) | | 14/14 (100%) |

(Note) The “Attendance to meetings of the Board of Directors” of Mr. Ryoichi Saito represents his attendance to the meetings held after assuming the office of Audit & Supervisory Board Member on June 26, 2019.

| No. | Name (Date of Birth) Attendance to meetings of the Board of Directors | Carrier Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|---|--|
| 1 | Katsuyoshi Fukuma (December 5, 1957) 17/17 (100%) | <p>Apr. 1981 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Oct. 2010 Senior Manager, Subsidiaries & Affiliates Control Department, Planning Division</p> <p>Apr. 2014 Deputy General Manager and Senior Manager, Business Planning Department, Planning Division</p> <p>Jun. 2016 Audit & Supervisory Board Member (present)</p> <p>Reasons for nomination as candidate Mr. Fukuma has been mainly engaged in businesses related to corporate planning and finance & accounting of the Company for many years. He was appointed Audit & Supervisory Board Member of the Company in 2016. Presently, as Full-Time Audit & Supervisory Board Member and the Chairman of the Audit & Supervisory Board, he has made a significant contribution to ensuring the soundness of the Company's management and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director serving as Audit and Supervisory Committee Member and nominated him as a candidate for Director serving as Audit and Supervisory Committee Member.</p> | 1,000 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 |
|-----|---|--|--|
| 2 | Akio Nekoshima (September 30, 1958) 17/17 (100%) | <p>Apr. 1982 Joined The Dai-Ichi Kangyo Bank, Limited (At present: Mizuho Bank, Ltd.) (Retired in April 2012)</p> <p>May 2012 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2013 Senior Manager, Europe, the Middle East and Africa, and Group Manager, Overseas, Marketing Division</p> <p>Jul. 2013 General Manager, Finance & Accounting Division</p> <p>Apr. 2014 Executive Officer General Manager, Finance & Accounting Division</p> <p>Apr. 2016 Executive Officer General Manager, Marketing Division</p> <p>Apr. 2018 Executive Officer Staff officer to Audit & Supervisory Board Member</p> <p>Jun. 2018 Audit & Supervisory Board Member (present)</p> <p>Reasons for nomination as candidate Mr. Nekoshima has been engaged in businesses related to finance and accounting and sales promotion, and overseas business of the Company. He was appointed Executive Officer in 2014 and Audit & Supervisory Board Member of the Company in 2018. Presently, as Full-time Audit & Supervisory Board Member of the Company, he has made a significant contribution to ensuring the soundness of the Company's management and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director serving as Audit and Supervisory Committee Member and nominated him as a candidate for Director serving as Audit and Supervisory Committee Member.</p> | 4,900 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 |
|-----|---|---|--|
| 3 | (Outside Director Candidate) (Independent Officer) Satoru Kohdera (December 30, 1958) 17/17 (100%) | <p>Apr. 1991 Admitted to Bar in Japan Joined Ohshiro Law Office (At present: Higashimachi LPC)</p> <p>Apr. 1993 Partner, Higashimachi Law Office</p> <p>Jun. 2010 Partner, Higashimachi LPC</p> <p>Jun. 2013 Substitute Audit & Supervisory Board Member, Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2015 President, Hyogo-ken Bar Association (resigned in March 2016)</p> <p>Dec. 2015 Managing Partner, Higashimachi LPC (present)</p> <p>Apr. 2016 Vice President, Japan Federation of Bar Associations (resigned in March 2017)</p> <p>Jun. 2017 Outside Audit & Supervisory Board Member, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Reasons for nomination as candidate Mr. Kohdera has never involved in the management of a company, except as an outside officer. However, he served as President of the Hyogo-ken Bar Association, Vice President of the Japan Federation of Bar Associations, and other important positions. Since 2017, as Outside Audit & Supervisory Board Member of the Company, he has made a significant contribution to ensuring the soundness of the Company's management and enhancing its enterprise value based on his abundant experience and deep insight into legal affairs as an attorney. Considering these points, we have determined that he is suitable for an Outside Director serving as Audit and Supervisory Committee Member and nominated him as a candidate for Outside Director serving as Audit and Supervisory Committee Member.</p> | 1,100 shares |

| No. | Name (Date of Birth) Attendance to meetings of the Board of Directors | Carrier Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|---|--|
| 4 | (Outside Director Candidate) (Independent Officer) Atsuko Ishii (November 17, 1957) 17/17 (100%) | <p>Apr. 1980 Joined Ministry of Labour (At present: Ministry of Health, Labour and Welfare)</p> <p>Jul. 2009 Director-General, Osaka Labour Bureau, Ministry of Health, Labour and Welfare</p> <p>Jul. 2010 Deputy Director-General (in charge of equal employment, child and family policy, and measures for declining birthrate), Ministry of Health, Labour and Welfare</p> <p>Sep. 2012 Director-General, Equal Employment, Child and Family Policy Bureau, Ministry of Health, Labour and Welfare</p> <p>Jul. 2014 Director-General for General Policy and Evaluation (in charge of labor), Ministry of Health, Labour and Welfare</p> <p>Oct. 2015 Director-General, Social Welfare and War Victims' Relief Bureau, Ministry of Health, Labour and Welfare (resigned in June 2016)</p> <p>Jun. 2017 Outside Audit & Supervisory Board Member, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Jun. 2017 Outside Audit & Supervisory Board Member, Mitsui Sumitomo Insurance Company, Limited (present)</p> <p>Jun. 2019 Outside Director, NS Solutions Corporation (present)</p> <p>[Significant concurrent positions] Outside Audit & Supervisory Board Member, Mitsui Sumitomo Insurance Company, Limited Outside Director, NS Solutions Corporation</p> <p>Reasons for nomination as candidate Ms. Ishii has never involved in the management of a company, except as an outside officer. However, she served in the Ministry of Health, Labour and Welfare as Director- General of Osaka Labour Bureau, Deputy Director-General, Director-General of Equal Employment, Child and Family Policy Bureau, Director-General for General Policy and Evaluation, and Director-General of Social Welfare and War Victims' Relief Bureau, and other important positions. Since 2017, as Outside Audit & Supervisory Board Member of the Company, Ms. Ishii has made a significant contribution to ensuring the soundness of the Company's management and enhancing its enterprise value based on her abundant experience and deep insight on labor administration. Considering these points, we have determined that she is suitable for an Outside Director serving as Audit and Supervisory Committee Member and nominated her as a candidate for Outside Director serving as Audit and Supervisory Committee Member.</p> | 300 shares |

| No. | Name (Date of Birth) Attendance to meetings of the Board of Directors | Carrier Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|---|--|
| 5 | (Outside Director Candidate) (Independent Officer) Ryoichi Saito (February 3, 1950) 14/14 (100%) | <p>Apr. 1974 Joined NSK Ltd.</p> <p>Jun. 2006 Senior Vice President, Head of Corporate Planning Division HQ, NSK Ltd.</p> <p>Jun. 2011 Director, Representative, Executive Vice President, Head of Corporate Strategy Division HQ, Crisis Management Committee Chairperson, NSK Ltd.</p> <p>Jun. 2013 Senior Advisor, NSK Ltd.</p> <p>Jun. 2016 Administrative Officer, NSK Ltd. (Retired in June 2017)</p> <p>Jun. 2019 Outside Audit & Supervisory Board Member, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Reasons for nomination as candidate Mr. Saito served as 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 of NSK Ltd. and other important positions. Since 2019, as Outside Audit & Supervisory Board Member of the Company, he has made a significant contribution to ensuring the soundness of the Company's management and enhancing its enterprise value based on his extensive management experience and deep insights into business planning, finance and accounting, and risk management. Considering these points, we have determined that he is suitable for an Outside Director serving as Audit and Supervisory Committee Member and nominated him as a candidate for Outside Director serving as Audit and Supervisory Committee Member.</p> | 100 shares |

- (Notes)
1. There is no special interest relationship between each candidate and the Company.
 2. Mr. Satoru Kohdera, Ms. Atsuko Ishii and Mr. Ryoichi Saito are candidates for Outside Directors.
 3. Mr. Satoru Kohdera and Ms. Atsuko Ishii are currently the Outside Audit & Supervisory Board Members of the Company, and their tenure as Audit & Supervisory Board Member will have been three years at the conclusion of this Ordinary General Meeting of Shareholders.
 4. Mr. Ryoichi Saito is currently the Outside Audit & Supervisory Board Member of the Company, and his tenure as Audit & Supervisory Board Member will have been one year at the conclusion of this Ordinary General Meeting of Shareholders.
 5. Mr. Katsuyoshi Fukuma and Mr. Akio Nekoshima will enter into a limited liability agreement after their election pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company on condition that Proposals No. 1 and No. 3 are adopted in their 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.
 6. Mr. Satoru Kohdera, Ms. Atsuko Ishii and Mr. Ryoichi Saito has entered into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company. Liability under the said agreement is limited to either ¥10 million or an amount specified by laws and regulations, whichever is higher. They will enter into a same limited liability agreement aforementioned after their election with the Company on condition that Proposals No. 1 and No. 3 are adopted in their original form.
 7. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Satoru Kohdera, Ms. Atsuko Ishii and Mr. Ryoichi Saito are appointed as Independent Officers as provided for by the aforementioned exchange.

8. 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.

Proposal No. 4: Election of One Director serving as Substitute Audit and Supervisory Committee Member

If Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved and adopted in its original form, the Company will transition to a company with audit and supervisory committee.

Accordingly, we propose to elect one Outside Director serving as substitute Audit and Supervisory Committee Member to prepare for a contingency in which the Company does not have the number of Directors serving as Audit and Supervisory Committee Members required by laws and regulations. This proposal will be effective provided that the amendment to the Articles of Incorporation in Proposal No. 1 “Partial Amendments to the Articles of Incorporation” takes effect.

We have obtained the consent of the Audit & Supervisory Board on this proposal. Additionally, a candidate for Director serving as substitute Audit and Supervisory Committee Member was nominated by the Board of Directors in accordance with “Qualifications Expected of Directors,” which is described on page 35. 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 Outside Director serving as substitute Audit and Supervisory Committee 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 Director Candidate) (Independent Officer)</p> <p>Susumu Tsukui (May 3, 1969)</p> | <p>Apr. 1995 Admitted to Bar in Japan Joined Kobe-Kaito Law Office</p> <p>Apr. 1999 Joined Law Office ASHIYA</p> <p>Apr. 2002 Established Ashiya Nishinomiya Citizen Law Office Managing Partner, Ashiya Nishinomiya Citizen Law Office (present)</p> <p>Apr. 2006 Vice President, Hyogo-ken Bar Association (retired in March 2007)</p> <p>Reasons for nomination as candidate Mr. Tsukui has never directly involved in the management of a company. However, he has extensive experience and deep insights into legal affairs an attorney, having served as Vice President of Hyogo-ken Bar Association and other important positions. Considering these points, we have judged that he will be able to fully fulfil his role as an Outside Director serving as Audit and Supervisory Committee Member auditing the Company from an independent position in the case of a contingency in which the Company does not have the number of Directors serving as Audit and Supervisory Committee Members required by laws and regulations, and nominated him as a candidate for Outside Director serving as substitute Audit and Supervisory Committee Member.</p> | <p>0 shares</p> |

(Notes) 1. There is no special interest relationship between the candidate and the Company.

2. Mr. Susumu Tsukui is a candidate for Outside Director serving as substitute Audit and Supervisory Committee Member
3. Should Mr. Susumu Tsukui be appointed Outside Director serving as Audit and Supervisory Committee Member on condition that Proposals No. 1 and No. 4 are adopted in their original form, he will enter into a limited liability agreement to limit his liabilities to compensate for damages with the Company pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. Liability under the said agreement shall be limited to either ¥10 million, or an amount specified by laws and regulations, whichever is higher.
4. Mr. Susumu Tsukui satisfies the requirements of the independence standards for outside officers stipulated by the Company. Should Mr. Susumu Tsukui be appointed Outside Director serving as Audit and Supervisory Committee Member, the Company will submit notification to Tokyo Stock Exchange, Inc. that he is appointed as Independent Officer as provided for by the aforementioned exchange.

Reference

[Qualifications Expected of Directors]

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

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

[Independence Standards for Officers]

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

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

**Proposal No. 5: Determination of Remuneration Amount for Directors
(except Directors Serving as Audit and Supervisory Committee Members)**

If Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved and adopted in its original form, the Company will transition to a company with audit and supervisory committee.

The maximum remuneration for Directors was approved to be ¥1.2 billion per year by the resolution of the 189th Ordinary General Meeting of Shareholders held on June 27, 2012. In line with the transition to a company with audit and supervisory committee, we propose to abolish the said amount and newly set the remuneration amount for Directors (except Directors serving as Audit and Supervisory Committee Members) at ¥800 million or less per year, taking into account the decrease in the number of Directors and the various circumstances including economic situation.

Remuneration for Directors (except Directors serving as Audit and Supervisory Committee Members), excluding Outside Directors, consists of “basic remuneration,” which is a fixed amount, “performance-based remuneration,” which is determined by linking with business performance and “stock purchase fund,” where the entire amount is contributed to the officers’ stock ownership plan. Remuneration for Outside Directors (except Directors serving as Audit and Supervisory Committee Members) is “basic remuneration” only so that it is not involved in the performance-linked portion from the perspective of independence of their duties.

The remuneration amount paid to Directors (except Directors serving as Audit and Supervisory Committee Members) does not include employee salaries for Directors concurrently serving as employees.

The Company currently has eleven Directors (of which three are Outside Directors). If Proposal No. 1 and Proposal No. 2 are approved and adopted in their original form, the number of Directors (except Directors serving as Audit and Supervisory Committee Members) pertaining to this proposal will be eight Directors (of which three are Outside Directors).

This proposal will be effective provided that the amendment to the Articles of Incorporation in Proposal No. 1 “Partial Amendments to the Articles of Incorporation” takes effect.

Proposal No. 6: Determination of Remuneration Amount for Directors Serving as Audit and Supervisory Committee Members

If Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved and adopted in its original form, the Company will transition to a company with audit and supervisory committee.

Accordingly, taking into account the number of Directors serving as Audit and Supervisory Committee Members and the various circumstances including economic situation, we propose to set the remuneration amount for Directors serving as Audit and Supervisory Committee Members at ¥120 million or less per year.

If Proposal No. 1 and Proposal No. 3 are approved and adopted in their original form, the number of Directors serving as Audit and Supervisory Committee Members pertaining to this proposal will be five.

This proposal will be effective provided that the amendment to the Articles of Incorporation in Proposal No. 1 “Partial Amendments to the Articles of Incorporation” takes effect.

Attachment:

Business Report
(April 1, 2019 - March 31, 2020)

1. Overview concerning the Current Situation of Company Group

(1) Business Progress and Results

(i) General conditions

The overall orders received of the KHI Group for the fiscal year under review amounted to ¥1,513.5 billion, 5% lower than the previous fiscal year. This was mainly because of decreases in orders in the Aerospace Systems and the Ship & Offshore Structure segments. Net sales, as a whole, were ¥1,641.3 billion, 3% higher than the previous fiscal year, due to increased sales primarily in the Aerospace Systems and the Rolling Stock segments, while sales of segments such as the Motorcycle & Engine and the Energy System & Plant Engineering decreased.

In terms of profit, operating profit was ¥62.0 billion, 3% lower than the previous fiscal year, due to decreases in profit in segments such as the Motorcycle & Engine and the Precision Machinery & Robot, while profit increased in the Aerospace Systems and improved in the Rolling Stock segments. Ordinary profit was ¥40.4 billion, 7% higher than the previous fiscal year, mainly due to decreased payments for the in-service issues of commercial aircraft jet engines, while operating profit decreased. Profit attributable to owners of parent was ¥18.6 billion, 32% lower than the previous fiscal year, mainly as a result of the partial reversal of deferred tax assets due to the impact of the spread of COVID-19 infections, despite an increase in ordinary profit.

To ensure an appropriate balance of increases in shareholder value and return of profit to shareholders through distribution of dividends, the Company comprehensively takes into account its financial position in terms of factors including free cash flow and debt-to-equity ratio as well as the forecast of its operating results. As a result, it established a benchmark of 30% for the consolidated dividend payout ratio in the medium- to long-term.

Profit attributable to owners of parent of ¥25.0 billion, announced on February 6, 2020 as our consolidated financial forecast for the fiscal year ended March 31, 2020, decreased to ¥18.6 billion as a result of a partial reversal of deferred tax assets, etc. at the fiscal year-end under review, in view of the impact of the spread of COVID-19 infections.

Further, the Company is also likely to be affected enormously by the global economic stagnation due to the spread of COVID-19 infections. Thus, it is with great regret that the Company has decided not to provide a year-end dividend because securing liquidity on hand is the most pressing issue at the present time.

(ii) Operating conditions by business segment

Aerospace Systems segment

In the Aerospace Systems segment, orders received were ¥414.9 billion, a decrease of ¥16.6 billion from the previous fiscal year, due to decreased orders received from the Ministry of Defense (MOD) in Japan and for component parts for commercial aircraft, while orders for component parts for commercial aircraft jet engines increased.

Net sales increased ¥68.5 billion from the previous fiscal year to ¥532.5 billion, mainly due to increased sales to MOD, for component parts for commercial aircraft and for component parts for commercial aircraft jet engines.

Operating profit increased ¥10.1 billion from the previous fiscal year to ¥42.7 billion, due to an increase in sales and other factors.

Energy System & Plant Engineering segment

In the Energy System & Plant Engineering segment, orders received were ¥252.3 billion, a decrease of ¥11.1 billion from the previous fiscal year when large-scale orders were received for energy products including LNG tanks and Combined Cycle Power Plant (CCPP) in the domestic market, despite orders received for municipal waste treatment facilities in the domestic market.

Net sales decreased ¥10.0 billion from the previous fiscal year to ¥242.9 billion, which was due to a decrease in energy business and other factors despite an increase in construction works of chemical plants for the overseas market.

Operating profit increased ¥5.9 billion from the previous fiscal year to ¥17.5 billion mainly due to an improvement in profitability of chemical plants for the overseas market, despite a decrease in revenue.

Precision Machinery & Robot segment

In the Precision Machinery & Robot segment, orders received were ¥218.8 billion, a decrease of ¥6.3 billion from the previous fiscal year, due to a decrease in hydraulic components for the construction machinery market despite an increase in each series of robots.

Net sales decreased ¥4.7 billion from the previous fiscal year to ¥217.3 billion due to a decrease in sales of hydraulic components for the construction machinery market.

Operating profit decreased ¥9.1 billion from the previous fiscal year to ¥12.2 billion, due to, in addition to decreased revenue, an increase in research and development expenses for hydraulic components, a decrease in robot production in China and other factors.

(Note) With the change and refinement of the counting method of orders received for the Precision Machinery & Robot segment, its orders received for the Fiscal 2018 (196th fiscal year) was amended (¥222.4 billion previously).

Ship & Offshore Structure segment

In the Ship & Offshore Structure segment, orders received were ¥56.2 billion, a decrease of ¥24.9 billion from the previous fiscal year when orders were received for a submarine for MOD, despite orders received for LNG carriers.

Net sales were ¥71.6 billion, a decrease of ¥7.2 billion from the previous fiscal year, mainly due to a decrease in construction works for LNG carriers and LPG carriers.

Operating profit (loss) decreased ¥1.7 billion from the previous fiscal year, resulting in an operating loss of ¥0.6 billion, mainly due to a decrease in sales of newly-built ships and operation losses.

Rolling Stock segment

In the Rolling Stock segment, orders received were ¥125.7 billion, a decrease of ¥10.3 billion from the previous fiscal year when orders for subway cars for the US were received, despite orders received for Shinkansen and subway cars in the domestic market.

Net sales increased ¥11.8 billion from the previous fiscal year to ¥136.5 billion, mainly due to an increase in passenger cars for the domestic and US markets, despite a decrease in component parts for the overseas market.

Operating profit (loss) improved ¥9.9 billion from the previous fiscal year, resulting in an operating loss of ¥3.8 billion, mainly due to, in addition to increased revenue, a decrease in temporary expenses for the US projects incurred in the previous fiscal year, despite delays to the next fiscal year and cost fluctuations due to the impact of the spread of COVID-19 in some projects.

Motorcycle & Engine segment

Net sales of the Motorcycle & Engine segment decreased ¥19.0 billion from the previous fiscal year to ¥337.7 billion due to, in addition to impact of the spread of COVID-19, the yen's appreciation continued against the euro and other currencies compared to the previous fiscal year.

Operating profit (loss) decreased ¥16.3 billion from the previous fiscal year, resulting in an operating loss of ¥1.9 billion, mainly due to, in addition to decreased revenue, an increase in manufacturing costs due to the high Thai Baht and an influence of off-road four wheeler recalls.

(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 ¥7.2 billion from the previous fiscal year to ¥102.4 billion.

Operating profit decreased ¥1.2 billion from the previous fiscal year to ¥1.2 billion.

Reference

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

(Billions of yen)

| Segment | Orders Received | | Net Sales | | Operating Profit/Loss | |
|-----------------------------------|-----------------|---------------------|----------------|---------------------|-----------------------|---------------------|
| | Amount | Year-on-Year Change | Amount | Year-on-Year Change | Amount | Year-on-Year Change |
| Aerospace Systems | 414.9 | (16.6) | 532.5 | 68.5 | 42.7 | 10.1 |
| Energy System & Plant Engineering | 252.3 | (11.1) | 242.9 | (10.0) | 17.5 | 5.9 |
| Precision Machinery & Robot | 218.8 | (6.3) | 217.3 | (4.7) | 12.2 | (9.1) |
| Ship & Offshore Structure | 56.2 | (24.9) | 71.6 | (7.2) | (0.6) | (1.7) |
| Rolling Stock | 125.7 | (10.3) | 136.5 | 11.8 | (3.8) | 9.9 |
| Motorcycle & Engine | 337.7 | (19.0) | 337.7 | (19.0) | (1.9) | (16.3) |
| Others | 107.5 | 13.3 | 102.4 | 7.2 | 1.2 | (1.2) |
| Adjustment | - | - | - | - | (5.3) | 0.4 |
| Total | 1,513.5 | (75.2) | 1,641.3 | 46.5 | 62.0 | (1.9) |

- (Notes)
1. Net sales recorded are for sales to external customers.
 2. With the change and refinement of the counting method of orders received for the Precision Machinery & Robot segment, its orders received for the Fiscal 2018 (196th fiscal year) was amended from ¥222.4 billion to ¥225.2 billion.
 3. The net sales figure for Motorcycle & Engine segment is also used as the figure for orders received.

ii) ROIC and ROE

| | FY2018 (196th fiscal year) | FY2019 (197th fiscal year) |
|------|----------------------------|----------------------------|
| ROIC | 4.5% | 4.2% |
| ROE | 5.8% | 4.0% |

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

iii) Cash flows

(Billions of yen)

| | FY2018 (196th fiscal year) | FY2019 (197th fiscal year) |
|--------------------------------------|----------------------------|----------------------------|
| Cash flows from operating activities | 109.7 | (15.4) |
| Cash flows from investing activities | (85.3) | (69.4) |
| Cash flows from financing activities | (19.7) | 115.8 |

(2) Trends in Assets and Income

(i) Company Group Assets and Income

(Billions of yen)

| Item | The 194th fiscal year | The 195th fiscal year | The 196th fiscal year | The 197th fiscal year (under review) |
|---|-----------------------|-----------------------|-----------------------|--------------------------------------|
| Orders received | 1,348.7 | 1,608.0 | 1,588.7 | 1,513.5 |
| Net sales | 1,518.8 | 1,574.2 | 1,594.7 | 1,641.3 |
| Operating profit | 45.9 | 55.9 | 64.0 | 62.0 |
| Ordinary profit | 36.6 | 43.2 | 37.8 | 40.4 |
| Profit attributable to owners of parent | 26.2 | 28.9 | 27.4 | 18.6 |
| Earnings per share (yen) | ¥156.85 | ¥173.09 | ¥164.34 | ¥111.72 |
| Total assets | 1,687.3 | 1,785.0 | 1,838.8 | 1,957.8 |
| Net assets | 451.3 | 481.3 | 492.2 | 471.5 |

- (Notes) 1. 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. Earnings per share were calculated on the assumption that the share consolidation took place at the beginning of the 194th term.
2. With the change and refinement of the counting method of orders received for the Precision Machinery & Robot segment, its orders received for the Fiscal 2018 (196th fiscal year) was amended (¥1,585.9 billion previously).

(ii) Company Assets and Income

(Billions of yen)

| Item | The 194th fiscal year | The 195th fiscal year | The 196th fiscal year | The 197th fiscal year (under review) |
|---|-----------------------|-----------------------|-----------------------|--------------------------------------|
| Orders received | 1,005.0 | 1,184.6 | 1,171.8 | 1,124.7 |
| Net sales | 1,172.4 | 1,213.6 | 1,195.1 | 1,250.3 |
| Operating profit | 4.7 | 13.6 | 15.2 | 20.4 |
| Ordinary profit | 12.5 | 23.0 | 9.5 | 17.1 |
| Profit attributable to owners of parent | 17.4 | 24.6 | 15.0 | 10.8 |
| Earnings per share (yen) | ¥104.71 | ¥147.70 | ¥90.37 | ¥64.78 |
| Total assets | 1,388.0 | 1,469.9 | 1,499.6 | 1,609.2 |
| Net assets | 304.7 | 322.7 | 325.5 | 323.8 |

(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. Earnings per share were calculated on the assumption that the share consolidation took place at the beginning of the 194th term.

(3) Management Policy, Management Environment, Issues to be Addressed, Etc.

[Corporate Management Strategies in the Medium- to Long-Term and Issues to be Addressed]

Last year, the Group announced a new medium-term business plan "MTBP2019," which concludes in FY2021, aiming for sustainable growth and improvement of corporate value over the medium- to long-term. Effective from April 2020, we

consolidated and reorganized existing business units (BUs) into divisions as well as appointed a General Manager, a divisional head responsible for business execution, for each business division, aiming to achieve the basic policy of MTBP2019, "balancing autonomous business management and company-wide corporate governance." In addition, the Company will transition to a company with audit and supervisory committee at the end of June this year, in order to strengthen the functions to supervise the Board of Directors.

However, due to the impact of the COVID-19 pandemic, the environment surrounding our businesses has dramatically changed. Accordingly, we have decided to withdraw the numerical management targets for FY2021, which is the final year of MTBP2019, looking at the current business environment and market conditions. On the other hand, medium- to long-term measures, such as the improvement of profitability, improvement of free cash flow, conversion of business models paying attention to the value chain, strengthening of quality assurance systems and the reform of organization and culture, will steadily be implemented, and in order to prepare for the chance for business recovery in the market recovery phase, the Company will shift management resources to the development of products, technologies and services that are necessary in a post-COVID society.

[Management Environment and Preferential Business and Financial Issues to be Addressed]

As a result of the stagnation of global economic activity because of the impact of the spread of COVID-19, the business activities of the Group have been affected in various ways, such as a decrease in sales opportunities, the postponing of sales negotiations, the temporary stoppage of operations at a portion of business offices and supply chain disruptions. In particular, the Company expects that the Aerospace Systems segment, where passenger demand is steeply declining, and the Motorcycle & Engine segment, which is being affected by regulations on going out and a decline in personal consumption, will be significantly affected, and it is possible that the consolidated performance in the fiscal year ending March 31, 2021 will be in the red.

Considering such circumstances, regarding the allocation of business resources, the Company is carefully selecting projects, and is immediately advancing with measures for preventing surplus inventory, reducing fixed costs, depreciating assets, etc. Furthermore, the Company is working to secure liquidity on hand such as by quickly procuring appropriate funds to prepare for unexpected situations such as disruptions in the financial market.

- (4) Assignment of businesses, absorption-type company split and incorporation-type company split**
Not applicable.
- (5) Transfer of business from other companies**
Not applicable.
- (6) 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.

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

Not applicable

(8) Capital Investments, etc.

In the KHI Group, capital investments were made for the development of facilities to increase the production capacity predominantly for the Aerospace Systems segment and the Precision Machinery & Robot segment, and for the development of facilities to mainly handle new models in the Motorcycle & Engine segment. As a result, the KHI Group spent a total of ¥70.4 billion (including spending on intangible assets) on capital investments in the consolidated fiscal year under review. The investments were covered by internally generated funds and borrowed money. Details of major investments in the respective segments are as follows:

(Billions of yen)

| Segment | Major investments | Investment amounts in the consolidated fiscal year under review |
|-----------------------------------|--|---|
| Aerospace Systems | Facilities for increasing aircraft, jet engine and other productions and facilities for handling new models and products, etc. | 25.1 |
| Energy System & Plant Engineering | Facilities for streamlining production of industrial machinery, etc. | 3.0 |
| Precision Machinery & Robot | Facilities for increasing hydraulic components and industrial robot production, etc. | 12.8 |
| Ship & Offshore Structure | Facilities for streamlining ship construction, etc. | 1.3 |
| Rolling Stock | Facilities for increasing rolling stock production, etc. | 2.7 |
| Motorcycle & Engine | Facilities for handling new models and products of motorcycles, etc. | 21.3 |
| Others | Facilities for research and development and facilities for information, etc. | 4.0 |
| Total | | 70.4 |

(9) Financing

Funds of ¥24.0 billion from long-term debt, ¥40.0 billion from domestic unsecured straight bonds and short-term debts and other funds from various sources were raised in the current consolidated fiscal year. The funds were allocated to such items as the scheduled payment for long-term debt, capital investments and working capital.

(10) Principal lenders

(Billions of yen)

| Lenders | Balance of borrowings | | |
|-------------------------------------|-----------------------|------------|-------|
| | Long term | Short term | Total |
| Mizuho Bank, Ltd. | 5.0 | 42.7 | 47.7 |
| Sumitomo Mitsui Banking Corporation | 7.5 | 21.6 | 29.1 |
| Sumitomo Mitsui Trust Bank, Ltd. | 13.5 | 6.6 | 20.1 |
| MUFG Bank, Ltd. | 4.5 | 11.6 | 16.1 |
| The Norinchukin Bank | 0.7 | 14.2 | 14.9 |

(11) Major Parent Companies and Subsidiaries

(i) Parent Companies

Not applicable.

(ii) Major Subsidiaries

i) Japan

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

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

ii) Overseas

| Company name (Location) | Capital | The Company's percentage of equity participation | Main business |
|---|----------------------|---|--|
| Kawasaki Motors Corp., U.S.A. (United States) | US\$ 165 million | 100% | Sale of motorcycles, ATVs (all-terrain vehicles), utility vehicles, personal watercraft "JET SKI®" and general-purpose gasoline engines in the U.S. and South and Central America |
| Kawasaki Motors Manufacturing Corp., U.S.A. (United States) | US\$ 170 million | 100% | Manufacture of personal watercraft "JET SKI®", utility vehicles, ATVs (all-terrain vehicles), rims for ATVs and utility vehicles, general-purpose engines and rolling stock and aircraft doors |
| Kawasaki Motors 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 Trading (Shanghai) Co., Ltd. (China) | JPY 400 million | 100% | Sale and servicing of precision machinery in China |
| Kawasaki Precision Machinery (Suzhou) Ltd. (China) | JPY 3,000 million | 100% | Manufacture of hydraulic pumps and hydraulic motors for construction machinery, marine hydraulic products and industrial robots |
| Kawasaki Robotics (U.S.A.), Inc. (United States) | US\$ 1 million | Note 2 | Sale and servicing of industrial robots in Americas |
| PT. Kawasaki Motor Indonesia (Indonesia) | US\$ 80 million | 90% | Manufacture and sale of motorcycles in Indonesia |
| Flutek, Ltd. (South Korea) | KRW 1,310 million | 50% | Manufacture, sale and servicing of hydraulic equipment products for construction machinery and marine hydraulic products in South Korea |
| Kawasaki Robotics (Kunshan) Co., Ltd. (China) | JPY 1,680 million | 100% | Procurement of parts and components of robots and related equipment |
| 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 96 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.

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

| Segment | Main Business | Number of Employees |
|-----------------------------------|---|---------------------|
| Aerospace Systems | Manufacture and sale of aircraft, aircraft engines, etc. | 8,101 |
| Energy System & Plant Engineering | Manufacture and sale of energy-related equipment and systems, marine propulsion machinery and systems, industrial machinery, environmental equipment, cryogenic storage equipment, hydrogen-related facilities, crushing machines, etc. | 6,018 |
| Precision Machinery & Robot | Manufacture and sale of hydraulic components, industrial robots, etc. | 3,895 |
| Ship & Offshore Structure | Manufacture and sale of ships, etc. | 2,364 |
| Rolling Stock | Manufacture and sale of rolling stock, snow removal machinery, etc. | 3,511 |
| Motorcycle & Engine | Manufacture and sale of motorcycles, All-Terrain Vehicles (ATVs), utility vehicles, personal watercraft ("JET SKI®"), general purpose gasoline engines, etc. | 9,320 |
| Others | Commerce, brokerage and mediation for sale and order reception and administration of welfare facilities, etc. | 1,926 |
| Companywide common areas | (Head Office Administration Department, Research & Development Department, etc.) | 1,197 |
| Total | - | 36,332 |

- (Notes)
1. Employees total 26,616 people in Japan and 9,716 people overseas.
 2. The Company has 17,218 employees (average age: 39.0 years old; average years of service: 13.9 years)

(13) 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 "(11) Major Parent Companies and Subsidiaries."

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

Not applicable.

2. Status of Shares (as of March 31, 2020)

- (1) **Aggregate number of issuable shares** 336,000,000 shares
- (2) **Total number of shares issued** 167,080,532 shares
(including 36,587 treasury shares)
- (3) **Number of shareholders** 112,648 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) | 11,525 | 6.8 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 7,569 | 4.5 |
| Nippon Life Insurance Company | 5,751 | 3.4 |
| Mizuho Bank, Ltd. | 4,176 | 2.5 |
| Kawasaki Heavy Industries, Ltd. Kyoueikai | 3,916 | 2.3 |
| Kawasaki Heavy Industries, Ltd. Employees Shareholder Association | 3,790 | 2.2 |
| BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY 1 | 3,576 | 2.1 |
| JFE Steel Corporation | 3,539 | 2.1 |
| Japan Trustee Services Bank, Ltd. (Trust Account 7) | 3,270 | 1.9 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 3,168 | 1.8 |

(Note) The shareholding ratio is calculated after subtracting treasury shares (36,587 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, 2020)

| 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 | Kenji Tomida | Assistant to the President, with overall responsibility for finance and accounting, and human resources |
| Representative Director | Sukeyuki Namiki | Assistant to the President, with overall responsibility for technology, production and procurement, and, in charge of Quality Control and Rolling Stock Company |
| Director | Tatsuya Watanabe | President, Energy System & Plant Engineering Company |
| Director | Katsuya Yamamoto | In charge of Corporate Planning, Investor Relations, Corporate Communication and Ship & Offshore Structure Company, and, General Manager, Corporate Planning Division |
| Director | Yasuhiko Hashimoto | President, Precision Machinery & Robot Company, in charge of promoting automation |
| Director | Hiroyoshi Shimokawa | President, Aerospace Systems Company |
| 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 Outside Director, Toyo Tire Corporation |
| Director (Outside) | Yoshiaki Tamura | Outside Director, DIC Corporation |
| Director (Outside) | Jenifer Rogers | Outside Director, Mitsui & Co., Ltd. Outside Director, Nissan Motor Co., Ltd. |
| Full-Time Audit & Supervisory Board Member | Katsuyoshi Fukuma | |
| Full-Time Audit & Supervisory Board Member | Akio Nekoshima | |
| 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 Outside Director, NS Solutions Corporation |
| Audit & Supervisory Board Member (Outside) | Ryoichi Saito | |

- (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. Directors Munenori Ishikawa and Kazuo Ota, and Audit & Supervisory Board Member Takashi Torizumi resigned during the fiscal year under review at the conclusion of the 196th Ordinary General Meeting of Shareholders.
 3. With revisions made to the positions of directors effective April 1, 2020, Representative Director Kenji Tomida became a Director, and Directors Yasuhiko Hashimoto and Katsuya Yamamoto became Representative Directors.

4. 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 | |
| | | Outside Director, Toyo Tire Corporation | |
| | Yoshiaki Tamura | Outside Director, DIC Corporation | |
| | Jenifer Rogers | Outside Director, Mitsui & Co., Ltd. | |
| Outside Director, Nissan Motor Co., Ltd. | | | |
| Audit & Supervisory Board Member | Atsuko Ishii | Outside Audit & Supervisory Board Member, Mitsui Sumitomo Insurance Company, Limited | |
| | | Outside Director, NS Solutions Corporation | |

(iii) Family relationships with managing officers or officers, of the Company or of specific related business operators of the Company

Not applicable.

(iv) Main activities during the fiscal year under review
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 | 16/17 meetings | - | He made comments mainly based on his substantial corporate management experience acquired at Japan Exchange Group, Inc. and his professional knowledge. |
| | Yoshiaki Tamura | 17/17 meetings | - | He made comments mainly based on his vast experience and expertise in corporate management. |
| | Jenifer Rogers | 16/17 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 | 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. |
| | Ryoichi Saito | 14/14 meetings | 13/13 meetings | He made comments mainly based on his vast experience and expertise in corporate management. |

(Note) With respect to Audit & Supervisory Board Member Ryoichi Saito, the description refers to attendance at Board of Directors meetings and Audit & Supervisory Board meetings, which were held after he assumed his position of Audit & Supervisory Board Member on June 26, 2019.

(v) Overview of limited liability agreement

The Company has concluded a limited liability agreement with Directors Michio Yoneda, Yoshiaki Tamura and Jenifer Rogers and Audit & Supervisory Board Members Satoru Kohdera, Atsuko Ishii and Ryoichi Saito, 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 13 persons | 570 | 425 | 85 | 58 |
| Audit & Supervisory Board Members 6 persons | 108 | 108 | - | - |
| Total 19 persons (including 7 persons from outside) | 678 (76) | 533 (76) | 85 (-) | 58 (-) |

- (Notes)
1. The amount of remuneration for the Directors is up to ¥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 up to ¥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 decided by the President, who is delegated by the Board of Directors in accordance with internal regulations, based on the results of deliberation by the Remuneration Advisory Committee, which consists mainly of independent outside officers and is chaired by an Outside Director.

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 Audit & Supervisory Board.

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.

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

¥239 million

- (Notes)
1. 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.
 2. Under the audit agreement between the Company and its Accounting Auditor, remuneration, etc., for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not separated, and they cannot be separated in a practical way. Consequently, the above amounts reflect total remuneration.
 3. Of the Company's major subsidiaries, some overseas subsidiaries have been audited by certified public accountants or audit corporations (including those who possess equivalent qualifications in foreign countries) other than the Company's Accounting Auditor.

(3) Details of Non-audit Services

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

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

When it is recognized that the Accounting Auditor has engaged in an activity falling under any of causes for dismissal set forth in Article 340, Paragraph 1 of the Companies Act, the Audit & 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, 2020)

(Unit: Millions of yen)

| Description                            | Amount           | Description                                                            | Amount           |
|----------------------------------------|------------------|------------------------------------------------------------------------|------------------|
| (Assets)                               |                  | (Liabilities)                                                          |                  |
| <b>Current assets</b>                  | <b>1,258,781</b> | <b>Current liabilities</b>                                             | <b>947,726</b>   |
| Cash and deposits                      | 106,108          | Notes and accounts payable - trade                                     | 261,159          |
| Notes and accounts receivable - trade  | 473,204          | Electronically recorded obligations - operating                        | 110,526          |
| Merchandise and finished goods         | 75,042           | Short-term borrowings                                                  | 166,188          |
| Work in process                        | 426,256          | Current portion of bonds payable                                       | 20,000           |
| Raw materials and supplies             | 130,359          | Lease obligations                                                      | 1,542            |
| Other                                  | 51,176           | Income taxes payable                                                   | 6,116            |
| Allowance for doubtful accounts        | (3,367)          | Provision for sales promotion expenses                                 | 12,174           |
|                                        |                  | Provision for bonuses                                                  | 22,032           |
|                                        |                  | Provision for construction warranties                                  | 14,454           |
|                                        |                  | Provision for loss on construction contracts                           | 11,464           |
|                                        |                  | Advances received                                                      | 148,610          |
|                                        |                  | Other                                                                  | 173,456          |
| <b>Non-current assets</b>              | <b>699,063</b>   | <b>Non-current liabilities</b>                                         | <b>538,556</b>   |
| Property, plant and equipment          | 482,570          | Bonds payable                                                          | 160,000          |
| Buildings and structures, net          | 193,931          | Long-term borrowings                                                   | 188,859          |
| Machinery, equipment and vehicles, net | 151,196          | Lease obligations                                                      | 873              |
| Land                                   | 62,183           | Deferred tax liabilities                                               | 796              |
| Leased assets, net                     | 2,694            | Retirement benefit liability                                           | 129,846          |
| Construction in progress               | 15,959           | Provision for the in service issues of commercial aircraft jet engines | 15,689           |
| Other, net                             | 56,604           | Other                                                                  | 42,491           |
| Intangible assets                      | 21,358           | <b>Total liabilities</b>                                               | <b>1,486,283</b> |
| Investments and other assets           | 195,134          | (Net assets)                                                           |                  |
| Investment securities                  | 12,035           | <b>Shareholders' equity</b>                                            | <b>485,520</b>   |
| Retirement benefit asset               | 135              | Share capital                                                          | 104,484          |
| Deferred tax assets                    | 70,598           | Capital surplus                                                        | 54,542           |
| Other                                  | 114,203          | Retained earnings                                                      | 326,626          |
| Allowance for doubtful accounts        | (1,838)          | Treasury shares                                                        | (133)            |
|                                        |                  | <b>Accumulated other comprehensive income</b>                          | <b>(29,892)</b>  |
|                                        |                  | Valuation difference on available-for-sale securities                  | 1,636            |
|                                        |                  | Deferred gains or losses on hedges                                     | (272)            |
|                                        |                  | Foreign currency translation adjustment                                | (11,311)         |
|                                        |                  | Remeasurements of defined benefit plans                                | (19,946)         |
|                                        |                  | <b>Non-controlling interests</b>                                       | <b>15,934</b>    |
|                                        |                  | <b>Total net assets</b>                                                | <b>471,562</b>   |
| <b>Total assets</b>                    | <b>1,957,845</b> | <b>Total liabilities and net assets</b>                                | <b>1,957,845</b> |



## Consolidated Statement of Profit and Loss

(April 1, 2019 - March 31, 2020)

(Unit: Millions of yen)

| Description                                                           | Amount        |                  |
|-----------------------------------------------------------------------|---------------|------------------|
| <b>Net sales</b>                                                      |               | <b>1,641,335</b> |
| <b>Cost of sales</b>                                                  |               | <b>1,370,809</b> |
| Gross profit                                                          |               | 270,526          |
| <b>Selling, general and administrative expenses</b>                   |               | <b>208,463</b>   |
| Operating profit                                                      |               | 62,063           |
| <b>Non-operating income</b>                                           |               | <b>9,686</b>     |
| Interest income                                                       | 695           |                  |
| Dividend income                                                       | 288           |                  |
| Share of profit of entities accounted for using equity method         | 1,255         |                  |
| Penalty income                                                        | 2,784         |                  |
| Insurance claim income                                                | 1,191         |                  |
| Other                                                                 | 3,469         |                  |
| <b>Non-operating expenses</b>                                         |               | <b>31,319</b>    |
| Interest expenses                                                     | 3,615         |                  |
| Foreign exchange losses                                               | 8,479         |                  |
| Payments for the in service issues of commercial aircraft jet engines | 11,500        |                  |
| Other                                                                 | 7,725         |                  |
| <b>Ordinary profit</b>                                                |               | <b>40,429</b>    |
| <b>Extraordinary income</b>                                           |               | <b>1,277</b>     |
| Gain on sales of non-current assets                                   | 1,277         |                  |
| <b>Extraordinary losses</b>                                           |               | <b>2,383</b>     |
| Loss on withdrawal from business                                      | 2,383         |                  |
| <b>Profit before income taxes</b>                                     |               | <b>39,323</b>    |
| <b>Income taxes - current</b>                                         | <b>10,546</b> |                  |
| <b>Income taxes - deferred</b>                                        | <b>8,500</b>  | <b>19,046</b>    |
| <b>Profit</b>                                                         |               | <b>20,276</b>    |
| <b>Profit attributable to non-controlling interests</b>               |               | <b>1,614</b>     |
| <b>Profit attributable to owners of parent</b>                        |               | <b>18,662</b>    |

## Non-consolidated Balance Sheet

(As of March 31, 2020)

(Unit: Millions of yen)

| Description                                                 | Amount           | Description                                                            | Amount           |
|-------------------------------------------------------------|------------------|------------------------------------------------------------------------|------------------|
| <b>(Assets)</b>                                             |                  | <b>(Liabilities)</b>                                                   |                  |
| <b>Current assets</b>                                       | <b>979,474</b>   | <b>Current liabilities</b>                                             | <b>817,826</b>   |
| Cash and deposits                                           | 69,605           | Notes payable - trade                                                  | 4,896            |
| Notes receivable - trade                                    | 10,048           | Electronically recorded obligations                                    | 96,349           |
| Accounts receivable - trade                                 | 387,664          | Accounts payable - trade                                               | 216,555          |
| Raw materials and supplies                                  | 89,121           | Short-term borrowings                                                  | 173,804          |
| Work in process                                             | 362,713          | Accounts payable - other                                               | 29,865           |
| Advance payments - trade                                    | 17,328           | Accrued expenses                                                       | 62,938           |
| Prepaid expenses                                            | 2,306            | Income taxes payable                                                   | 837              |
| Other                                                       | 40,811           | Advances received                                                      | 114,927          |
| Allowance for doubtful accounts                             | (125)            | Provision for bonuses                                                  | 14,681           |
|                                                             |                  | Provision for construction warranties                                  | 11,724           |
|                                                             |                  | Provision for loss on construction contracts                           | 10,913           |
|                                                             |                  | Lease obligations                                                      | 1,281            |
|                                                             |                  | Other                                                                  | 79,053           |
| <b>Non-current assets</b>                                   | <b>629,731</b>   | <b>Non-current liabilities</b>                                         | <b>467,542</b>   |
| Property, plant and equipment                               | 354,359          | Bonds payable                                                          | 160,000          |
| Buildings                                                   | 121,278          | Long-term borrowings                                                   | 188,856          |
| Structures                                                  | 19,797           | Lease obligations                                                      | 296              |
| Docks and building berths                                   | 2,455            | Provision for retirement benefits                                      | 67,862           |
| Machinery and equipment                                     | 112,947          | Provision for the in service issues of commercial aircraft jet engines | 15,689           |
| Vessels                                                     | 125              | Other                                                                  | 34,838           |
| Aircraft                                                    | 256              |                                                                        |                  |
| Vehicles                                                    | 1,660            |                                                                        |                  |
| Tools, furniture and fixtures                               | 47,856           |                                                                        |                  |
| Land                                                        | 35,217           |                                                                        |                  |
| Leased assets                                               | 1,707            | <b>Total liabilities</b>                                               | <b>1,285,369</b> |
| Construction in progress                                    | 11,057           | <b>(Net assets)</b>                                                    |                  |
| Intangible assets                                           | 16,297           | <b>Shareholders' equity</b>                                            | <b>323,068</b>   |
| Software                                                    | 8,789            | Share capital                                                          | 104,484          |
| Other                                                       | 7,508            | Capital surplus                                                        | 52,210           |
| Investments and other assets                                | 259,074          | Legal capital surplus                                                  | 52,210           |
| Investment securities                                       | 9,948            | Other capital surplus                                                  | -                |
| Shares of subsidiaries and associates                       | 115,618          | Retained earnings                                                      | 166,506          |
| Investments in capital of subsidiaries and associates       | 42,477           | Other retained earnings                                                | 166,506          |
| Long-term loans receivable from subsidiaries and associates | 9,500            | Reserve for special depreciation                                       | 1,742            |
| Distressed receivables                                      | 1,318            | Reserve for tax purpose reduction entry of non-current assets          | 9,967            |
| Deferred tax assets                                         | 53,010           | Retained earnings brought forward                                      | 154,796          |
| Other                                                       | 28,443           | Treasury shares                                                        | (133)            |
| Allowance for doubtful accounts                             | (1,243)          | <b>Valuation and translation adjustments</b>                           | <b>768</b>       |
|                                                             |                  | Valuation difference on available-for-sale securities                  | 1,059            |
|                                                             |                  | Deferred gains or losses on hedges                                     | (290)            |
|                                                             |                  | <b>Total net assets</b>                                                | <b>323,836</b>   |
| <b>Total assets</b>                                         | <b>1,609,205</b> | <b>Total liabilities and net assets</b>                                | <b>1,609,205</b> |

## Non-consolidated Statement of Profit and Loss

(April 1, 2019 - March 31, 2020)

(Unit: Millions of yen)

| Description                                                           | Amount         |                  |
|-----------------------------------------------------------------------|----------------|------------------|
| <b>Net sales</b>                                                      |                | <b>1,250,354</b> |
| <b>Cost of sales</b>                                                  |                | <b>1,113,924</b> |
| Gross profit                                                          |                | 136,430          |
| <b>Selling, general and administrative expenses</b>                   |                | <b>115,966</b>   |
| Operating profit                                                      |                | 20,463           |
| <b>Non-operating income</b>                                           |                | <b>24,956</b>    |
| Interest income                                                       | 392            |                  |
| Dividend income                                                       | 18,639         |                  |
| Penalty income                                                        | 2,784          |                  |
| Other                                                                 | 3,139          |                  |
| <b>Non-operating expenses</b>                                         |                | <b>28,279</b>    |
| Interest expense                                                      | 1,502          |                  |
| Foreign exchange losses                                               | 7,840          |                  |
| Loss on retirement of non-current assets                              | 1,565          |                  |
| Payments for the in service issues of commercial aircraft jet engines | 11,500         |                  |
| Other                                                                 | 5,871          |                  |
| <b>Ordinary profit</b>                                                |                | <b>17,141</b>    |
| <b>Extraordinary income</b>                                           |                | <b>1,277</b>     |
| Gain on sales of non-current assets                                   | 1,277          |                  |
| <b>Extraordinary losses</b>                                           |                | <b>1,514</b>     |
| Loss on withdrawal from business                                      | 1,514          |                  |
| <b>Profit before income taxes</b>                                     |                | <b>16,904</b>    |
| <b>Income taxes-current</b>                                           | <b>(3,770)</b> |                  |
| <b>Income taxes-deferred</b>                                          | <b>9,853</b>   | <b>6,082</b>     |
| <b>Profit</b>                                                         |                | <b>10,822</b>    |

**Audit Report**  
(English Translation)

Regarding the performance of duties by the Directors for the 197th fiscal year from April 1, 2019 to March 31, 2020, 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.

### (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 20, 2020

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   | Satoru Kohdera    |
| Outside Audit & Supervisory Board Member   | Atsuko Ishii      |
| Outside Audit & Supervisory Board Member   | Ryoichi Saito     |