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(Securities Code: 7012)

June 6, 2025

Dear Shareholders:

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

NOTICE OF THE 202nd ORDINARY GENERAL MEETING OF SHAREHOLDERS

We would like to inform you that we will hold the 202nd Ordinary General Meeting of Shareholders of Kawasaki Heavy Industries, Ltd. (the "Company" or "KHI") as described below. We will provide live streaming, on-demand streaming, and acceptance of questions in advance via the Internet, and encourage you to use them.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (items for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information as "Notice of the 202nd Ordinary General Meeting of Shareholders" on each of the websites shown below. Please access either of the websites using the Internet addresses to review the information.

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

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

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

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

If you will not be attending in person on the day, we kindly ask you to review the "Reference Documents for the General Meeting of Shareholders" described hereinafter, and exercise your voting rights, by 5:00 p.m. on Wednesday, June 25, 2025 (JST).

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

- 1. Date and Time:** **Thursday, June 26, 2025 at 10:00 a.m. (JST) (Door opens at 9:00 a.m.)**
- 2. Place:** **Kokusai Hall at The Kobe International House**
1-6 Gokoudori 8-chome, Chuo-ku, Kobe

3. Meeting Agenda:

Matters to be reported:

1. The Business Report, Consolidated Financial Statements for the Company's 202nd Fiscal Year (from April 1, 2024 to March 31, 2025) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
2. Non-consolidated Financial Statements for the Company's 202nd Fiscal Year (from April 1, 2024 to March 31, 2025)

Matters to be resolved:

Proposal No. 1: Appropriation of Surplus

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

Proposal No. 3: Election of One Director serving as Audit and Supervisory Committee Member

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

4. Settled Matters Regarding Convocation of the General Meeting of Shareholders:

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

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

- "Company Share Options," "Accounting Auditor" and "System to ensure that Directors' execution of duties complies with laws and regulations and the Articles of Incorporation, other systems to ensure proper execution of business and overview of operation status of such systems" in the Business Report
- "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" in the Consolidated Financial Statements
- "Non-consolidated Statement of Changes in Net Assets" and "Notes to the Non-consolidated Financial Statements" in the Non-consolidated Financial Statements

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

(2) Concerning amendments on the web

In the event of any amendments to the Business Report, the Consolidated Financial Statements, the Non-consolidated Financial Statements and the Reference Documents for the General Meeting of Shareholders, a notice of the amendments and the details of the items before and after the amendments will be posted on each of the websites (on page 1) for posting items for which measures for providing information in electronic format are to be taken.

5. Other Matters Regarding the General Meeting of Shareholders:

(1) Concerning entrance of persons other than shareholders

Please note that persons other than shareholders who are able to exercise voting rights, including representatives and their companions who are not shareholders, are not permitted to enter the venue (except for in the case of shareholders with disabilities, whose companions, seeing-eye dogs, service dogs, hearing assistance dogs, etc., are permitted to enter the venue).

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

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

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

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

(4) Concerning results of resolutions

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

Guidance on Exercise of Voting Rights, Etc.

Exercise of Voting Rights in Writing

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

Exercise of Voting Rights via the Internet

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

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

Scanning QR code "Smart Vote®"

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

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

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

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

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

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

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

Entering login ID and password

Voting website:

<https://www.web54.net> (in Japanese)

1 Please access the voting website.

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

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

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

Live Streaming

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

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

1. Date and time of streaming

From 10:00 a.m. to the end time of the General Meeting of Shareholders on Thursday, June 26, 2025

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

2. How to watch on the day

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

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

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

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

Instructions for Shareholder Authentication Screen (Log-in Screen)

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

3. Points of attention

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

Contact for enquiries concerning live streaming

Please contact the following if you have any concerns.

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

Sumitomo Mitsui Trust Bank, Limited

Dedicated phone line for Virtual General Meeting of Shareholders

Support

0120-782-041 (available only in Japan)

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

Live streaming (Viewing issues, etc.)

V-cube, Inc.

03-6833-6269

Date and time for inquiries: June 26 (the day of the General Meeting of Shareholders) from 9:00 a.m. to the end of the General Meeting of Shareholders

Acceptance of enquiries in advance

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

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

Deadline of enquiries in advance ► 5:00 p.m. on Thursday, June 19, 2025

Streaming following the conclusion of the General Meeting of Shareholders

The following URL will be available until Thursday, July 31, 2025 to stream the day of the General Meeting of Shareholders.

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

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

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

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

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

Based on the policy above, the year-end dividend for the 202nd term will amount to ¥80 per ordinary share of the Company for a total distribution of ¥13,430,038,000. As a result, annual dividend will be ¥150 per ordinary share of the Company, including interim dividend (¥70 per ordinary share of the Company).

In addition, the effective date for the dividends from surplus shall be June 27, 2025.

| | |
|--|-----------------|
| Type of dividend property | Cash |
| Dividend per share | ¥80 |
| Total amount of dividend | ¥13,430,038,000 |
| Effective date of dividends of surplus | June 27, 2025 |

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

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

This proposal was determined by the Board of Directors in accordance with "Qualifications Expected of Directors," which is described on page 28. The Company has obtained a report to the effect that these nominations are appropriate from the Nomination Advisory Committee, which consists mainly of independent outside officers.

[Opinion of the Audit and Supervisory Committee]

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

| No. | Name | Position | Number of shares held | Years in office | Gender | Attendance at meetings of the Board of Directors |
|-----|--------------------|--|-----------------------|-----------------|--------|--|
| 1 | Yoshinori Kanehana | Chairman of the Board | 62,200 shares | 13 years | Male | 100% |
| 2 | Yasuhiko Hashimoto | President and Chief Executive Officer, Member of the Nomination Advisory Committee and Compensation Advisory Committee | 60,700 shares | 7 years | Male | 100% |
| 3 | Katsuya Yamamoto | Senior Corporate Executive Officer, Member of the Nomination Advisory Committee and Compensation Advisory Committee | 39,000 shares | 8 years | Male | 100% |
| 4 | Hiroshi Nakatani | Senior Corporate Executive Officer | 29,500 shares | 5 years | Male | 100% |
| 5 | Jenifer Rogers | Outside Independent | 3,700 shares | 7 years | Female | 100% |
| 6 | Hideo Tsujimura | Presiding Officer of the Nomination Advisory Committee and Compensation Advisory Committee Outside Independent | 1,000 shares | 5 years | Male | 95% |
| 7 | Katsuhiko Yoshida | Member of the Nomination Advisory Committee and Compensation Advisory Committee Outside Independent | 3,500 shares | 3 years | Male | 100% |
| 8 | Melanie Brock | Outside Independent | 200 shares | 2 years | Female | 100% |

- (Notes)
1. The Company has concluded a consulting agreement with Melanie Brock Advisory Ltd., at which Ms. Melanie Brock currently serves as CEO, regarding trends related to hydrogen in Australia and similar matters. There is no special interest relationship between the other candidates and the Company.
 2. The Company has entered into a Directors and Officers Liability Insurance (D&O Insurance) contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance contract covers damages and court costs that may be incurred by the insured arising from the insured's act in connection with the execution of his or her duties. (However, this excludes damages arising from an act undertaken with the knowledge that such act was in violation of laws and ordinances). If each candidate assumes the office as Director, the candidate will be included as an insured in the contract. The Company plans to renew the insurance policy with the same contents at the next renewal.
 3. Last year, while Ms. Jennifer Rogers, Mr. Hideo Tsujimura, Mr. Katsuhiko Yoshida and Ms. Melanie Brock were serving as outside directors of the Company, misconduct in the Company's submarine repair and marine engine businesses came to light. Although they were not aware of these facts in advance, they regularly made recommendations on strengthening the Group's governance and compliance with laws and regulations, resolved a basic policy for developing internal control systems at Board of Directors meetings, and have been supervising the implementation of the internal control systems. After becoming aware of the relevant facts, they have appropriately fulfilled their responsibilities, such as clarifying the full details of the misconduct, analyzing the root causes, investigating other cases of misconduct, and making recommendations on measures to prevent recurrence, such as strengthening the compliance system.
 4. The number of shares held includes the number of shares to be granted under the stock compensation plan.
 5. The "Years in office" is the number of years at the conclusion of this Ordinary General Meeting of Shareholders.

| No. | Name (Date of Birth) Attendance at meetings of the Board of Directors | Career Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|--|--|
| 1 | Yoshinori Kanehana (February 19, 1954) 22/22 (100%) | <p>Apr. 1976 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2012 Senior Vice President General Manager, Marketing Division</p> <p>Jun. 2013 Senior Vice President (Representative Director) President, Rolling Stock Company</p> <p>Apr. 2016 Senior Executive Vice President (Representative Director) Assistant to the President</p> <p>Jun. 2016 President (Representative Director)</p> <p>Apr. 2018 Representative Director, President and Chief Executive Officer</p> <p>Jun. 2020 Representative Director, Chairman of the Board</p> <p>Jun. 2021 Chairman of the Board (present)</p> <p>Reasons for nomination as candidate Mr. Kanehana has been mainly engaged in the planning and execution of business strategies and operations related to technology and development of the rolling stock segment of the Company as well as the management of overseas subsidiaries for many years. He assumed the office of President of the Company in 2016. He has excellent leadership skills and a wealth of experience as a manager. As Chairman of the Board since 2020, he has chaired the meetings of the Board of Directors, incorporated diverse opinions from outside the company, and operated the Board of Directors in an effective manner, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. In addition, he holds important positions in various industrial associations and engages in a wide range of activities for the development of the entire industry outside the Company. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p> | <p>62,200 shares</p> <p>(Of which, the number of shares to be granted under the stock compensation plan) (31,400 shares)</p> |

| No. | Name (Date of Birth) Attendance at meetings of the Board of Directors | Career Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|--|--|
| 2 | Yasuhiko Hashimoto (May 15, 1957) 22/22 (100%) | <p>Apr. 1981 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2018 Director, Managing Executive Officer President, Precision Machinery & Robot Company, in charge of promoting automation</p> <p>Apr. 2020 Representative Director, Senior Corporate Executive Officer Assistant to the President</p> <p>Jun. 2020 Representative Director, President and Chief Executive Officer (present)</p> <p>[Significant concurrent positions] Chairman of the Board, Medicaroid Corporation</p> <p>Reasons for nomination as candidate Mr. Hashimoto has been mainly engaged in the planning and execution of business strategies and operations related to technology and development of the robot segment of the Company as well as the management of overseas subsidiaries for many years. He has excellent leadership skills and a wealth of experience as a manager. As President and Chief Executive Officer since 2020, he formulated "Group Vision 2030," which outlines the future ideal toward which the Group is aiming, reformed the Company's business portfolio to achieve a business profit ratio of over 10%, and strengthened the Company's governance system, including compliance across the entire Group, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. He also serves as a member of the Nomination Advisory Committee and the Compensation Advisory Committee. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p> | <p>60,700 shares</p> <p>(Of which, the number of shares to be granted under the stock compensation plan) (38,900 shares)</p> |

| No. | Name (Date of Birth) Attendance at meetings of the Board of Directors | Career Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|---|--|
| 3 | Katsuya Yamamoto (November 21, 1957) 22/22 (100%) | <p>Apr. 1981 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2017 Senior Vice President General Manager, Corporate Planning Division</p> <p>Apr. 2018 Director, Managing Executive Officer General Manager, Corporate Planning Division, in charge of Risk Management</p> <p>Apr. 2019 Director, Managing Executive Officer In charge of Corporate Planning, Investor Relations, Corporate Communication and Ship & Offshore Structure Company, General Manager, Corporate Planning Division</p> <p>Apr. 2020 Representative Director, Senior Corporate Executive Officer Assistant to the President, with overall responsibility for finance and accounting, and human resources, and in charge of Sustainable Development, Investor Relations and Corporate Communication</p> <p>Apr. 2021 Representative Director, Senior Corporate Executive Officer Assistant to the President, with overall responsibility for finance and accounting, and human resources, and in charge of Sustainable Development, Investor Relations and Corporate Communication, and General Manager, Human Resources Division</p> <p>Apr. 2022 Representative Director, Senior Corporate Executive Officer Assistant to the President, in charge of Finance & Accounting, Human Resources, Legal Affairs, Compliance and Corporate Communication, and General Manager, Human Resources Division</p> <p>Apr. 2024 Representative Director, Senior Corporate Executive Officer Assistant to the President, Chief Financial Officer, in charge of Corporate Communication, Planning & Control, and Marketing & External Affairs (present)</p> | <p>39,000 shares</p> <p>(Of which, the number of shares to be granted under the stock compensation plan) (24,200 shares)</p> |

| | | | |
|--|--|---|--|
| | | <p>Reasons for nomination as candidate</p> <p>Mr. Yamamoto has been mainly engaged in the planning and execution of business strategies and operations related to corporate planning and finance & accounting of the plant & infrastructure segment and the precision machinery segment of the Company as well as the management of overseas subsidiaries for many years. He has excellent leadership skills and a wealth of experience as a manager. He has served as Representative Director and Senior Corporate Executive Officer since 2020. While serving as Assistant to the President, he maintained a sound financial position by reforming the organization and culture to respond to changes in the business environment and by developing and implementing financial strategies with the goal of achieving the "Group Vision 2030," which outlines the future ideal of the Group, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. He also serves as a member of the Nomination Advisory Committee and the Compensation Advisory Committee. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p> | |
|--|--|---|--|

[Reference]

"Sustainability": Refers to ensuring an ongoing future for society and the environment.

| No. | Name (Date of Birth) Attendance at meetings of the Board of Directors | Career Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|--|--|
| 4 | Hiroshi Nakatani (August 9, 1960) 22/22 (100%) | <p>Apr. 1984 Joined Kawasaki Heavy Industries, Ltd.</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>Jun. 2020 Director, Managing Executive Officer In charge of Corporate Planning, Digital Transformation, and Ship & Offshore Structure Company, and General Manager, Corporate Technology Division</p> <p>Apr. 2021 Director, Managing Executive Officer In charge of Corporate Planning, Digital Transformation, and Cyber Security, and General Manager, Corporate Technology Division</p> <p>Apr. 2022 Representative Director, Senior Corporate Executive Officer Assistant to the President, in charge of Technology, Production, Procurement, TQM, General Administration, Digital Transformation (DX) Strategy, and the North America Project Management Task Force, and General Manager, Corporate Technology Division</p> <p>Apr. 2024 Representative Director, Senior Corporate Executive Officer Assistant to the President, in charge of Technology, Production, Procurement, TQM, and Digital Transformation (DX) Strategy (present)</p> <p>[Significant concurrent positions] Chairman, the Advanced Materials Processing Institute Kinki Japan</p> <p>Reasons for nomination as candidate Mr. Nakatani is mainly engaged in TQM, manufacturing (technology, development, production, quality, etc.), operations related to IT, DX, and security at the Company. He has excellent leadership skills and a wealth of experience as a manager. He has served as Representative Director and Senior Corporate Executive Officer since 2022. He created synergy through cross-business collaboration and strengthening organizational functions, and lead the hydrogen project, one of our key businesses, with the goal of achieving the "Group Vision 2030," which outlines the future ideal of the Group, 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> | <p>29,500 shares</p> <p>(Of which, the number of shares to be granted under the stock compensation plan) (21,600 shares)</p> |

[Reference]

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

"TQM": Total Quality Management

| No. | Name (Date of Birth) Attendance at meetings of the Board of Directors | Career Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|--|---|--|
| 5 | (Outside Director Candidate) (Independent Officer) Jenifer Rogers (June 22, 1963) 22/22 (100%) | <p>Sep. 1989 Joined Haight Gardner Poor & Havens (At present: Holland & Knight LLP)</p> <p>Dec. 1990 Registered as Attorney at Law admitted in New York</p> <p>Feb. 1991 Joined Industrial Bank of Japan Limited (At present: Mizuho Bank, Ltd.)</p> <p>Dec. 1994 Joined Merrill Lynch Japan Securities Co., Ltd.</p> <p>Nov. 2000 Merrill Lynch Europe Plc</p> <p>Jul. 2006 Bank of America Merrill Lynch (Hong Kong)</p> <p>Jan. 2012 Bank of America Merrill Lynch (NY)</p> <p>Nov. 2012 General Counsel Asia, Asurion Asia Pacific Limited (Hong Kong)</p> <p>Nov. 2014 General Counsel Asia, Asurion Japan Holdings G.K.</p> <p>Jun. 2015 Outside Director, Mitsui & Co., Ltd.</p> <p>Jun. 2018 Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Jun. 2019 Outside Director, Nissan Motor Co., Ltd.</p> <p>Jan. 2021 President, American Chamber of Commerce in Japan</p> <p>May 2022 Outside Director, Seven & i Holdings Co., Ltd.</p> <p>Jun. 2023 Outside Director, Sumitomo Mitsui Financial Group, Inc. (present)</p> <p>Jan. 2025 General Counsel International, Asurion Japan Holdings G.K. (present)</p> <p>[Significant concurrent positions] Outside Director, Sumitomo Mitsui Financial Group, Inc. General Counsel International, Asurion Japan Holdings G.K.</p> <p>Policies regarding independence Ms. Rogers satisfies the independence standards specified by the Company, and the Company has submitted notification to Tokyo Stock Exchange, Inc. that she has been appointed as Independent Officer as provided for by the aforementioned exchange.</p> <p>Reasons for nomination as candidate and outline of expected role Ms. Rogers served as an in-house lawyer and counsel at financial institutions in Japan and overseas for many years. She has global experience and deep insight into governance. Since 2018, as Outside Director of the Company, she has provided helpful opinions and advice on important management decisions, particularly in the area of risk management, from a standpoint independent from the Company's execution of duties, thereby contributing to ensuring the soundness of management and enhancing enterprise value. Considering these points, we have determined that she is suitable for a Director and nominated her as a candidate for Director.</p> | 3,700 shares |

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

| No. | Name (Date of Birth) Attendance at meetings of the Board of Directors | Career Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|---|--|
| 6 | (Outside Director Candidate) (Independent Officer) Hideo Tsujimura (June 6, 1954) 21/22 (95%) | <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</p> <p>Apr. 2015 Senior Managing Director, in charge of Intellectual Property Department and R&D Division, Suntory Holdings Limited</p> <p>Mar. 2017 Director, Executive Vice President, Suntory Beverage & Food Limited</p> <p>Apr. 2017 Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research & Development Department, Suntory Beverage & Food Limited</p> <p>Apr. 2020 Full-time Advisor, Suntory Holdings Limited Chairman, Suntory Foundation for Life Sciences</p> <p>Jun. 2020 Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Policies regarding independence Mr. Tsujimura satisfies the independence standards specified by the Company, and the Company has submitted notification to Tokyo Stock Exchange, Inc. that he has been appointed as Independent Officer as provided for by the aforementioned exchange.</p> <p>Reasons for nomination as candidate and outline of expected role 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 the Intellectual Property Department of Suntory Holdings Limited and other important positions. Since 2020, as Outside Director of the Company, he has provided helpful opinions and advice on important management decisions in terms of overall management based on his past experience, from a standpoint independent from the Company's execution of duties, thereby contributing to ensuring the soundness of management and enhancing enterprise value. In addition, as Presiding Officer of the Nomination Advisory Committee and the Compensation Advisory Committee, he fulfills important responsibilities in revising the remuneration and evaluation systems for officers, discussing succession plans, and submitting recommendations to the Board of Directors. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p> | 1,000 shares |

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

| No. | Name (Date of Birth) Attendance at meetings of the Board of Directors | Career Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|--|--|
| 7 | (Outside Director Candidate) (Independent Officer) Katsuhiko Yoshida (April 5, 1954) 22/22 (100%) | <p>Apr. 1979 Joined Kao Soap Co., Ltd. (At present: Kao Corporation)</p> <p>Mar. 2014 Representative Director, Managing Executive Officer, with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd., Kao Corporation</p> <p>Mar. 2015 Representative Director, Senior Managing Executive Officer, with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd., Kao Corporation</p> <p>Jan. 2017 Representative Director, Senior Managing Executive Officer, with overall responsibility for Consumer Products Business Department, in charge of Kao Professional Services Company, Ltd., with overall responsibility for Marketing Development Department, Kao Corporation</p> <p>Jun. 2022 Outside Director, Citizen Watch Co., Ltd. (present) Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p>[Significant concurrent positions] Outside Director, Citizen Watch Co., Ltd.</p> <p>Policies regarding independence Mr. Yoshida satisfies the independence standards specified by the Company, and the Company has submitted notification to Tokyo Stock Exchange, Inc. that he has been appointed as Independent Officer as provided for by the aforementioned exchange.</p> <p>Reasons for nomination as candidate and outline of expected role Mr. Yoshida has served in such roles as Representative Director, Senior Managing Executive Officer, with overall responsibility for Consumer Products Business Department at Kao Corporation, where he gained extensive management experience and deep insights into sales and marketing. Since 2022, as Outside Director of the Company, he has provided helpful opinions and advice on important management decisions, particularly in the area of marketing, from a standpoint independent from the Company's execution of duties, thereby contributing to ensuring the soundness of management and enhancing enterprise value. He also serves as a member of the Nomination Advisory Committee and the Compensation Advisory Committee. Considering these points, we have determined that he is suitable for a Director and nominated him as a candidate for Director.</p> | 3,500 shares |

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

| No. | Name (Date of Birth) Attendance at meetings of the Board of Directors | Career Summary, Positions and Duties [Significant concurrent positions] | Number of the Company's shares held |
|-----|---|---|--|
| 8 | <p>(Outside Director Candidate) (Independent Officer)</p> <p>Melanie Brock (April 10, 1964)</p> <p>22/22 (100%)</p> | <p>Mar. 2003 CEO, AGENDA Ltd. (At present: Melanie Brock Advisory Ltd.) (present)</p> <p>Mar. 2010 Board Member, Australia-Japan Foundation</p> <p>Apr. 2010 Board Member, Australia-Japan Business Co-operation Committee (present) Chair, Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ)</p> <p>Oct. 2010 Regional Manager - Japan, Meat & Livestock Australia (MLA)</p> <p>Dec. 2012 Chair, Australian Business Asia (ABA)</p> <p>Nov. 2016 Chair Emeritus, Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ) (present)</p> <p>Jun. 2019 Outside Director, SEGA SAMMY HOLDINGS INC. (present)</p> <p>Jul. 2019 Board Member, Australia-Japan Research Centre (AJRC) (present)</p> <p>Jun. 2022 Outside Director, Mitsubishi Estate Co., Ltd. (present)</p> <p>Jun. 2023 Outside Director, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Mar. 2024 Outside Director, Asahi Group Holdings, Ltd. (present)</p> <p>[Significant concurrent positions] CEO, Melanie Brock Advisory Ltd. Outside Director, SEGA SAMMY HOLDINGS INC. Outside Director, Mitsubishi Estate Co., Ltd. Outside Director, Asahi Group Holdings, Ltd.</p> <p>Policies regarding independence Ms. Brock satisfies the independence standards specified by the Company, and the Company has submitted notification to Tokyo Stock Exchange, Inc. that she has been appointed as Independent Officer as provided for by the aforementioned exchange.</p> <p>Reasons for nomination as candidate and outline of expected role Ms. Brock has been involved in international business support for many years, and has extensive international experience as well as deep insights into business strategy and marketing from a global perspective. Since 2023, as Outside Director of the Company, she has provided helpful opinions and advice on important management decisions, particularly in the area of overseas business development, from a standpoint independent from the Company's execution of duties, thereby contributing to ensuring the soundness of management and enhancing enterprise value. Considering these points, we have determined that she is suitable for a Director and nominated her as a candidate for Director.</p> | 200 shares |

- (Notes)
1. She is a candidate for Outside Director.
 2. Her tenure as Outside Director of the Company will have been two years at the conclusion of this Ordinary General Meeting of Shareholders.
 3. She has entered into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company, and the liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher. The Company will extend the above agreement with her after her election.
 4. The Company has concluded a consulting agreement regarding trends related to hydrogen in Australia and similar matters with Melanie Brock Advisory Ltd., at which the candidate currently serves as CEO, but the annual consulting fee is ¥10 million or less, and the "Independence Standards for Officers" specified by the Company are satisfied. Consequently, we have determined that there is no issue as to the independence of the candidate and she will be able to fulfil her role as an Independent Officer.

Proposal No. 3: Election of One Director Serving as Audit and Supervisory Committee Member

Ms. Atsuko Ishii, Director serving as Audit and Supervisory Committee Member, will resign at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, we propose to newly elect one Director serving as Audit and Supervisory Committee Member. This proposal was determined by the Board of Directors in accordance with "Qualifications Expected of Directors," which is described on page 28. 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, and the consent of the Audit & Supervisory Committee.

| Name (Date of Birth) | Carrier Summary and Positions | | Number of the Company's shares held |
|--|---|---|---|
| <p>(Newly-appointed) (Outside Director Candidate) (Independent Officer)</p> <p>Toshiaki Itagaki (November 23, 1960)</p> <p>Attendance at meetings of the Board of Directors -/- (-%)</p> <p>Attendance at meetings of the Audit and Supervisory Committee -/- (-%)</p> | <p>Apr. 1983 Joined CHUGAI PHARMACEUTICAL CO., LTD.</p> <p>Apr. 2012 Head of Marketing Planning Department, CHUGAI PHARMACEUTICAL CO., LTD.</p> <p>Jan. 2015 Executive Officer and Head of Finance & Accounting Department, CHUGAI PHARMACEUTICAL CO., LTD.</p> <p>Apr. 2018 Executive Vice President, Chief Financial Officer, Head of Finance Supervisory Division and Head of IT Supervisory Division, CHUGAI PHARMACEUTICAL CO., LTD.</p> <p>Mar. 2022 Director, Executive Vice President, Chief Financial Officer, CHUGAI PHARMACEUTICAL CO., LTD.</p> <p>Mar. 2024 Advisor, CHUGAI PHARMACEUTICAL CO., LTD. (present)</p> <p>Mar. 2025 Outside Director, Bridgestone Corporation (present)</p> | <p>[Significant concurrent positions] Advisor, CHUGAI PHARMACEUTICAL CO., LTD. Outside Director, Bridgestone Corporation</p> <p>Policies regarding independence Mr. Itagaki satisfies the independence standards specified by the Company, and the Company will submit notification to Tokyo Stock Exchange, Inc. that he has been appointed as Independent Officer as provided for by the aforementioned exchange.</p> | - shares |

| | | |
|--|--|--|
| | <p>Reasons for nomination as candidate and outline of expected role</p> <p>Mr. Itagaki has successively held positions as Head of Marketing Planning Department, Head of Finance & Accounting Department, Head of IT Supervisory Division, and Chief Financial Officer at CHUGAI PHARMACEUTICAL CO., LTD., where he gained deep insights into the marketing, finance and accounting, IT and digital fields. He has demonstrated his skills in building management and financial strategies through collaborations with other companies and M&A and in promoting IT solutions. He also has extensive management experience as an executive officer and director. Considering these points, we have expected him to supervise the strengthening of the Company's management, finance, and DX strategies leveraging his expertise and knowledge and nominated him as a candidate for Outside Director serving as Audit and Supervisory Committee Member.</p> | |
|--|--|--|

- (Notes)
1. He is a candidate for Outside Director.
 2. There is no special interest relationship between the candidate and the Company.
 3. If the election of the candidate is approved and adopted, the Company will enter into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the candidate. The liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher.
 4. The Company has entered into a Directors and Officers Liability Insurance (D&O Insurance) contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance contract covers damages and court costs that may be incurred by the insured arising from the insured's act in connection with the execution of his or her duties. (However, this excludes damages arising from an act undertaken with the knowledge that such act was in violation of laws and ordinances). If the candidate assumes the office as Director serving as Audit and Supervisory Committee Member, the candidate will be included as an insured in the contract. The Company plans to renew the insurance policy with the same contents at the next renewal.

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.

To establish a system that is capable of more multifaceted managerial decision-making, the Board of Directors of the Company has established the “Qualifications Expected of Directors” and selects directors who have abundant and broad experience, insight and expertise. These qualifications are listed in the form of a Skill Matrix.

In selecting skills and experience for the Skill Matrix, from the viewpoint of continuously enhancing the Group’s enterprise value by providing solutions to social issues, we defined three areas of supervision of the Board of Directors as “vision, strategic thinking and governance,” “business structure transformation,” and “growth initiatives related to infrastructure development.” The skills and experience required for each area of supervision are designated as follows.

| Area of Supervision | Expected Skills | Expected Experience |
|--|---|---|
| Vision, strategic thinking, and governance | Business strategy / Governance / IT, DX & security | Corporate management Global Legal & administration Finance |
| Business structure transformation | Business strategy / Monozukuri (technology, development, production & quality) / Sales & marketing | |
| Growth initiatives related to infrastructure development | Business strategy / Finance & accounting / Personnel & organizational management / Monozukuri (technology, development, production & quality) / Sales & marketing / IT, DX & security | |

Reasons for selecting required skills

| Expected Skills | Reasons for Selection |
|--|---|
| Business strategy | Because with regard to supervising growth strategies based on ambidextrous management, we expect knowledge and expertise in planning and implementing business strategies that entail reviewing business models, portfolio reform, and collaboration with national and local governments, other companies, and research institutions. |
| Governance | Because with regard to supervising the establishment of a governance structure that will be the foundation for continuous improvements to corporate value, we expect a broad range of knowledge and expertise in governance-related issues, including corporate governance, risk management, human rights, and compliance. |
| Finance & accounting | Because with regard to the laying of a firm financial base and supervising the furthering of growth investments and the strengthening relationships of trust with stakeholders such as shareholders, we expect knowledge and expertise regarding financial affairs and accounting. |
| Personnel & organizational management | Because with regard to supervising the formulation and implementation of personnel strategies for obtaining talented human resources and getting the most out of the talents of a diverse workforce, we expect knowledge and expertise regarding personnel and organizational management from a management perspective. |
| Monozukuri (technology, development, production & quality) | Because with regard to supervising the formulation and advancement of manufacturing strategies that will continue to present society with valuable solutions, we expect a broad range of knowledge and expertise regarding manufacturing including technology, development, intellectual property, production, quality, and safety. |
| Sales & marketing | Because with regard to supervising business development and information dissemination for innovations created from a "market-in" perspective, we expect knowledge and expertise in sales and marketing. |
| IT, DX & security | Because with regard to supervising the creation and advancement of solutions based on the use of AI and promotion of DX, we expect knowledge and expertise about IT, DX, and security. |

Reasons for selecting required experience

| Expected Experience | Reasons for Selection |
|------------------------|---|
| Corporate management | Because the director will use their corporate management experience in order to supervise management of the entire company, including business strategies, corporate governance, sustainability, and personnel strategies. |
| Global | Because the director will use their experience in global strategy and policy formulation and their hands-on, overseas experience in business and organizational management to supervise global business growth and risk management. |
| Legal & administration | Because the director will use their experience in legal circles and government institutions in order to supervise governance, risk management, business strategies, etc. |
| Finance | Because the director will use their experience in financial institutions to supervise financial strategies, manufacturing, business strategies, etc. |

[Skill Matrix if Proposal No. 2 and Proposal No. 3 are approved]

| Position at the Company and Name | Expected skills | | | | | | | Expected experience | | | |
|--|-------------------|------------|------------------------|---------------------------------------|--|-------------------|-------------------|----------------------|--------|------------------------|---------|
| | Business strategy | Governance | Finance and accounting | Personnel & organizational management | Monozukuri (technology, development, production & quality) | Sales & marketing | IT, DX & security | Corporate management | Global | Legal & administration | Finance |
| Chairman of the Board Yoshinori Kanehana | ● | ● | | ● | ● | ● | | ● | ● | | |
| Representative Director, President and Chief Executive Officer Yasuhiko Hashimoto | ● | ● | | ● | ● | ● | ● | ● | ● | | |
| Representative Director, Senior Corporate Executive Officer Katsuya Yamamoto | ● | ● | ● | ● | | | | ● | ● | | |
| Representative Director, Senior Corporate Executive Officer Hiroshi Nakatani | ● | ● | | | ● | | ● | ● | | | |
| Outside Director Jenifer Rogers | ● | ● | ● | | | | | | ● | ● | ● |
| Outside Director | ● | ● | | ● | ● | ● | | ● | ● | | |

| Position at the Company and Name | Expected skills | | | | | | | Expected experience | | | |
|------------------------------------|-------------------|------------|------------------------|---------------------------------------|--|-------------------|-------------------|----------------------|--------|------------------------|---------|
| | Business strategy | Governance | Finance and accounting | Personnel & organizational management | Morozukuri (technology, development, production & quality) | Sales & marketing | IT, DX & security | Corporate management | Global | Legal & administration | Finance |
| Hideo Tsujimura | | | | | | | | | | | |
| Outside Director Katsuhiko Yoshida | ● | ● | | | | ● | | ● | | | |
| Outside Director Melanie Brock | ● | ● | | | | ● | | | ● | | |

| Position at the Company and Name | Expected skills | | | | | | | Expected experience | | | |
|---|-------------------|------------|------------------------|---------------------------------------|--|-------------------|-------------------|----------------------|--------|------------------------|---------|
| | Business strategy | Governance | Finance and accounting | Personnel & organizational management | Monozukuri (technology, development, production & quality) | Sales & marketing | IT, DX & security | Corporate management | Global | Legal & administration | Finance |
| Director, Full-time Audit and Supervisory Committee Member Nobuhisa Kato | ● | ● | ● | | | | | ● | ● | | |
| Director, Full-time Audit and Supervisory Committee Member Atsuko Kakiyama | ● | ● | | | | ● | | | ● | | |
| Outside Director, Audit and Supervisory Committee Member Susumu Tsukui | ● | ● | | | | | | | | ● | |
| Outside Director, Audit and Supervisory Committee Member Tomoko Amaya | ● | ● | ● | | | | | | ● | ● | ● |
| Outside Director, Audit and Supervisory Committee Member Toshiaki Itagaki | ● | ● | ● | | | ● | ● | ● | ● | | |

End

Misconduct in submarine repair and marine engine businesses

The Company takes the incidents very seriously and has established a Special Investigative Committee made up of outside experts pursuant to a resolution of the Board of Directors to investigate the facts, analyze causes, and recommend measures to prevent a recurrence. Additionally, we have established a Special Compliance Promotion Committee chaired by the President with a strong mandate to thoroughly “force out all corruption.” We are thoroughly committed to focusing on enhancing effectiveness of the measures to prevent recurrence across the entire Group’s compliance and governance systems, by creating systems that prevent misconduct, strengthening misconduct detection, and reforming our organizational culture and awareness.

1. Overview of the misconduct

- **Misconduct in submarine repair business**

Fictitious transactions between the Kobe Shipyard’s Ship Repair Department and business partners were discovered during a tax audit. In addition, it was confirmed that Kawasaki employees and submarine crews had used the funds generated through such fictitious transactions for the purchase of goods and cash vouchers, as well as for food and drink expenses.

- **Misconduct in marine engine businesses**

Incidents of misconduct that occurred during shop trials of engines for commercial vessels were discovered during an investigation conducted at the request of the Ministry of Land, Infrastructure, Transport and Tourism. Of the 674 engines subject to NOx (nitrogen oxide) regulations for marine vessels that were investigated (after the keels for all vessels were laid on or after January 1, 2000), misconduct in the inspections occurred as a result of the alteration of data relating to 673 two-stroke engines for commercial marine vessels.

2. Progress of the investigation

The main findings (interim reports) released by the Special Investigative Committee for each case are as follows.

- **Misconduct in submarine repair business**

[Misconduct confirmed]

Among employees of the Kobe Shipyard’s Ship Repair Department, they enjoyed cozy relations with submarine crew members that exceeded what is customary for businesses associates. They received requests from said crew members to procure items necessary for maintenance work, which were then purchased and provided to those crew members. Funds used for this purpose were generated through fictitious transactions with business partners. These funds were also applied to the purchase of items needed for repair work.

Additionally, slush funds created through the fictitious orders purportedly placed by business partners were used to pay for food and drink at social gatherings, and to

purchase cash vouchers such as beer coupons, as well as for personal items for certain submarine crew members and Repair Department employees. The committee found that the purchase of goods had continued for at least 40 years, while other acts had been taking place for at least 20 years.

[Reasons behind the misconduct]

- A motive, that is, a desire to improve relations with submarine crew members and ensure smooth operations
- An awareness of the importance of not pushing profits too far upward, based on the concern that if discrepancies with actual performance were found during Ministry of Defense audits, it might raise doubts about the accuracy of estimates, leading to a reduction of labor hours and quantities in subsequent contracts
- Opportunities for misconduct from the contract stage through to delivery
- An organizational culture that allowed such misconduct to become routine, stubbornly held on to long-standing precedents, made light of compliance, and overlooked issues to avoid stirring up trouble

- **Misconduct in marine engine businesses**

[Misconduct confirmed]

During the final performance testing operation of two-stroke marine engines, the values regarding fuel consumption performance (fuel consumption rate and fuel consumption amount) were tampered with, and these false fuel consumption values were recorded in the Results of Shop Trials submitted to customers as a result of the final performance testing operation, and in the NOx Technical File submitted to classification societies for compliance with NOx Emissions Regulations. These practices had been carried out since at least the 1980s to make the variation in the values of fuel consumption rates within the tolerance range (the error allowed in relation to the reference value) appear small, and to make sure the values of the fuel consumption performance does not appear to deviate from the customer's required numerical specifications.

[Reasons behind the misconduct]

- The weak position of engine manufacturers in the marine engine business and a business environment in which deviations from specifications are not tolerated
- Management system issues, including a lack of checks-and-balances between sections, dysfunction in quality assurance and compliance systems, and limits on audits, all rooted in the negative aspect of having responsibilities divided among different product groups
- Issues concerning employee awareness, including pressure to conform within an unchanging environment, decreased awareness of normative consciousness, and a lack of appreciation for integrity toward customers
- A corporate culture in which employees focus on the responsibilities of their own

department and have little interest in matters for which other departments are responsible, or do not consider such matters to be their own problems

3. Measures to prevent recurrence

The main measures to prevent recurrence being implemented primarily by the Special Compliance Promotion Committee are listed below. Going forward, based on the causes identified by the Special Investigative Committee and the recommendations for measures to prevent recurrence, we will focus on enhancing the effectiveness of the measures to prevent recurrence across the entire Group's governance and compliance system.

- (i) Creating systems that prevent misconduct
 - Stricter rules and review and addition of approval processes for operations that pose a risk of fraud
 - Introduction of automated systems that prevent data from being rewritten during inspection processes, etc.
- (ii) Strengthening misconduct detection
 - A review of Group audit and compliance systems
 - Promotion of initiatives such as strengthening checking functions and checks-and-balances between sections
 - Employee awareness activities to expand and promote the use of the whistleblowing system
- (iii) Reforming our organizational culture and awareness
 - Creating an open and transparent work environment through objective understanding of the workplace environment, dialogue with management, emphasis on insights brought by a different perspective or viewpoint from the conventional one like new employees and mid-career recruits, and stimulation of people-to-people exchange
 - Establishment and dissemination of the "Basic Legal and Compliance Policy" with the aim of strengthening legal and compliance functions on a company-wide basis, raising awareness of compliance and integrity toward customers, establishing mechanisms and systems, and reforming the corporate culture.
 - Reinforcement of compliance education at every level and regular dissemination of messages from the president.

Regarding the misconduct in the submarine repair business, an amended tax return was filed in February 2025, and the additional tax payment of approximately ¥600 million has been completed. As for the misconduct concerning the marine engine business, the factual investigation has been completed. Of the 673 engines for which

data had been altered, no deviations from the NOx emission regulatory limits were identified in 665 units, and the likelihood of exceeding CO₂ emission regulatory limits was also determined to be low. A report of the investigation has been submitted to the Ministry of Land, Infrastructure, Transport and Tourism. The Special Investigative Committee is currently continuing its review of both incidents to determine whether similar cases exist.

(Diagram of the Company's structure to investigate the facts of misconduct, analyze causes, and recommend recurrence prevention measures)



Message from Outside Director

Hideo Tsujimura

Last year, multiple instances of misconduct were discovered in the submarine repair business and the marine engine business. I deeply regret the significant concern and inconvenience these incidents have caused, and sincerely apologize from the bottom of my heart. Since these incidents came to light, I have made various recommendations in my capacity as an Outside Director to identify the true causes, prevent recurrence, and foster a better organizational culture.

I believe there are two main causes at the root of this misconduct. First, the mechanisms that were in place made it easy for misconduct to occur and difficult to detect. Second, the organizational culture made it difficult to speak up about issues. Going forward, we must take these incidents seriously and make every effort to establish mechanisms that prevent misconduct and enable its immediate detection. We must also transform the organizational culture into one where psychological safety is ensured and people feel comfortable speaking up.

Organizational culture refers to an organization's unique atmosphere, ways of thinking, and work practices. It influences how people think and act. Therefore, organizational culture is not something that can be reformed overnight. Every single employee, starting with the management team, must take action towards reform with the strong determination to change. It is important that everyone constantly ask themselves whether there is anything shameful about their actions, whether they are judging things solely based on profit and loss rather than right and wrong, and whether the common sense of KHI and its workplaces is considered common sense in the wider world. I strongly believe that everyone must work with the idea that compliance is of the utmost importance for both the company and its people engraved in their hearts.

This fiscal year marks the halfway point toward achieving the "Group Vision 2030." Up to this point, we have steadily implemented an ambidextrous management strategy of enhancing profits through the deepening of existing businesses, generating cash, and actively investing in new businesses. The profitability of existing businesses has improved, and thanks to the spirit of taking on challenges that runs deep within KHI, the seeds of many exciting new businesses are emerging. I feel a strong sense of confidence in our progress toward achieving this vision. However, the targets of 3 trillion yen in net sales and a 10% business profit ratio by 2030 are extremely ambitious. Furthermore, we will need even greater effort, determination, and courageous challenges than ever before to nurture the seeds of new businesses into the pillars of the next-generation Kawasaki Heavy Industries Group. In November 2024, we opened CO-CREATION PARK – KAWARUBA, a social innovation hub in Haneda. I expect that leveraging this space to collaborate with diverse partners will accelerate the social implementation of new businesses.

The Kawasaki Heavy Industries Group is home to many talented and sincere human resources with passion and courage. I am confident that if we act with a sense of urgency and continue to take on challenges without forgetting the market perspective, we will be able to continue providing trustworthy solutions for the future. As an Outside Director, I will do my utmost to achieve the "Group Vision 2030" and transform our organizational culture to one that prioritizes compliance and quality.

Susumu Tsukui

Society and the times are in the midst of rapid change. Business development and technological advancement are not unaffected by the flow of the times. The Kawasaki Heavy Industries Group believes that, as a global company supporting social infrastructure, corporate governance equipped with the changes and discipline necessary to adapt to modern society is the foundation supporting enterprise value.

However, over the past three years, there have regrettably been a number of incidents of misconduct. Since I assumed office as an Outside Director in FY2022, inappropriate acts at Kawasaki Thermal Engineering Co., Ltd., incidents of misconduct in the submarine repair business and the marine engine business have come to light. All of these were serious compliance violations that occurred over a long period of time, and I approached the investigation into the causes and the prevention of recurrence with a strong sense of resolve from my respective positions as Outside Director and Audit & Supervisory Committee Member.

Special Investigative Committees composed of independent and specialized third parties were established for all three incidents. I also participated as an observer in the Special Investigative Committee for the submarine incident, monitoring investigation activities in real time. What I learned from this was that long-standing customs at operating sites became a breeding ground that formed an outdated barrier hindering the compliance culture demanded by modern society, and that the lack of courage to confront misconduct created problems at operating sites. We have established a Special Compliance Promotion Committee and President Hashimoto has taken the lead in declaring our strong determination to thoroughly “force out all corruption.” Specific policies have been set under the three pillars of “creating systems that prevent misconduct,” “strengthening misconduct detection,” and “reforming our organizational culture and awareness,” and we are currently focusing all our efforts on improving compliance.

These activities are steadily bearing fruit. Improvements can be felt through a number of initiatives, including the promotion of the legal and compliance departments to the Legal & Compliance Division, strengthening of the three lines of defense for internal control, establishment of the Corporate Defense Business Management Division to improve communication within the corporate defense business, introduction of fully automated business processes to eliminate opportunities for misconduct, significantly expanded use of external lawyers as internal reporting channels, and concrete efforts to create a psychologically safe workplace culture in each workplace. Statistical surveys of all employees also show a numerical improvement in compliance awareness. It is the accumulation of small efforts like these that is the shortest and best path to true compliance. I hope that everyone will be respected and feel free to speak up, and that the Kawasaki Heavy Industries Group as a whole will become a workplace with open communication throughout.

We have reached a turning point in achieving the “Group Vision 2030.” A hydrogen-based society and a remotely-connected society are now in sight. Under our unwavering growth strategy, steady improvements in the reliability of our technical quality and earning power are evidenced by the fact that we have achieved record-high profits. As an Outside Director and Audit & Supervisory Committee Member, I will continue to emphasize the importance of prioritizing compliance in order to support robust and competitive business activities and enhance enterprise value based on ESG management.

Tomoko Amaya

Over the past year, all internal and Outside Directors have shared a strong sense of urgency regarding the repeated incidents of misconduct, and have been working on reforms to force out all corruption and prevent recurrence. While swift action is required, meaningful reform cannot be achieved without thoroughly analyzing the actual situation at operating sites and conducting an in-depth investigation into the underlying causes of the incidents, including those that allowed misconduct to persist over the long term. Superficial or token measures to prevent recurrence must be avoided. As Outside Directors, we actively engaged in discussions by asking probing questions and exchanging diverse opinions and advice based on each individual's experience at meetings of the Board of Directors, successive information sessions, opinion exchanges, and individual discussions.

In doing so, I kept in mind the theory of inherent weakness. In the course of performing one's duties, one may be influenced by various thoughts such as "I want to follow precedent to avoid wasted time and effort," "I don't want to disappoint those around me," or "I don't want to cause trouble and be disliked."

A person who is seen as diligent may end up bottling up their problems, and inappropriate responses might cross their mind. Assuming that everyone has inherent weaknesses that can lead them to succumb to temptation, I have emphasized the importance of thoroughly investigating these incidents, analyzing their causes, and developing measures to prevent recurrence.

The current measures being implemented focus on three pillars of "creating systems that prevent misconduct," "strengthening misconduct detection," and "reforming our organizational culture and awareness." Progress is moving in the desired direction. However, we have only taken the first steps. The second line of internal control, including the department in charge of compliance, has traditionally focused on reactive responses to incidents that have already occurred. Going forward, they must transform into an "active second line" that is more closely aligned with operating sites, heightens their sensitivity to vulnerabilities and distortions within the organization, and proactively addresses issues at an early stage. Systems are also being developed to achieve this.

Furthermore, an organizational culture that is free from precedent-based thinking and overlooks issues to avoid stirring up trouble, and where employees can consult freely with their superiors, colleagues, and peers about problems without hesitation, serves as a foundation for preventing misconduct and detecting it at an early stage. Efforts are underway to achieve this, but reforming our organizational culture and awareness will depend on the proactive and continuous actions of players at all levels going forward. As an Audit & Supervisory Committee Member, I will pay particular attention to the ongoing investigations by the Special Investigative Committees and activities of the Special Compliance Promotion Committee, as well as the implementation and effectiveness of measures to prevent recurrence throughout the organization.

Under "Group Vision 2030," the Kawasaki Heavy Industries Group is working to provide solutions to social issues such as global environmental and energy problems, population decline and aging, and disasters, while also striving to achieve business growth. To this end, we are also advancing initiatives such as reforms to our human resource system. Reforming our organizational culture and awareness goes beyond preventing the recurrence of misconduct; it provides a foundation for employees to collaborate and take on challenges without being constrained by conventional thinking, work methods, or

organizational frameworks. I expect that these reforms will stimulate the vitality and creativity of our human resources and accelerate the creation of new businesses.

Business Report

(April 1, 2024 - March 31, 2025)

1. Overview concerning the Current Situation of Company Group

(1) Business Progress and Results

(i) General conditions

The overall consolidated orders received of the KHI Group for the fiscal year under review increased compared to the previous fiscal year due to an increase in orders in segments such as the Aerospace Systems, Rolling Stock and Energy Solution & Marine Engineering. Overall consolidated revenue also increased compared to the previous fiscal year due to sales growth in each segment, mainly in the Aerospace Systems segment.

As for profit, business profit increased compared to the previous fiscal year as a result of improvement in segments such as Aerospace Systems and Precision Machinery & Robot, and an increase in profits in the Energy Solution & Marine Engineering segment, etc. Profit attributable to owners of parent increased compared to the previous fiscal year due to increased business profit.

As a result, consolidated orders received increased ¥547.2 billion from the previous fiscal year to ¥2,630.7 billion, consolidated revenue increased ¥280.0 billion from the previous fiscal year to ¥2,129.3 billion, and business profit increased ¥96.9 billion from the previous fiscal year to ¥143.1 billion. Profit attributable to owners of parent increased ¥62.6 billion from the previous fiscal year to ¥88.0 billion.

(ii) Operating conditions by business segment

Aerospace Systems segment

In the Aerospace Systems segment, orders received increased ¥190.2 billion from the previous fiscal year to ¥882.8 billion, due to increased orders for components manufactured for Japan's Ministry of Defense (MOD) and commercial aircraft jet engines and other products.

Revenue was ¥567.8 billion, which was an increase of ¥171.6 billion from the previous fiscal year when there were recording of losses related to operational issues with commercial aircraft jet engines, due to an increase of components manufactured for MOD and commercial aircraft jet engines.

Business profit came to ¥55.8 billion, improving ¥70.8 billion from the previous fiscal year, mainly due to increased sales.

Rolling Stock segment

In the Rolling Stock segment, orders received increased ¥162.7 billion from the previous fiscal year to ¥251.5 billion, due to an option contract with the New York City Transit Authority for a new subway train.

Revenue increased ¥26.3 billion from the previous fiscal year to ¥222.3 billion, mainly due to an increase in sales for the US market despite a decrease in sales for the Japanese and Asian markets.

Business profit came to ¥8.4 billion, increasing ¥4.6 billion from the previous fiscal year mainly due to greater sales.

Energy Solution & Marine Engineering segment

In the Energy Solution & Marine Engineering segment, orders received increased ¥140.3 billion from the previous fiscal year to ¥542.0 billion, mainly due to an increase in orders for LPG/ammonia carriers and submarines from the MOD.

Revenue increased ¥44.8 billion from the previous fiscal year to ¥398.1 billion, mainly due to an increase in sales from large-scale projects such maintenance and operation of domestic waste treatment facilities and from naval vessel equipment from the MOD.

Business profit amounted to ¥44.2 billion, an increase of ¥12.3 billion from the previous fiscal year, mainly due to greater sales and increased share of profit of investments accounted for using the equity method.

Precision Machinery & Robot segment

In the Precision Machinery & Robot segment, orders received were ¥249.2 billion, an increase of ¥35.9 billion from the previous fiscal year, due to increases in robots for semiconductor manufacturing equipment and hydraulic components for the Chinese construction machinery market.

Revenue was ¥241.5 billion, an increase of ¥13.5 billion from the previous fiscal year, mainly due to increases in sales of robots for semiconductor manufacturing equipment and precision machinery sector.

Business profit came to ¥7.0 billion, improving ¥8.9 billion from the previous fiscal year, mainly due to the increase in revenue and the effects of profitability improvement activities such as price pass-throughs that have been promoted so far.

Powersports & Engine segment

In the Powersports & Engine segment, revenue was ¥609.3 billion, an increase of ¥16.9 billion, due to an increase in the revenue resulting from an increase in motorcycles and a weaker yen on foreign exchange rates, despite a temporary decline in four-wheeled vehicles for North America because of recalls and production delay.

Business profit came ¥47.8 billion, the same level as the previous fiscal year, mainly due to an increase in fixed costs associated with investment for increased production, despite the increase in revenue.

(Note) The figure for orders received for the Powersports & Engine segment is presented as the same figure for revenue since the segment mainly engages in make-to-stock production. However, during the consolidated fiscal year under review, individual orders were received and have been included in the actual order amount.

Others segment

In the Others segment, revenue increased ¥6.6 billion from the previous fiscal year to ¥90.1 billion.

Business profit came to ¥5.2 billion, an increase of ¥4.1 billion from the previous fiscal year.

Reference

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

(Billions of yen)

| Segment | Orders received | | Revenue | | Business profit/loss | |
|--|-----------------|---------------------|----------------|---------------------|----------------------|---------------------|
| | Amount | Year-on-Year Change | Amount | Year-on-Year Change | Amount | Year-on-Year Change |
| Aerospace Systems segment | 882.8 | 190.2 | 567.8 | 171.6 | 55.8 | 70.8 |
| Rolling Stock segment | 251.5 | 162.7 | 222.3 | 26.3 | 8.4 | 4.6 |
| Energy Solution & Marine Engineering segment | 542.0 | 140.3 | 398.1 | 44.8 | 44.2 | 12.3 |
| Precision Machinery & Robot segment | 249.2 | 35.9 | 241.5 | 13.5 | 7.0 | 8.9 |
| Powersports & Engine segment | 611.6 | 19.1 | 609.3 | 16.9 | 47.8 | (0.1) |
| Others segment | 93.3 | (1.2) | 90.1 | 6.6 | 5.2 | 4.1 |
| Adjustment | – | – | – | – | (25.6) | (3.8) |
| Total | 2,630.7 | 547.2 | 2,129.3 | 280.0 | 143.1 | 96.9 |

- (Notes) 1. Revenue recorded is for revenue from external customers.
2. The figure for orders received for the Powersports & Engine segment is presented as the same figure for revenue since the segment mainly engages in make-to-stock production. However, during the consolidated fiscal year under review, individual orders were received and have been included in the actual order amount.

ii) ROIC and ROE

| | FY2023 | FY2024 |
|----------------|--------|--------------|
| After-tax ROIC | 2.8% | 8.0% |
| ROE | 4.2% | 13.2% |

- (Notes) 1. After-tax ROIC (return on invested capital) = (Profit attributable to owners of parent + Interest expenses × (1 – Tax rate)) ÷ Invested capital
2. ROE (return on equity) = Profit attributable to owners of parent ÷ average of shareholders' equity at the beginning and end of the period

3. After-tax ROIC has been disclosed to foster dialogues with the capital market from the perspective of promoting capital cost-conscious management as the entire Group. The current capital costs (WACC) are calculated at the 7% range.

iii) Cash flows

(Billions of yen)

| | FY2023 | FY2024 |
|--------------------------------------|--------|----------------|
| Cash flows from operating activities | 31.6 | 148.9 |
| Cash flows from investing activities | (89.8) | (111.2) |
| Cash flows from financing activities | 12.9 | 9.6 |

(2) Trends in Assets and Income

(Billions of yen)

| Item | FY2021 | FY2022 | FY2023 | FY2024 (Consolidated fiscal year under review) |
|---|---------|---------|---------|---|
| Orders received | 1,602.1 | 2,037.4 | 2,083.4 | 2,630.7 |
| Revenue | 1,500.8 | 1,725.6 | 1,849.2 | 2,129.3 |
| Business profit | 30.3 | 82.3 | 46.2 | 143.1 |
| Profit before tax | 27.6 | 70.3 | 31.9 | 107.5 |
| Profit attributable to owners of parent | 12.6 | 53.0 | 25.3 | 88.0 |
| Basic earnings per share (yen) | ¥75.51 | ¥316.63 | ¥151.51 | ¥525.44 |
| Total assets | 2,174.6 | 2,457.7 | 2,680.1 | 3,016.9 |
| Total equity | 524.8 | 596.8 | 654.5 | 725.0 |

(Note) The Company prepares consolidated financial statements based on International Financial Reporting Standards (IFRS).

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

It is now the fifth year since Group Vision 2030 was put into action, and the Group is promoting various measures to make it a reality. The Group is strengthening existing businesses and cultivating new businesses as future pillars through promotion of synergies among businesses. We are also achieving business portfolio reform by prioritizing specific businesses while concentrating resources in order to pursue sustainable growth.

For more details about our progress in this vision, please see the Group Vision 2030 Progress Report Meeting Archive page on the Company website.

<https://www.khi.co.jp/groupvision2030/archive.html> (in Japanese)

(i) Fields that the KHI Group focuses on

By giving attention to current social issues, the Group is focusing on the following three fields to provide various timely solutions. In addition to addressing global environmental issues, the aging society, and labor shortages, given the growing interest in national security in recent years from the perspectives of defense, disaster preparedness, resources, and food, we are accelerating our efforts to fully leverage our solutions to address these critical challenges.

“Creating a Safe and Secure Remotely-Connected Society” - Creating New Value Emphasizing Safety and Security

The KHI Group is proposing new ways of working and living styles that enable all people to participate in society through the realization of a remotely-connected society in diverse fields, such as medical and healthcare, nursing care, manufacturing, and industrial infrastructure, by using the Group’s remote control and information technology, robotics technology, etc. In the fields of defense and disaster prevention, we are actively working to realize a society where people can live safely and securely through the development of various remote technologies and other initiatives. For example, in the medical and healthcare field, our surgical support robot hinotori™ is being rolled out both in Japan and overseas. We are also engaged in solution businesses that address specific societal challenges, such as by entering the service business to support the introduction of equipment to nursing

care settings and by developing social robots. Furthermore, in the food field, we have developed a sustainable aquaculture system aimed at ensuring food safety and security, and have successfully conducted a trial cultivation of trout salmon.

“Near-Future Mobility” - Transforming the Movement of People and Freight with New Transportation Systems

Amid the increasing volume of logistics and labor shortages associated with a declining birthrate and aging population, the KHI Group will propose new means of transport and movement, aiming to create a society where affluent, smart, and seamless movement is possible.

In the previous fiscal year, the unmanned helicopter K-RACER participated in a training exercise simulating a Nankai Trough earthquake and successfully carried out unmanned goods transportation without human intervention. At the Osaka-Kansai Expo, we are showcasing two concept models that only we could propose thanks to our comprehensive expertise in land, sea, and air mobility: CORLEO, a future sensory off-road personal mobility vehicle, and the ALICE SYSTEM, a public transportation system designed to enable everyone to enjoy free and comfortable movement. These initiatives demonstrate a transformation in how people and goods move. We will continue to take on the challenge of delivering exciting new solutions.

“Energy and Environmental Solutions” - For Stable Supply of Clean Energy

While there is a growing global shift back toward liquefied natural gas (LNG) as an energy source, we believe that the adoption of hydrogen will advance in the future as part of efforts to realize a carbon-neutral society. From the perspective of energy security as well, the entire KHI Group is working together, with the cooperation of the Japanese government, toward the commercialization of a liquefied hydrogen supply chain beyond 2030.

During the transition period toward the realization of a hydrogen-based society, it is increasingly likely that the adoption of hydrogen will be promoted by blue hydrogen, which is highly compatible with natural gas and will help pave the way for the spread green hydrogen. As the KHI Group possesses technologies for CO₂ separation, capture, and storage, which are essential for blue hydrogen, we believe there are numerous business opportunities in this area. In addition, the KHI Group also has gas turbines and gas engines that can run on both natural gas and hydrogen, and we are accelerating our efforts to realize a hydrogen society as early as possible.

(ii) Scenario for growth

In line with the growth scenario set out in “Group Vision 2030,” the Group’s mass-production businesses, such as the Precision Machinery & Robot segment and the Powersports & Engine segment, supported earnings in the initial phase. Currently, with the recovery in demand for the Aerospace Systems and Energy Solution & Marine Engineering segments, order-based businesses have emerged as the Group’s key revenue drivers over the medium to long term. In addition, the Rolling Stock segment has also developed a stable profit-generating structure. As a result, in the previous fiscal year, the Group achieved record highs in orders received, revenue, business profit, and dividends. The Group is steadily progressing toward its Group Vision 2030 goal of achieving a business profit ratio of over 10%.

Toward the creation of a new society, the KHI Group aims to steadily grow the hydrogen

business, starting with the liquefied hydrogen supply chain project funded by the government's Green Innovation (GI) Fund, and expand the market. We also aim to achieve market expansion and a stable growth trajectory in other new business areas, including medical, nursing care, and social robots, as well as Near-Future Mobility. To this end, in November 2024, we opened CO-CREATION PARK – KAWARUBA, a social innovation and co-creation hub in the Tokyo-Haneda area, to promote collaboration with national and local governments, other companies, and research institutes. In about half a year, the facility has welcomed over 2,000 visitors, and we are working with various partners to develop new solutions based on social issues.

As part of the system supporting our growth scenario, the KHI Group places a strong emphasis on digital transformation (DX) and human resource development. In terms of DX, by promoting the use of AI and other efforts, the KHI Group is visualizing and streamlining business processes to create new solutions, speed up management decision-making, and realize a work style that is both rewarding and growth-oriented. With regard to human resource development, we are working to create an environment that respects diversity and allows employees to demonstrate their individuality and abilities, with the goal of fostering a workforce and an organization that willingly take on challenges.

(iii) Strengthening compliance

Taking the discovery of repeated compliance violations seriously, the KHI Group established a Special Compliance Promotion Committee chaired by the President on April 16, 2024, to proactively address issues in the Group's organizational culture and governance, and to study measures to prevent recurrence. The Kawasaki Heavy Industries Group is united in its reform efforts under the three pillars of "creating systems that prevent misconduct," "strengthening misconduct detection," and "reforming our organizational culture and awareness."

For details regarding this initiative, please see "Overview of the operation status of internal control systems" in the Business Report for the 202nd term.

https://www.khi.co.jp/ir/pdf/kaiji_jikou_202.pdf (in Japanese)

In addition, a Special Investigative Committee consisting of external experts was established for both cases. In cooperation with the Special Compliance Promotion Committee, this committee was tasked with investigating facts, analyzing causes, and proposing preventive measures, including identifying similar cases, from an objective and professional perspective, while ensuring neutrality.

The Group will take this opportunity to force out all corruption, not only to review its past systems, but also to rebuild its compliance governance system with a determination to fundamentally change its culture and climate, and to thoroughly implement measures to prevent recurrence. We will further strengthen such efforts by assigning some Outside Directors as observers to the Special Compliance Promotion Committee, and we will make a concerted effort to reform our Group so that we can once again earn everyone's trust.

(4) Financing

Funds of ¥38.0 billion from domestic long-term debt, short-term debts and other funds from various sources were raised in the consolidated fiscal year under review. The funds were allocated to such items as the scheduled payment for long-term debt, capital investments, and working capital.

(5) Principal Lenders

(Billions of yen)

| Lenders | Balance of borrowings | | |
|-------------------------------------|-----------------------|------------|-------|
| | Long term | Short term | Total |
| Mizuho Bank, Ltd. | – | 47.9 | 47.9 |
| MUFG Bank, Ltd. | 7.4 | 38.4 | 45.8 |
| Sumitomo Mitsui Banking Corporation | 10.0 | 23.6 | 33.6 |
| Sumitomo Mitsui Trust Bank, Limited | 9.0 | 20.7 | 29.7 |
| Mizuho Bank Europe N.V. | – | 14.1 | 14.1 |

(6) Capital Investments, Etc.

In the KHI Group, investments were mainly made in facilities for increasing production capability in the Powersports & Engine segment, and in facilities for streamlining production in the Aerospace Systems and Precision Machinery & Robot segments. As a result, the KHI Group spent a total of ¥141.1 billion (including spending on intangible assets and right-of-use 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 segment | Facilities for streamlining production of aircrafts, commercial aircraft jet engines and other products, etc. | 24.8 |
| Rolling Stock segment | Facilities for increasing rolling stock production, etc. | 5.0 |
| Energy Solution & Marine Engineering segment | Facilities for streamlining production of industrial machinery, etc. | 11.2 |
| Precision Machinery & Robot segment | Facilities for streamlining production of hydraulic components and industrial robots, etc. | 14.2 |
| Powersports & Engine segment | Facilities for increasing powersports production, etc. | 67.9 |
| Others segment | Handling the hydrogen business, etc. | 17.7 |
| Total | | 141.1 |

(7) Material Business Reorganization

Not applicable.

However, at the Board of Directors meeting held on November 8, 2024, the Company resolved to sell 20% of the issued shares of Kawasaki Motors, Ltd. held by the Company to Kawasaki Motors, Ltd., and that Kawasaki Motors, Ltd. will allocate 20% of its outstanding shares to ITOCHU Corporation by way of a third-party allocation. Furthermore, a capital and business alliance agreement was concluded between the two companies on the same date. The transfer took effect on April 1, 2025.

(8) Major Parent Companies and Subsidiaries

(i) Parent companies

Not applicable.

(ii) Major subsidiaries

i) Japan

| Company name (Location) | Capital | The Company's percentage of equity participation | Main business |
|---|----------------|--|--|
| Kawasaki Railcar Manufacturing Co., Ltd. (Kobe, Hyogo) | ¥9,685 million | 100% | Business relating to design, development, manufacture, repair, sale and lease of rolling stock, railroad systems and components |
| Kawasaki Motors, Ltd. (Akashi, Hyogo) | ¥1,000 million | 100% Note 1 | Manufacture, sale, lease and repair of automobiles, bicycles, industrial vehicles, other transportation machinery/equipment, engines and related equipment |
| Kawasaki Trading Co., Ltd. (Kobe, Hyogo) | ¥600 million | 70% | Sale of various types of industrial machinery, petroleum, steel stock, and air conditioning equipment, etc. |
| Kawasaki Machine Systems, Ltd. (Osaka, Osaka) | ¥350 million | 100% | Sale, repair and after-sales service of general-purpose gas turbine generators and other industrial machinery |
| 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 | Note 2 | Sole distributor of motorcycles, PWC ("JET SKI®"), off-road four-wheeled vehicles (SxS, ATV), and electric three-wheeler "noslisu" in Japan |
| Kawasaki Thermal Engineering Co., Ltd. (Kusatsu, Shiga) | ¥1,460 million | 100% | Manufacture, sale, installation, and after-sales service for boilers, air- conditioning equipment and absorption-style heat pumps, etc. |
| EarthTechnica Co., Ltd. (Chiyoda-ku, Tokyo) | ¥1,200 million | 100% | Design, manufacture, and sale of crushers, grinders, castings, and other equipment; design, execution, and supervision of engineering, construction, installation of machinery and appliances |

- (Notes)
1. In accordance with the capital and business alliance with ITOCHU Corporation to strengthen our business, we conducted a third-party allotment to ITOCHU Corporation on April 1, 2025, with ITOCHU Corporation as the underwriter, resulting in an 80% of equity participation by the Company.
 2. A wholly-owned subsidiary of Kawasaki Motors, Ltd.
 3. "PWC" stands for "personal watercraft" and is a water scooter.
 4. "JET SKI®" is a registered trademark of Kawasaki Motors, Ltd.
 5. SxS is an abbreviation for "side by side," and it is a type of multipurpose four-wheeled vehicle.
 6. ATV stands for "all-terrain vehicle" and is a type of off-road four-wheeled vehicle.

ii) Overseas

| Company name (Location) | Capital | The Company's percentage of equity participation | Main business |
|--|----------------------|---|---|
| Kawasaki Motors Corp., U.S.A. (United States) | USD 165 million | Note 1 | Sale of motorcycles, off-road four-wheeled vehicles (SxS, ATV), PWC "JET SKI®" and general-purpose gasoline engines in the U.S. and South and Central America |
| Kawasaki Motors Manufacturing Corp., U.S.A. (United States) | USD 170 million | Note 1 | Manufacture of off-road four-wheeled vehicles (SxS, ATV), general purpose gasoline engines and rolling stock, and aircraft (doors) |
| Kawasaki Rail Car, Inc. (United States) | USD 60 million | Note 2 | Manufacture, sale, servicing and engineering of rolling stock |
| Kawasaki Motors Enterprise (Thailand) Co., Ltd. (Thailand) | THB 1,900 million | Note 1 | Manufacture and sale of motorcycles, sale of PWC "JET SKI®," and sale and servicing of industrial robots in Thailand |
| Kawasaki Motors Europe N.V. (Netherlands) | EUR 64 million | Note 1 | Sale of motorcycles, off-road four-wheeled vehicles (SxS, ATV), PWC ("JET SKI®"), and general purpose gasoline engines in Europe |
| Flutek, Ltd. (South Korea) | KRW 1,310 million | 50% | Manufacture, sale and servicing of hydraulic equipment products for construction machinery and marine hydraulic products in South Korea |
| Kawasaki Motors (Phils.) Corporation (Philippines) | PHP 101 million | Note 3 | Manufacture and sale of motorcycles, sale of PWC "JET SKI®" in the Philippines |
| Kawasaki Robotics (U.S.A.), Inc. (United States) | USD 1 million | 100% | Sale and servicing of industrial robots in Americas |
| PT. Kawasaki Motor Indonesia (Indonesia) | USD 80 million | Note 4 | Manufacture and sale of motorcycles in Indonesia |
| Kawasaki Motores de Mexico S.A. de C.V. (Mexico) | USD 183 million | Note 1 | Manufacture of off-road four-wheeled vehicles (SxS), PWC ("JET SKI®") |
| Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd. (China) | JPY 400 million | 100% | Sale and servicing of precision machinery in China |
| Canadian Kawasaki Motors Inc. (Canada) | CAD 2 million | Note 1 | Sale of motorcycles, off-road four-wheeled vehicles (SxS, ATV), PWC ("JET SKI®"), and general purpose gasoline engines in Canada |

- (Notes)
1. A wholly-owned subsidiary of Kawasaki Motors, Ltd.
 2. A wholly-owned subsidiary of Kawasaki Rail Car Lincoln, Inc., a wholly-owned subsidiary of Kawasaki Railcar Manufacturing Co., Ltd.
 3. Kawasaki Motors, Ltd. has a 50% shareholding ratio.
 4. Kawasaki Motors, Ltd. has a 90% shareholding ratio.

5. There are 107 consolidated subsidiaries, including 20 companies (8 in Japan and 12 overseas) as major subsidiaries, and there are 21 companies which are accounted for using the equity method.

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

| Segment | Main Business | Number of Employees |
|--|---|---------------------|
| Aerospace Systems segment | Manufacture and sale of aircraft, aircraft engines, aerospace-related equipment, etc. | 8,616 |
| Rolling Stock segment | Manufacture and sale of rolling stock, snow removal machinery, etc. | 3,707 |
| Energy Solution & Marine Engineering segment | Manufacture and sale of energy-related equipment and systems, hydrogen-related facilities, marine propulsion machinery and systems, plant-related equipment and systems, ships, crushing machines, etc. | 8,953 |
| Precision Machinery & Robot segment | Manufacture and sale of hydraulic components, industrial robots, etc. | 3,961 |
| Powersports & Engine segment | Manufacture and sale of motorcycles, off-road four-wheeled vehicles (SxS, ATV), PWC ("JET SKI®"), general purpose gasoline engines, etc. | 11,378 |
| Others segment | Commerce, brokerage and mediation for sale and order reception and administration of welfare facilities, etc. | 2,308 |
| Companywide common areas | (Head Office Administration Department, Research & Development Department, etc.) | 1,687 |
| Total | – | 40,610 |

- (Notes) 1. Employees total 29,072 people in Japan and 11,538 people overseas.
2. The Company has 14,597 employees (average age: 41.5 years old; average years of service: 15.4 years)

(10) Company Group's Principal Offices and Plants

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

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

(11) Other Important Issues concerning Current Situation of Company Group

Last year, the Company discovered misconduct in the submarine repair business and the marine engine business. Taking seriously these facts, the KHI Group established the Special Compliance Promotion Committee chaired by the President to proactively address issues related to the Group's organizational culture and governance, and to study and promote measures to prevent recurrence.

For more details about these facts and our initiatives to prevent recurrent, please see page 34 to page 37.

2. Status of Shares (as of March 31, 2025)

(1) Aggregate Number of Issuable Shares 336,000,000 shares

(2) Total Number of Shares Issued 167,921,800 shares
(including 46,325 treasury shares)

(3) Number of Shareholders 116,747

(4) Major Shareholders (top 10)

| Shareholder name | Number of shares held | Shareholding ratio (Note) |
|---|-----------------------|---------------------------|
| | thousand shares | % |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 25,208 | 15.0 |
| Custody Bank of Japan, Ltd. (Trust Account) | 13,585 | 8.0 |
| Nippon Life Insurance Company | 5,751 | 3.4 |
| Kawasaki Heavy Industries, Ltd. Employees Shareholder Association | 4,770 | 2.8 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 4,635 | 2.7 |
| Kawasaki Heavy Industries, Ltd. Kyoueikai | 4,069 | 2.4 |
| JPMorgan Securities Japan Co., Ltd. | 2,760 | 1.6 |
| Mizuho Bank, Ltd. | 2,239 | 1.3 |
| JPMORGAN CHASE BANK 385781 | 2,060 | 1.2 |
| GOLDMAN, SACHS & CO. REG | 2,021 | 1.2 |

(Note) The shareholding ratio is calculated after subtracting treasury shares (46,325 shares).

3. Company Officers (as of March 31, 2025)

(1) Directors

| Position | Name | Duties, Significant concurrent positions etc. |
|---|--------------------|--|
| Director | Yoshinori Kanehana | Chairman of the Board |
| Representative Director | Yasuhiko Hashimoto | President and Chief Executive Officer Chairman of the Board, Medicaroid Corporation |
| Representative Director | Katsuya Yamamoto | Senior Corporate Executive Officer Assistant to the President, Chief Financial Officer, in charge of Corporate Communication, Planning & Control, and Marketing & External Affairs |
| Representative Director | Hiroshi Nakatani | Senior Corporate Executive Officer Assistant to the President, in charge of Technology, Production, Procurement, TQM, and Digital Transformation (DX) Strategy Director, The Advanced Materials Processing Institute Kinki Japan |
| Outside Director | Jenifer Rogers | Outside Director, Sumitomo Mitsui Financial Group, Inc. General Counsel International, Asurion Japan Holdings G.K. |
| Outside Director | Hideo Tsujimura | |
| Outside Director | Katsuhiko Yoshida | Outside Director, Citizen Watch Co., Ltd. |
| Outside Director | Melanie Brock | CEO, Melanie Brock Advisory Ltd. Outside Director, SEGA SAMMY HOLDINGS INC. Outside Director, Mitsubishi Estate Co., Ltd. Outside Director, Asahi Group Holdings, Ltd. |
| Director, Full-Time Audit and Supervisory Committee Member | Nobuhisa Kato | |
| Director, Full-Time Audit and Supervisory Committee Member | Atsuko Kakihara | |
| Outside Director, Audit and Supervisory Committee Member | Atsuko Ishii | Outside Director, Mitsui Sumitomo Insurance Company, Limited Outside Director, Kinjiro Co.,Ltd. |
| Outside Director, Audit and Supervisory Committee Member | Susumu Tsukui | |
| Outside Director, Audit and Supervisory Committee Member | Tomoko Amaya | Outside Director, Audit and Supervisory Committee Member, East Japan Railway Company |

- (Notes)
1. The Company has registered all Outside Directors as Independent Officers with Tokyo Stock Exchange, Inc. pursuant to the rules of that stock exchange.
 2. Director, Full-Time Audit and Supervisory Committee Member Nobuhisa Kato, who has many years of experience with finance, accounting and administration operations at the Company, has substantial knowledge about finance and accounting.
Outside Director, Audit and Supervisory Committee Member Tomoko Amaya, who has served in various important financial administration positions at the Financial Services Agency, has substantial knowledge about finance and accounting.

(2) Remuneration for Directors

(Millions of yen)

| Position and number | Total amount of remuneration | Total amount of remuneration, etc. by category | | |
|---|------------------------------|--|---------------------------------|---------------------------------------|
| | | Monetary reward | | Performance-linked stock compensation |
| | | Base remuneration | Performance-linked remuneration | |
| Directors (excluding Directors serving as Audit and Supervisory Committee Members) 8 persons | 509 | 245 | 93 | 170 |
| Directors serving as Audit and Supervisory Committee Members 7 persons | 122 | 122 | – | – |
| Total 15 persons (including 8 persons from Outside Directors) | 631 (108) | 368 (108) | 93 (–) | 170 (–) |

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

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

| Subject | Remuneration type | Remuneration limit and points | Meeting of shareholders resolution | Number of Directors at resolution |
|--|-------------------|---|--|-----------------------------------|
| Directors (excluding those serving as Audit and Supervisory Committee Members) | Cash | ¥800 million per year | 197th Ordinary General Meeting of Shareholders June 25, 2020 | 8 (including 3 Outside Directors) |
| Excluding Outside Directors | Stock | <ul style="list-style-type: none"> Contribute up to ¥975 million to the trust every three fiscal years Maximum number of points (shares) to be granted per fiscal year: 50,000 points (50,000 shares) | 198th Ordinary General Meeting of Shareholders June 25, 2021 | 5 |
| Directors serving as Audit and Supervisory Committee Members | Cash | ¥150 million per year | 200th Ordinary General Meeting of Shareholders June 28, 2023 | 5 (including 3 Outside Directors) |

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

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

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

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

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

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

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

- Base remuneration

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

- Short-term incentive-based remuneration

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

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

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

- Long-term incentive-based remuneration

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

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

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

In addition to key financial indicators related to business performance, the goals set by each Subject Director shall include non-financial indicators such as efforts to achieve the SDGs (ESG) and efforts to improve employee engagement.

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

Performance-linked compensation is based on performance for FY2023. Profit related to performance-linked compensation for this term was ¥25.3 billion.

* At the Board of Directors meeting held on May 9, 2024 for (1) and (2) below and on September 26, 2024 for (3) below, the compensation plan for Subject Directors was revised as follows (effective from July 2025 onward).

- 1) The ratio of fixed compensation for both monetary reward and stock compensation will be reduced to strengthen the performance-linked nature of compensation.
- 2) Among the goals set by each Subject Director, the ratio of active employees, ESG factors, and stock price will be reflected in performance-linked remuneration as independent evaluation indicators.
- 3) The measure of the Group's consolidated performance (profit) for short-term incentive-based remuneration will be set based on the weighted average cost of capital (WACC) in order to further promote capital efficiency.

For more information regarding (1) and (2), please see the press release issued on May 9, 2024.

https://www.khi.co.jp/pressrelease/news_240509-6.pdf (in Japanese)

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

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

(iii) Method of determining remuneration

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

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

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

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

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

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

Policy and systems related to remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) are decided by resolution of the Board of Directors based on the deliberations of the

Compensation Advisory Committee. A majority of the members and the presiding officer of the Compensation Advisory Committee are Outside Directors.

The Compensation Advisory Committee met 13 times in FY2024. In addition to the matters described above, the committee discussed the form of the officer compensation system going forward.

(3) Overview of Limited Liability Agreement

The Company has, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, concluded a limited liability agreement with Outside Directors Jenifer Rogers, Hideo Tsujimura, Katsuhiko Yoshida, and Melanie Brock, and Directors, Full-Time Audit and Supervisory Committee Members Nobuhisa Kato and Atsuko Kakihara, and Outside Directors, Audit and Supervisory Committee Members Atsuko Ishii, Susumu Tsukui and Tomoko Amaya. The liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher.

(4) Overview of Directors and Officers Liability Insurance

The Company has concluded a Directors and Officers Liability Insurance (D&O Insurance) contract prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The scope of insured under the contract is Directors (including Directors serving as Audit and Supervisory Committee Members), Audit & Supervisory Board Members, Executive Officers, etc. of the Company and some of its domestic subsidiaries (including employees of the Company and some of its domestic subsidiaries who work as Directors, etc. at secondment destinations). Insured parties do not bear the cost of premiums. The insurance policy covers damages and court costs that may be incurred by the insured arising from the insured's act in connection with the execution of his or her duties. However, to ensure that the execution of duties by insured persons is not compromised, no compensation for damages, etc. will be made if there are actions that insured persons recognize as a violation of laws and regulations.

(5) Appointment of Full-time Audit and Supervisory Committee Members and Reasons Therefor

The Company appoints those who are familiar with the Company's internal affairs as Full-Time Audit and Supervisory Committee Members in order to enhance the effectiveness of the Audit and Supervisory Committee's activities by sharing information obtained in the course of performance of their duties with all of the Audit and Supervisory Committee Members while making efforts to develop environment of auditing, etc. and collect internal information as well as

supervising and verifying the status of establishment and operation of the internal control system on a daily basis. To this end, the Company has appointed Mr. Nobuhisa Kato and Ms. Atsuko Kakihara as Full-Time Audit and Supervisory Committee Members.

(6) Outside Officers

(i) Main activities during the fiscal year under review

| Name | Attendance | | Provision of opinions and outlines of duties executed in connection with roles expected of Outside Directors |
|-------------------|-----------------------------|---------------------------------|--|
| | Board of Directors meetings | Audit and Supervisory Committee | |
| Jenifer Rogers | 22/22 meetings | – | She has provided helpful opinions and advice, particularly on risk management, that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value based on her extensive international experience and deep insight on governance from her work as an in-house lawyer and legal manager at domestic and foreign financial institutions. |
| Hideo Tsujimura | 21/22 meetings | – | He has provided helpful opinions and advice, particularly on overall management given past experience, that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on his abundant management experience and deep insight into product development and intellectual property. In addition, as the presiding officer of the Nomination and Compensation Advisory Committees, he plays an important role in reporting to the Board of Directors by leading discussions on revisions to the remuneration and evaluation systems for officers and the succession plan. |
| Katsuhiko Yoshida | 22/22 meetings | – | He has provided helpful opinions and advice, particularly comments on marketing, at meetings of the Board of Directors that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on his abundant management experience and deep insight into sales and marketing. In addition, as a member of the Nomination and Compensation Advisory Committees, he plays an important role in reporting to the Board of Directors by engaging in discussions on revisions to the remuneration and evaluation systems for officers and the succession plan. |

| Name | Attendance | | Provision of opinions and outlines of duties executed in connection with roles expected of Outside Directors |
|---------------|-----------------------------|---------------------------------|--|
| | Board of Directors meetings | Audit and Supervisory Committee | |
| Melanie Brock | 22/22 meetings | - | She has provided helpful opinions and advice, particularly on the development of overseas business, at meetings of the Board of Directors that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on her abundant international experience in global business support for many years and deep insight into globally-minded business strategy and marketing. |
| Atsuko Ishii | 22/22 meetings | 17/18 meetings | She has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on her abundant experience in and deep insight into Japan's labor administration. In addition, she has made efforts to develop the auditing environment in cooperation with other Audit and Supervisory Committee Members by actively obtaining information necessary for auditing. In addition, as a member of the Nomination and Compensation Advisory Committees, she plays an important role in reporting to the Board of Directors by engaging in discussions on revisions to the remuneration and evaluation systems for officers and the succession plan. |
| Susumu Tsukui | 22/22 meetings | 18/18 meetings | He has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on his abundant experience as an attorney and deep insight into legal affairs. In addition, he has made efforts to develop the auditing environment in cooperation with other Audit and Supervisory Committee Members by actively obtaining information necessary for auditing. |
| Tomoko Amaya | 17/17 meetings | 11/11 meetings | She has provided comments that contribute to ensuring the soundness of the Company's management and enhancing its enterprise value mainly based on her abundant experience in and deep insight into financial oversight and international financial regulations. In addition, she has made efforts to develop the auditing environment in cooperation with other Audit and Supervisory Committee Members by actively obtaining information necessary for auditing. |

- (Notes) 1. Succession planning refers to the identification and development of successors for key positions, and is one of the key strategies that support the sustainable growth and stability of a company.
2. The status of attendance at the Board of Directors meetings and Audit and Supervisory Committee for Outside Director and Audit and Supervisory Committee Member Ms. Tomoko Amaya is based on her attendance records after she assumed the office of Audit and Supervisory Committee Member on June 26, 2024.

(ii) Summary of actions taken by each Outside Officer to prevent the occurrence of unfair execution of business and actions taken in response to the occurrence of the relevant incidents during the fiscal year under review

During last year, the Company discovered misconduct in the submarine repair business and the marine engine business. Although each of the Outside Directors in office were not aware of these facts before their discovery, they have been making proposals to strengthen the governance of the Group and to ensure compliance with laws and regulations, and have also adopted a basic policy for developing internal control systems at a meeting of the Board of Directors and have supervised its operation. After becoming aware of the facts of the incidents, the Outside Directors appropriately fulfilled their responsibilities by clarifying the full facts, investigating the causes and other misconduct cases, and proposing measures to prevent recurrence, including strengthening the compliance system. Note that misconduct in the submarine repair business was discovered before Director Amaya assumed office, but after assuming office, she has been appropriately fulfilling her responsibilities as described above.

(iii) Concurrent positions at other companies and the relationship between the Company and said companies

| Name | Significant concurrent positions |
|-------------------|--|
| Jenifer Rogers | Outside Director, Sumitomo Mitsui Financial Group, Inc. |
| | General Counsel International, Asurion Japan Holdings G.K. |
| Katsuhiko Yoshida | Outside Director, Citizen Watch Co., Ltd. |
| Melanie Brock | CEO, Melanie Brock Advisory Ltd. |
| | Outside Director, SEGA SAMMY HOLDINGS INC. |
| | Outside Director, Mitsubishi Estate Co., Ltd. |
| | Outside Director, Asahi Group Holdings, Ltd. |
| Atsuko Ishii | Outside Director, Mitsui Sumitomo Insurance Company, Limited |
| | Outside Director, Kinjiro Co.,Ltd. |
| Tomoko Amaya | Outside Director, Audit and Supervisory Committee Member, East Japan Railway Company |

(Note) Melanie Brock Advisory Ltd., of which Ms. Melanie Brock currently serves as a managing officer, and the Company have entered into a consulting agreement regarding hydrogen trends in Australia. There is no special interest relationship between other corporations and entities and the Company.

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

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

Consolidated Statement of Financial Position

(As of March 31, 2025)

(Unit: Millions of yen)

| Description | Amount | Description | Amount |
|---|------------------|---|------------------|
| (Assets) | | (Liabilities) | |
| Current assets | | Current liabilities | |
| Cash and cash equivalents | 132,776 | Trade and other payables | 593,878 |
| Trade and other receivables | 764,383 | Bonds, borrowings and other financial liabilities | 527,197 |
| Contract assets | 170,556 | Income taxes payable | 20,188 |
| Inventories | 775,434 | Contract liabilities | 363,534 |
| Income taxes receivable | 200 | Provisions | 35,731 |
| Other financial assets | 11,770 | Refund liabilities | 73,097 |
| Other current assets | 168,779 | Other current liabilities | 233,675 |
| Total current assets | 2,023,901 | Total current liabilities | 1,847,303 |
| Non-current assets | | Non-current liabilities | |
| Property, plant and equipment | 515,743 | Bonds, borrowings and other financial liabilities | 362,313 |
| Intangible assets | 75,760 | Retirement benefit liability | 67,100 |
| Right-of-use assets | 58,697 | Provisions | 1,038 |
| Investments accounted for using equity method | 108,271 | Deferred tax liabilities | 1,019 |
| Other financial assets | 71,802 | Other non-current liabilities | 13,112 |
| Deferred tax assets | 128,796 | Total non-current liabilities | 444,584 |
| Other non-current assets | 33,978 | | |
| Total non-current assets | 993,050 | | |
| | | Total liabilities | 2,291,887 |
| | | (Equity) | |
| | | Share capital | 104,484 |
| | | Capital surplus | 56,456 |
| | | Retained earnings | 483,530 |
| | | Treasury shares | (4,093) |
| | | Other components of equity | 62,537 |
| | | Total equity attributable to owners of parent | 702,915 |
| | | Non-controlling interests | 22,148 |
| | | Total equity | 725,064 |
| Total assets | 3,016,951 | Total liabilities and equity | 3,016,951 |

Consolidated Statement of Profit or Loss

(April 1, 2024 - March 31, 2025)

(Unit: Millions of yen)

| Description | Amount |
|---|------------------|
| Revenue | 2,129,321 |
| Cost of sales | 1,697,784 |
| Gross profit | 431,537 |
| Selling, general and administrative expenses | 306,963 |
| Share of profit of investments accounted for using equity method | 23,174 |
| Other income | 3,098 |
| Other expenses | 7,722 |
| Business profit | 143,123 |
| Finance income | 3,423 |
| Finance costs | 39,028 |
| Profit before tax | 107,518 |
| Income tax expense | 17,190 |
| Profit | 90,328 |
| Profit attributable to | |
| Owners of parent | 88,001 |
| Non-controlling interests | 2,326 |

Non-consolidated Balance Sheet

(As of March 31, 2025)

(Unit: Millions of yen)

| Description | Amount | Description | Amount |
|---|------------------|---|------------------|
| (Assets) | | (Liabilities) | |
| Current assets | 1,289,505 | Current liabilities | 1,232,809 |
| Cash and deposits | 99,534 | Notes payable - trade | 168 |
| Notes receivable - trade | 7,334 | Electronically recorded obligations - operating | 183,616 |
| Accounts receivable - trade | 301,030 | Accounts payable - trade | 193,993 |
| Contract assets | 122,679 | Short-term borrowings | 165,563 |
| Raw materials and supplies | 138,737 | Accounts payable - other | 51,793 |
| Work in process | 320,359 | Accrued expenses | 82,529 |
| Advance payments - trade | 127,552 | Income taxes payable | 9,210 |
| Prepaid expenses | 4,780 | Contract liabilities | 279,030 |
| Short-term loans receivable | 105,906 | Provision for bonuses | 27,798 |
| Other | 68,826 | Provision for construction warranties | 7,910 |
| Allowance for doubtful accounts | (7,234) | Provision for loss on construction contracts | 2,320 |
| | | Lease liabilities | 651 |
| | | Refund liabilities | 45,692 |
| | | Other | 182,529 |
| Non-current assets | 573,505 | Non-current liabilities | 359,453 |
| Property, plant and equipment | 271,393 | Bonds payable | 89,000 |
| Buildings | 104,760 | Long-term borrowings | 188,200 |
| Structures | 19,018 | Lease liabilities | 5,965 |
| Docks and building berths | 2,045 | Provision for retirement benefits | 61,530 |
| Machinery and equipment | 82,139 | Provision for loss on guarantees | 6,761 |
| Vessels | 43 | Other | 7,996 |
| Aircraft | 0 | | |
| Vehicles | 956 | | |
| Tools, furniture and fixtures | 27,994 | | |
| Land | 21,005 | Total liabilities | 1,592,262 |
| Leased assets | 6,213 | (Net assets) | |
| Construction in progress | 7,216 | Shareholders' equity | 268,918 |
| Intangible assets | 21,138 | Share capital | 104,484 |
| Software | 12,596 | Capital surplus | 54,127 |
| Other | 8,541 | Legal capital surplus | 54,126 |
| Investments and other assets | 280,972 | Other capital surplus | 0 |
| Investment securities | 13,995 | Retained earnings | 114,400 |
| Shares of subsidiaries and associates | 66,533 | Other retained earnings | 114,400 |
| Investments in capital of subsidiaries and associates | 38,997 | Reserve for tax purpose reduction entry of non-current assets | 4,402 |
| Distressed receivables | 1,077 | Retained earnings brought forward | 109,997 |
| Deferred tax assets | 102,652 | Treasury shares | (4,093) |
| Other | 58,911 | Valuation and translation adjustments | 1,828 |
| Allowance for doubtful accounts | (1,195) | Valuation difference on available-for-sale securities | 1,973 |
| | | Deferred gains or losses on hedges | (144) |
| | | Total net assets | 270,747 |
| Total assets | 1,863,010 | Total liabilities and net assets | 1,863,010 |

Non-consolidated Statement of Profit and Loss

(April 1, 2024 - March 31, 2025)

(Unit: Millions of yen)

| Description | Amount | |
|---|--------|------------------|
| Net sales | | 1,043,506 |
| Cost of sales | | 881,382 |
| Gross profit | | 162,124 |
| Selling, general and administrative expenses | | 115,238 |
| Operating profit | | 46,885 |
| Non-operating income | | |
| Interest income | 956 | |
| Dividend income | 25,989 | |
| Other | 1,084 | 28,030 |
| Non-operating expenses | | |
| Interest expenses | 2,433 | |
| Foreign exchange losses | 2,259 | |
| Other | 10,806 | 15,499 |
| Ordinary profit | | 59,416 |
| Profit before income taxes | | 59,416 |
| Income taxes - current | 10,935 | |
| Income taxes - deferred | 357 | 11,293 |
| Profit | | 48,123 |

Audit Report
(English Translation)

The Audit and Supervisory Committee has conducted an audit concerning the performance of duties by the Directors for the 202nd fiscal year from April 1, 2024 to March 31, 2025, and hereby reports the auditing methods and their results as follows.

1. Auditing Methods and Their Contents

- (1) The Audit and Supervisory Committee received reports on a regular basis from Directors, Executive Officers, employees and other relevant personnel, sought explanations as necessary, and provided opinions with respect to the contents of the Board of Directors' resolutions pursuant to Article 399-13, Paragraph 1, Item 1 (b) and (c) of the Companies Act and the status of the development and maintenance of the systems that are maintained based on such resolutions (internal control systems).

The Committee also received reports from Directors, etc. and KPMG AZUSA LLC on the status of the evaluation and audit of internal controls over financial reporting under the Financial Instruments and Exchange Act and sought explanations as necessary.

- (2) In accordance with the auditing policies, audit plans and other relevant matters established by the Audit and Supervisory Committee, the Committee, in coordination with the Auditing Department (Internal Audit Department) and other departments concerned, participated in important meetings while also utilizing online formats, received reports from the Directors, Executive Officers, employees and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important documents and associated information, and studied the operations and financial positions at the head office and business offices.

Moreover, as for subsidiaries, the Committee communicated its intentions and exchanged information with the Directors and Audit & Supervisory Board Members of subsidiaries and received business reports from the subsidiaries as necessary.

- (3) The Audit and Supervisory Committee monitored and examined whether the Accounting Auditor maintained their independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of their duties and, as necessary, attended its audits and sought explanations.

Also, the Audit and Supervisory Committee received notice from the Accounting Auditor that "the system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance on Company Accounting) has been prepared in accordance with the "Product Quality Management Standards Regarding Audits" (issued by the Business Accounting Deliberation Council (BADC)) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and supplementary schedules, the consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to the consolidated financial statements), as well as the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated

statement of profit and loss, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and their supplementary schedules related to the relevant fiscal year.

2. Results of Audit

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

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

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

(iii) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. We have found no matters on which to remark regarding the information contained in this Business Report and the performance of duties by the Directors related to such internal controls system, including internal controls on financial reporting. As stated in the Business Report, with regard to the misconduct cases that came to light last year in the submarine repair business and the marine engine business, the Special Investigative Committee composed of outside experts was established to conduct an investigation. At the same time, the Special Compliance Promotion Committee chaired by the President has formulated and is implementing recurrence prevention measures aimed at strengthening compliance and governance systems across the Group. We have confirmed these efforts.

The Audit and Supervisory Committee will continue to closely monitor the ongoing investigation by the Special Investigative Committee, the activities of the Special Compliance Promotion Committee, and the implementation status and effectiveness of the recurrence prevention measures.

(2) Results of Audit of Consolidated Financial Statements

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

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

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

May 19, 2025

Audit and Supervisory Committee, Kawasaki Heavy Industries, Ltd.

| | |
|--|---------------|
| Full-Time Audit and Supervisory Committee Member | Nobuhisa Kato |
|--|---------------|

| | |
|--|-----------------|
| Full-Time Audit and Supervisory Committee Member | Atsuko Kakihara |
|--|-----------------|

| | |
|--|--------------|
| Audit and Supervisory Committee Member | Atsuko Ishii |
|--|--------------|

| | |
|--|---------------|
| Audit and Supervisory Committee Member | Susumu Tsukui |
|--|---------------|

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