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(Securities Code: 7012)

June 5, 2026

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 203rd ORDINARY GENERAL MEETING OF SHAREHOLDERS

We would like to inform you that we will hold the 203rd 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 203rd 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]."

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 24, 2026 (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 25, 2026 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 203rd Fiscal Year (from April 1, 2025 to March 31, 2026) 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 203rd Fiscal Year (from April 1, 2025 to March 31, 2026)

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 Four Directors Serving as Audit and Supervisory Committee Members
- Proposal No. 4:** Election of One Substitute Director Serving as Audit and Supervisory Committee Member
- Proposal No. 5:** Revision of Remuneration Amount for Directors (except Directors Serving as Audit and Supervisory Committee Members)
- Proposal No. 6:** Revision of Remuneration Amount for Directors Serving as Audit and Supervisory Committee Members

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

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

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

The Company will deliver items for which measures for providing information in electronic format are to be taken as paper-based documents to shareholders requesting paper-based documents, but in accordance with laws and regulations and 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 log in 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 25, 2026

* 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://v.srdb.jp/7012/2026soukai/> (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.)

TAKARA PRINTING CO., LTD.

0120-824-071

Date and time for inquiries: June 25 (the day of the General Meeting of Shareholders) from 9:00 a.m. to 12:00 p.m.

Acceptance of questions in advance

- Please access the dedicated acceptance of questions website from the following URL and enter shareholder ID, password (please refer to page 7), and 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 questions in advance <https://v.srdb.jp/7012/2026soukai/> (in Japanese)

Advance Question Period: ► From Friday, June 5, 2026 to 5:00 p.m. on Thursday, June 18, 2026

Streaming following the conclusion of the General Meeting of Shareholders

The following URL will be available until Friday, July 31, 2026 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 strategic investments for future growth as being an important management issue.

In addition, in order to maintain a good balance between enhancing shareholder value in the long term and paying stable dividends, the Company will pay dividends to shareholders based on DOE of 4% as shareholder returns.

Dividend on equity (DOE) = Total annual amount of dividends ÷ Equity attributable to owners of parent excluding Other components of equity

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 203rd term will amount to ¥96 per ordinary share of the Company for a total distribution of ¥16,115,810,400. As a result, annual dividend will be ¥171 per ordinary share of the Company, including interim dividend (¥75 per ordinary share of the Company).

In addition, the effective date for the dividends from surplus shall be June 26, 2026.

Type of dividend property	Cash
Dividend per share	¥96
Total amount of dividend	¥16,115,810,400
Effective date of dividends of surplus	June 26, 2026

(Note) The Company conducted a 5-for-1 stock split of its common stock effective on April 1, 2026. As the record date of dividends above is March 31, 2026, we will pay dividends based on the number of shares prior to the share split.

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 35. 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	71,300 shares	14 years	Male	100%
2	Yasuhiko Hashimoto	President and Chief Executive Officer, Member of the Nomination Advisory Committee and Compensation Advisory Committee	73,600 shares	8 years	Male	100%
3	Katsuya Yamamoto	Senior Corporate Executive Officer, Member of the Nomination Advisory Committee and Compensation Advisory Committee	46,100 shares	9 years	Male	100%
4	Hiroshi Nakatani	Senior Corporate Executive Officer	36,300 shares	6 years	Male	100%
5	Hideo Tsujimura	Presiding Officer of the Nomination Advisory Committee and Compensation Advisory Committee	1,100 shares	6 years	Male	100%
6	Katsuhiko Yoshida	Member of the Nomination Advisory Committee and Compensation Advisory Committee	4,000 shares	4 years	Male	100%
7	Melanie Brock		400 shares	3 years	Female	100%
8	Setsuko Ino		- shares	- years	Female	- %

- (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. In 2024, while 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. Additionally in 2025, misconduct incidents related to both businesses was uncovered during the Investigation of Similar Matters. 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. The Company conducted a 5-for-1 stock split of its common stock effective on April 1, 2026. The above-mentioned number of shares held reflects the number prior to the share split (as of March 31, 2026).
 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	(Reappointment) Yoshinori Kanehana (February 19, 1954) 17/17 (100%)	<p>Apr. 1976 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2012 Senior Vice President General Manager, Marketing Division</p> <p>Jun. 2013 Senior Vice President (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>	71,300 shares (Of which, the number of shares to be granted under the stock compensation plan) (40,100 shares)

No.	Name (Date of Birth) Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
2	(Reappointment) Yasuhiko Hashimoto (May 15, 1957) 17/17 (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>	73,600 shares (Of which, the number of shares to be granted under the stock compensation plan) (51,000 shares)

No.	Name (Date of Birth) Attendance at meetings of the Board of Directors	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
3	(Reappointment) Katsuya Yamamoto (November 21, 1957) 17/17 (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</p> <p>Apr. 2026 Representative Director, Senior Corporate Executive Officer Assistant to the President, Chief Financial Officer, in charge of Planning, Legal Affairs, and Marketing & External Affairs (present)</p>	46,100 shares (Of which, the number of shares to be granted under the stock compensation plan) (31,000 shares)

	<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>	
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[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	(Reappointment) Hiroshi Nakatani (August 9, 1960) 17/17 (100%)	<p>Apr. 1984 Joined Kawasaki Heavy Industries, Ltd.</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</p> <p>Apr. 2026 Representative Director, Senior Corporate Executive Officer Assistant to the President, in charge of Technology, Production, Quality Assurance, Procurement, 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 led 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>	36,300 shares (Of which, the number of shares to be granted under the stock compensation plan) (28,200 shares)

[Reference]

"Digital Transformation" "DX": The reformation of products, services and business models based on the needs of customers and society, which utilizes data and digital technologies, 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	(Reappointment) (Outside Director Candidate) (Independent Officer) Hideo Tsujimura (June 6, 1954) 17/17 (100%)	<p>Apr. 1980 Joined Suntory Limited</p> <p>Mar. 2004 Director, Suntory Limited</p> <p>Apr. 2009 Managing Executive Officer, Suntory Holdings Limited General Manager, R&D Planning Division, in charge of Intellectual Property Department</p> <p>Mar. 2015 Senior Managing Director, Suntory Holdings Limited Representative Director, President & Chief Executive Officer, Suntory Business Expert Limited</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>	1,100 shares

- (Notes)
1. He is a candidate for Outside Director.
 2. His tenure as Outside Director of the Company will have been six 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. For the most recent five fiscal years, the KHI Group has a track record of transactions with Suntory Beverage & Food Limited (including its significant subsidiaries, the same applies hereinafter), where the candidate served as a managing officer in the past. However, the annual average transactions between 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 Suntory Beverage & Food Limited 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.

[Reference]

"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.

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	(Reappointment) (Outside Director Candidate) (Independent Officer) Katsuhiko Yoshida (April 5, 1954) 17/17 (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>	4,000 shares
		<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>	

- (Notes)
1. He is a candidate for Outside Director.
 2. His tenure as Outside Director of the Company will have been four 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. For the most recent five fiscal years, the KHI Group has a track record of transactions with Kao Corporation (including its significant subsidiaries, the same applies hereinafter), where the candidate served as a managing officer in the past. However, the annual average transactions between 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 Kao Corporation 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	(Reappointment) (Outside Director Candidate) (Independent Officer) Melanie Brock (April 10, 1964) 17/17 (100%)	<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 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.</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, 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>	400 shares

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

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>(New appointment) (Outside Director Candidate) (Independent Officer)</p> <p>Setsuko Ino (March 18, 1964)</p> <p>-/- (-%)</p>	<p>Apr. 1988 Joined Suntory Limited</p> <p>Jun. 1994 Master of Business Administration (MBA), Harvard Business School</p> <p>Sep. 1994 Joined PepsiCo, Inc. (U.S.)</p> <p>Jul. 2003 CFO, Finance Director, Sun Microsystems Japan KK</p> <p>Nov. 2006 CFO, Representative Director, SAP Japan Co., Ltd.</p> <p>Mar. 2012 CFO, Retail Division, Amazon Japan G.K.</p> <p>Jun. 2017 CFO, Asurion Japan K.K.</p> <p>Jan. 2024 Venture Partner, Eight Roads Ventures Japan (present)</p> <p>Jun. 2024 Outside Audit & Supervisory Board Member, YAMATO HOLDINGS CO., LTD. (present)</p> <p>Mar. 2025 Outside Audit & Supervisory Board Member, Kubota Corporation (present)</p> <p>[Significant concurrent positions] Outside Audit & Supervisory Board Member, YAMATO HOLDINGS CO., LTD. Outside Audit & Supervisory Board Member, Kubota Corporation</p> <p>Policies regarding independence Ms. Ino satisfies the independence standards specified by the Company, and the Company will submit 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. Ino has successively taken the position of general manager in financial departments at various companies, such as Sun Microsystems Japan KK, SAP Japan Co., Ltd., Amazon Japan G.K., and Asurion Japan K.K., where she gained deep insights into finance, accounting, and IT fields from a global perspective. Through the formulation, management, and administration of financial and accounting planning as well as enhancement of business management in financial departments, she enhanced the financial departments' business processes to global standards, thereby contributing to enhancing corporate value. Considering these points, we expect her to supervise the strengthening of the Company's finance, accounting, and IT leveraging her expertise and knowledge and nominated her as a candidate for Director.</p>	- shares

- (Notes)
1. She is a candidate for Outside Director.
 2. The registered name of the candidate is Setsuko Yamada.
 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. For the most recent five fiscal years, the KHI Group has a track record of transactions with Amazon Japan G.K., (including its significant subsidiaries, the same applies hereinafter), where the candidate served as a managing officer in the past. However, the annual average transactions between Amazon Japan G.K. and the KHI Group for the most recent five fiscal years account for less than 1% of the annual average transactions each for Amazon Japan G.K. 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 she will be able to fulfil her role as an Independent Officer.

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

The terms of office of Ms. Atsuko Kakihara, Mr. Susumu Tsukui, and Ms. Tomoko Amaya, who are Directors serving as Audit and Supervisory Committee Members, will expire at the closing of this General Meeting of Shareholders. In addition, Mr. Nobuhisa Kato, who was Director serving as Audit and Supervisory Committee Member, passed away on January 22, 2026 and retired on the same date. Therefore, we propose to elect four Directors serving as Audit and Supervisory Committee Members as follows.

This proposal was determined by the Board of Directors in accordance with "Qualifications Expected of Directors," which is described on page 35. The Company has obtained a report to the effect that these nominations are appropriate from the Nomination Advisory Committee, which consists mainly of independent outside officers, and the consent of the Audit & Supervisory Committee.

No.	Name	Position	Number of shares held	Years in office	Gender	Attendance	
						Meetings of the Board of Directors	Meetings of the Audit and Supervisory Committee
1	Atsuko Kakihara	Reappointment	6,800 shares	2 years	Female	100%	100%
2	Ichiro Imai	Executive Officer in charge of special mission assigned by the President New appointment	8,600 shares	- years	Male	-%	-%
3	Susumu Tsukui	Member of the Nomination Advisory Committee and Compensation Advisory Committee Reappointment Outside Independent	1,000 shares	4 years	Male	100%	100%
4	Tomoko Amaya	Reappointment Outside Independent	200 shares	2 years	Female	100%	100%

- (Notes)
- There is no special interest relationship between each candidate and the Company.
 - 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 candidates assume the office as Directors serving as Audit and Supervisory Committee Members, the candidates 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.
 - In 2024, while Mr. Susumu Tsukui and Ms. Tomoko Amaya were serving as outside directors of the Company, misconduct in the Company's submarine repair and marine engine businesses came to light. Additionally in 2025, misconduct in both businesses was uncovered during the Investigation of Similar Matters. Although they were not aware of these facts in advance, and Ms. Tomoko Amaya took the office after the misconduct in the submarine repair business came to light, 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. The Company conducted a 5-for-1 stock split of its common stock effective on April 1, 2026. The above-mentioned number of shares held reflects the number prior to the stock split (as of March 31, 2026).
 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)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
1	(Reappointment) Atsuko Kakihara (June 28, 1962) Attendance at meetings of the Board of Directors 17/17 (100%) Attendance at meetings of the Audit and Supervisory Committee 16/16 (100%)	Apr. 1985 Joined Kawasaki Heavy Industries, Ltd. Apr. 2020 Executive Officer General Manager, Sustainable Development Division Apr. 2022 Executive Officer General Manager, Marketing Division Jul. 2023 Executive Officer General Manager, Marketing & External Affairs Division Apr. 2024 Executive Officer in charge of special mission assigned by the President Jun. 2024 Director, Full-time Audit and Supervisory Committee Member (present) Reasons for nomination as candidate Ms. Kakihara has been mainly engaged in businesses related to marketing, legal affairs, compliance, and sustainability of the Company for many years and has extensive skills and experience. Since 2024, as Director serving as Audit and Supervisory Committee Member of the Company, she has provided helpful opinions and advice on important management decisions, particularly in the area of marketing, the Group-wide governance including overseas sites, thereby contributing to ensuring the soundness of management and enhancing enterprise value. Considering these points, we have determined that she is qualified as Director serving as Audit and Supervisory Committee Member and nominated her as a candidate for Director serving as Audit and Supervisory Committee Member.	6,800 shares (Of which, the number of shares to be granted under the stock compensation plan) (3,500 shares)

(Note) 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)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
2	(New appointment) Ichiro Imai (June 22, 1963) Attendance at meetings of the Board of Directors -/- (-%) Attendance at meetings of the Audit and Supervisory Committee -/- (-%)	Apr. 1987 Joined Kawasaki Heavy Industries, Ltd. Aug. 2016 Senior Manager, Corporate Planning Department, Corporate Planning Division Apr. 2019 Deputy General Manager, Finance & Control Division Apr. 2022 Executive Officer, General Manager, Finance & Control Division Apr. 2026 Executive Officer in charge of special mission assigned by the President (present) Reasons for nomination as candidate Mr. Imai has been engaged in businesses related to corporate planning and finance & accounting of the Company for many years and has extensive skills and experience. He was appointed Executive Officer of the Company in 2022 and presently, as Executive Officer in charge of special mission assigned by the President, he has made a significant contribution to ensuring the soundness of the Company's management and enhancing its enterprise value from the perspective of corporate planning and finance & accounting. Considering these points, we have expected him to provide supervision on the enhancement of the Company's management and finance & accounting by leveraging his expertise and knowledge, and nominated him as a candidate for Director serving as Audit and Supervisory Committee Member.	8,600 shares (Of which, the number of shares to be granted under the stock compensation plan) (7,100 shares)

(Note) 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.

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
3	(Reappointment) (Outside Director Candidate) (Independent Officer) Susumu Tsukui (May 3, 1969) Attendance at meetings of the Board of Directors 17/17 (100%) Attendance at meetings of the Audit and Supervisory Committee 16/16 (100%)	<p>Apr. 1995 Admitted to the Bar in Japan Joined Kobe-Kaito Law Office</p> <p>Apr. 1999 Joined Law Office ASHIYA</p> <p>Apr. 2002 Established Ashiya Nishinomiya Citizen Law Office Managing Partner, Ashiya Nishinomiya Citizen Law Office (present)</p> <p>Apr. 2006 Vice President, Hyogo-ken Bar Association</p> <p>Apr. 2021 President, Hyogo-ken Bar Association</p> <p>Jun. 2022 Outside Director, Audit & Supervisory Committee Member, Kawasaki Heavy Industries, Ltd. (present)</p> <p>Policies regarding independence Mr. Tsukui 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. Tsukui has never been involved in the management of a company, except as an outside officer. However, he served as President of the Hyogo-ken Bar Association and other important positions and has abundant experience and deep insight into legal affairs as an attorney. Since 2022, as Outside Director serving as Audit & Supervisory Committee Member of the Company, he has provided helpful opinions and advice on important management decisions in terms of legal affairs and compliance, thereby contributing to ensuring the soundness of management and enhancing enterprise value. Considering these points, we have determined that he is qualified as Director serving as Audit and Supervisory Committee Member and nominated him as a candidate for Director serving as Audit and Supervisory Committee Member.</p>	1,000 shares

- (Notes)
1. He is a candidate for Outside Director.
 2. His tenure as Outside Director, Audit & Supervisory Committee Member will have been four 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.

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
4	(Reappointment) (Outside Director Candidate) (Independent Officer) Tomoko Amaya (June 8, 1963)	Apr. 1986 Joined Ministry of Finance Jul. 2015 Deputy Director-General, Planning and Coordination Bureau (in charge of Inspection Bureau) and Secretary-General, Executive Bureau, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency Jul. 2017 Deputy Secretary-General, Executive Bureau, Securities and Exchange Surveillance Commission Jul. 2019 Deputy Commissioner, Strategy Development and Management Bureau (in charge of International Affairs and Supervision Bureau) Apr. 2020 Vice Commissioner for International Affairs, Strategy Development and Management Bureau Jul. 2021 Vice Minister for International Affairs Jun. 2024 Outside Director, Audit and Supervisory Committee Member, East Japan Railway Company (present) Jun. 2024 Outside Director, Audit & Supervisory Committee Member, Kawasaki Heavy Industries, Ltd. (present)	200 shares
		[Significant concurrent positions] Outside Director, Audit and Supervisory Committee Member, East Japan Railway Company	
		Policies regarding independence Ms. Amaya 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.	
		Reasons for nomination as candidate and outline of expected role Ms. Amaya has never been involved in the management of a company, except as an outside officer. However, she has deep insights into financial supervision and international financial regulations, having served in various important positions at the Financial Services Agency, such as Deputy Director-General of the Planning and Coordination Bureau, Secretary-General of Executive Bureau of the Certified Public Accountants and Auditing Oversight Board, and Vice Minister for International Affairs. Since 2024, as Outside Director serving as Audit & Supervisory Committee Member of the Company, she has provided helpful opinions and advice on important management decisions in terms of finance, banking, and compliance, thereby contributing to ensuring the soundness of management and enhancing enterprise value. Considering these points, we have determined that she is qualified as Director serving as Audit and Supervisory Committee Member and nominated her as a candidate for Director serving as Audit and Supervisory Committee Member.	
	Attendance at meetings of the Board of Directors 17/17 (100%)	Attendance at meetings of the Audit and Supervisory Committee 16/16 (100%)	

- (Notes)
1. She is a candidate for Outside Director.
 2. Her tenure as Outside Director, Audit & Supervisory Committee Member 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.

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

We propose to elect one substitute Director serving as Audit and Supervisory Committee Member as follows to prepare for a contingency in which the Company does not have the number of Directors serving as Audit and Supervisory Committee Members required by laws and regulations.

This proposal was determined by the Board of Directors in accordance with "Qualifications Expected of Directors," which is described on page 35. The Company has obtained a report to the effect that this nomination is appropriate from the Nomination Advisory Committee, which consists mainly of independent outside officers, and the consent of the Audit & Supervisory Committee.

Name (Date of Birth)	Career Summary and Positions	Number of the Company's shares held
(Outside Director Candidate) (Independent Officer) Yuka Hada (November 11, 1968)	Apr. 1999 Admitted to the Bar in Japan Joined Kobe-Kaito Law Office	200 shares
	Jan. 2004 Partner, Kobe-Kaito Law Office	
	Jun. 2004 Financial Securities Inspector, Kinki Local Finance Bureau, Ministry of Finance	
	Apr. 2012 Established H&S Law Office Attorney at Law, H&S Law Office (present)	
	Apr. 2012 Vice President, Hyogo-ken Bar Association	
	Jun. 2015 Unaffiliated Director, Audit and Supervisory Committee Member, The Hanshin Diesel Works, Ltd. (present)	
	Jun. 2020 Outside Director, Audit & Supervisory Committee Member, LIFEDRINK COMPANY, INC. (present)	
	[Significant concurrent positions] Unaffiliated Director, Audit and Supervisory Committee Member, The Hanshin Diesel Works, Ltd. Outside Director, Audit & Supervisory Committee Member, LIFEDRINK COMPANY, INC.	
	Policies regarding independence Ms. Hada satisfies the independence standards specified by the Company. Should she be appointed Director serving as Audit and Supervisory Committee Member, the Company will submit notification to Tokyo Stock Exchange, Inc. that she is appointed as Independent Officer as provided for by the aforementioned exchange.	

	<p>Reasons for nomination as candidate and outline of expected role</p> <p>Ms. Hada has never been involved in the management of a company, except as an outside officer. However, she has extensive experience and deep insights into legal affairs as an attorney, having served as Vice President of Hyogo-ken Bar Association and other important positions. She has been appointed as substitute Director serving as Audit and Supervisory Committee Member since 2022. Considering these points, we have expected that she will be able to fully fulfil her role of auditing the Company from an independent position in the case of a contingency in which the Company does not have the number of Directors serving as Audit and Supervisory Committee Members required by laws and regulations, and nominated her as a candidate for substitute Director serving as Audit and Supervisory Committee Member.</p>	
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- (Notes)
1. She is a candidate for substitute Outside Director serving as Audit and Supervisory Committee Member.
 2. The registered name of the candidate is Yuka Suzuki.
 3. There is no special interest relationship between the candidate and the Company.
 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 policy.
 5. Should the candidate be appointed Director serving as Audit and Supervisory Committee Member, 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.

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

The remuneration amount for Directors (except Directors Serving as Audit and Supervisory Committee Members, the same applies hereinafter in this proposal) of the Company of ¥800 million or less per year was approved at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020, since when it has remained in effect. Taking into account various factors, such as the expanding roles and responsibilities of Directors in continuously improving performance and further enhancing enterprise value, as well as recent developments in economic situations, we propose to revise the remuneration amount to ¥1,000 million or less per year.

The Company judges this proposal to be appropriate, as the proposal was determined by the Board of Directors based on a report from the Compensation Advisory Committee chaired by Outside Director, by comprehensively considering the Company's business scale, the remuneration system, and the payment levels of the remuneration.

The remuneration amount paid to Directors does not include employee salaries for Directors concurrently serving as employees.

If the proposal No. 2 is approved and adopted as originally proposed, the number of Directors will be eight (of which four are Outside Directors).

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

The remuneration amount for Directors serving as Audit and Supervisory Committee Members of the Company of ¥150 million or less per year was approved at the 200th Ordinary General Meeting of Shareholders held on June 28, 2023, since when it has remained in effect. Taking into account various factors, such as the expanding roles and responsibilities of Directors in continuously improving performance and further enhancing enterprise value, as well as recent developments in economic situations, we propose to revise the remuneration amount to ¥200 million or less per year.

The Company judges this proposal to be appropriate, as the proposal was determined by comprehensively considering the Company's business scale, the remuneration system, and the payment levels of the remuneration.

If the proposal No. 3 is approved and adopted as originally proposed, the number of Directors serving as Audit and Supervisory Committee Members will be five (of which three are Outside Directors).

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 Banking & 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 experience at business companies or in legal circles and government institutions in order to supervise governance, risk management, business strategies, etc.
Banking & Finance	Because the director will use their experience in financial experience at business companies or in financial institutions and the relevant regulatory authorities to supervise financial strategies, 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	Banking & 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 Hideo Tsujimura	●	●		●	●	●		●	●		

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	Banking & Finance
Outside Director Katsuhiko Yoshida	●	●				●		●			
Outside Director Melanie Brock	●	●				●			●		
Outside Director Setsuko Ino	●	●	●				●	●	●		●

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	Banking & Finance
Director, Full-time Audit and Supervisory Committee Member Atsuko Kakahara	●	●				●			●		
Director, Full-time Audit and Supervisory Committee Member Ichiro Imai	●	●	●					●			●
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

Business Report

(April 1, 2025 - March 31, 2026)

1. Overview concerning the Current Situation of the Corporate 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 Rolling Stock and Precision Machinery & Robot, in spite of a decrease in the Aerospace Systems segment. Overall consolidated revenue also increased compared to the previous fiscal year due to sales growth in each segment, mainly in the Powersports & Engine segment.

As for profit, business profit increased compared to the previous fiscal year as a result of increases in profits in Energy Solution & Marine Engineering and Precision Machinery & Robot, despite a decrease in profit in the Powersports & Engine segment. Profit attributable to owners of parent increased compared to the previous fiscal year due to increased business profit and an improvement in foreign exchange gains and losses.

As a result, consolidated orders received increased by ¥108.4 billion from the previous fiscal year to ¥2,739.1 billion, consolidated revenue increased by ¥181.9 billion from the previous fiscal year to ¥2,311.2 billion, and business profit increased by ¥1.9 billion from the previous fiscal year to ¥145.1 billion. Profit attributable to owners of parent increased by ¥20.1 billion from the previous fiscal year to ¥108.1 billion.

(ii) Operating conditions by business segment

Aerospace Systems segment

In the Aerospace Systems segment, orders received were ¥810.9 billion, which was a decrease of ¥71.9 billion from the previous fiscal year when there had been orders from large-scale projects for Japan's Ministry of Defense (MOD), though orders received increased for component parts for commercial aircraft and commercial aircraft jet engines, etc.

Revenue increased by ¥45.8 billion from the previous fiscal year to ¥613.6 billion, mainly due to increased orders for component parts for MOD and commercial aircraft.

Business profit came to ¥62.4 billion, improving by ¥6.6 billion from the previous fiscal year, mainly due to increased sales.

Rolling Stock segment

In the Rolling Stock segment, orders received increased by ¥67.5 billion from the previous fiscal year to ¥319.1 billion, mainly due to orders for a new subway train for the New York City Transit Authority, following the previous fiscal year.

Revenue increased by ¥13.8 billion from the previous fiscal year to ¥236.2 billion, mainly due to increases in sales for the Japanese and US markets.

Business profit came to ¥8.6 billion, increasing by ¥0.2 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 by ¥10.8 billion from the previous fiscal year to ¥552.9 billion. This was mainly due to orders for reconstruction projects of domestic waste treatment facilities and for large-scale expansion projects of domestic LNG terminals, despite a decrease in orders for LPG/ammonia carriers, for which we had received orders for several carriers in the previous fiscal year.

Revenue increased by ¥35.4 billion from the previous fiscal year to ¥433.5 billion, mainly due to increases in sales in the ship & offshore structure and in the plant engineering areas.

Business profit amounted to ¥55.0 billion, an increase of ¥10.7 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 ¥278.5 billion, an increase of ¥29.2 billion from the previous fiscal year, mainly due to an increase in hydraulic components for the Chinese construction machinery market.

Revenue was ¥259.1 billion, an increase of ¥17.6 billion from the previous fiscal year, mainly due to a positive sales trend in hydraulic components for the Chinese construction machinery market and an increase in robots for semiconductor manufacturing equipment.

Business profit came to ¥14.3 billion, improving by ¥7.3 billion from the previous fiscal year, mainly due to greater sales and increased share of profit of investments accounted for using the equity method.

Powersports & Engine segment

In the Powersports & Engine segment, revenue was ¥682.8 billion, an increase of ¥73.4 billion from the previous fiscal year, mainly due to increases in four-wheeled vehicles for North America and motorcycles for developed countries. Business profit came to ¥22.7 billion, a decrease of ¥25.1 billion, mainly due to rising tariff costs, a deterioration in profitability owing to intensifying competition in the US powersports market, and an increase in fixed costs due to investments to raise production capacity, 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 previous consolidated fiscal year, individual orders were received and have been included in the actual order amount.

Others segment

In the Others segment, revenue decreased by ¥4.3 billion from the previous fiscal year to ¥85.8 billion.

Business profit came to ¥7.0 billion, an increase of ¥1.8 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	810.9	(71.9)	613.6	45.8	62.4	6.6
Rolling Stock segment	319.1	67.5	236.2	13.8	8.6	0.2
Energy Solution & Marine Engineering segment	552.9	10.8	433.5	35.4	55.0	10.7
Precision Machinery & Robot segment	278.5	29.2	259.1	17.6	14.3	7.3
Powersports & Engine segment	681.7	70.1	682.8	73.4	22.7	(25.1)
Others segment	95.9	2.5	85.8	(4.3)	7.0	1.8
Adjustment	-	-	-	-	(25.3)	0.3
Total	2,739.1	108.4	2,311.2	181.9	145.1	1.9

- (Notes)
- Revenue recorded is for revenue from external customers.
 - 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 previous consolidated fiscal year, individual orders were received and have been included in the actual order amount.

ii) ROIC and ROE

	FY2024	FY2025
After-tax ROIC	8.0%	9.0%
ROE	13.2%	13.7%

- (Notes)
- After-tax ROIC (return on invested capital) = (Profit attributable to owners of parent + Interest expenses × (1 – Tax rate)) ÷ Invested capital (average NET interest bearing debt at the beginning and at the end of the period + average shareholders' equity at the beginning and at the end of the period)
 - ROE (return on equity) = Profit attributable to owners of parent ÷ average of shareholders' equity at the beginning and end of the period
 - 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 10% range.

iii) Cash flows

(Billions of yen)

	FY2024	FY2025
Cash flows from operating activities	148.9	140.0
Cash flows from investing activities	(111.2)	(128.0)
Cash flows from financing activities	9.6	(33.2)

(2) Trends in Assets and Income

(Billions of yen)

Item	FY2022	FY2023	FY2024	FY2025 (Consolidated fiscal year under review)
Orders received	2,037.4	2,083.4	2,630.7	2,739.1
Revenue	1,725.6	1,849.2	2,129.3	2,311.2
Business profit	82.3	46.2	143.1	145.1
Profit before tax	70.3	31.9	107.5	145.5
Profit attributable to owners of parent	53.0	25.3	88.0	108.1
Basic earnings per share (yen)	¥63.32	¥30.30	¥105.08	¥129.41
Total assets	2,457.7	2,680.1	3,016.9	3,324.6
Total equity	596.8	654.5	725.0	948.4

- (Notes) 1. The Company prepares consolidated financial statements based on International Financial Reporting Standards (IFRS).
2. The Company conducted a 5-for-1 stock split of its common stock effective on April 1, 2026. Basic earnings per share have been calculated assuming that the stock split was conducted at the beginning of FY2022.

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

(i) Strengthening compliance and reforming organizational culture and awareness

As a measure for the misconduct in the submarine repair business and the marine engine business discovered in 2024, the Company established a Special Investigative Committee made up of outside experts pursuant to a resolution of the Board of Directors and conducted a thorough investigation. In December 2024 and January 2025, we published interim reports on the investigation findings for both misconduct incidents. Furthermore, we announced the final report in December 2025, which covered findings of additional investigations into the potential existence of incidents of a similar nature. An overview of the misconduct discovered through the additional investigation is as follows.

• Work hours misallocation at the Kobe Shipyard

At the Kobe Shipyard, the man-hours performed for merchant-ship construction had been incorrectly reassigned to the man-hours of Shūri-kan (submarine repair) work until around 2018, by manipulating OCR sheets that contained actual man-hours under the instructions and awareness of the past Senior Managers of the Shipbuilding Department. Until the investigation, it had become standard practice at the shipyard to reassign man-hours originally allocated to merchant-ship constructions and new-build submarines as man-hours for submarine repairs. Behind this practice, there was assumption that the allocated man-hours should be fully utilized at the work site.

- **Misconduct in testing of submarine engines**

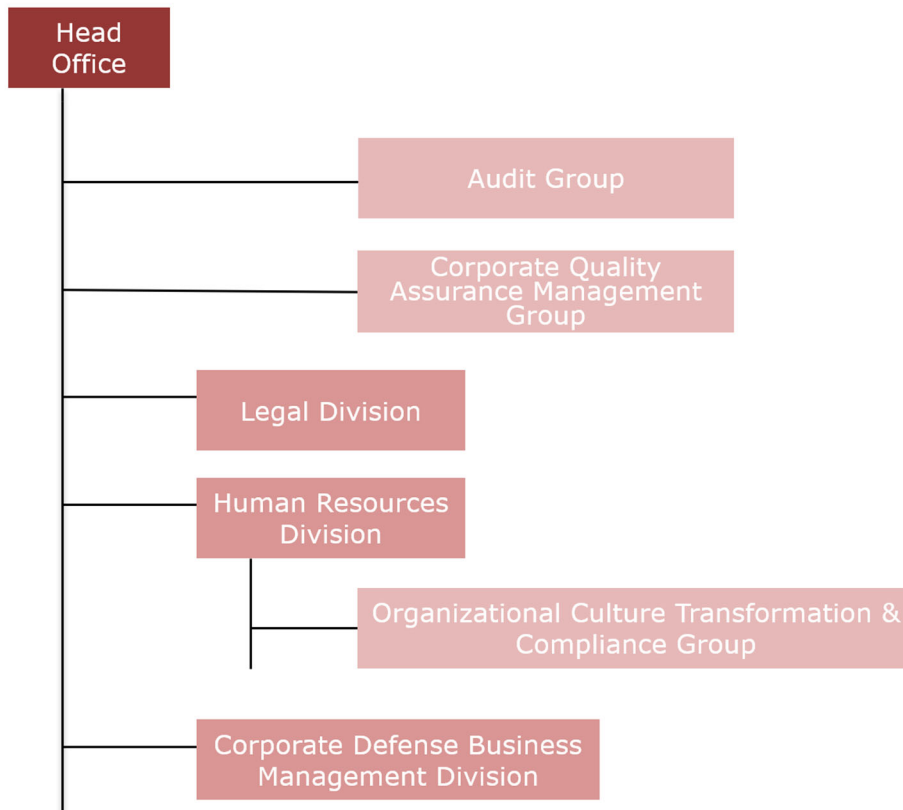
With respect to the submarine engines delivered to the Ministry of Defense between 1988 and 2021, the fuel efficiency performance had been manipulated. As most of the actual measured fuel efficiency did not satisfy the Maritime Self-Defense Force specification value, in order to avoid it being discovered, KHI predetermined, in advance, a fuel consumption time that would allow it to calculate a fuel consumption rate that satisfied the specification value (the Target Value). In the trial results sheet describing the results of trials, KHI recorded not the actual measured fuel efficiency but the fuel consumption rate value calculated based on the Target Value, and submitted such trials report to the Ministry of Defense (The actual fuel consumption rate of new submarine engines constructed after 2022 has been satisfying the specification value, and no misconduct has occurred).

The KHI Group established a Special Compliance Promotion Committee chaired by the President with a strong mandate to thoroughly “force out all corruption.” With considering recommendations from the Special Investigative Committee, we are thoroughly committed to focusing on enhancing effectiveness of the measures to prevent recurrence, while strengthening the entire Group’s compliance and governance systems. The key measures that we have taken to date are as follows. As a result of these measures, we have seen steady improvements in employee awareness. For example, our employee engagement survey showed that the percentage of most effective employees increased by 5% year on year and indicators relating to compliance also improved substantially.

(Recurrence prevention measures implemented after the discovery of misconduct)

Jul. 2024	<p>[Commencement of group-wide investigations into procurement and other processes] We investigated misconduct risks within the procurement process, such as fictitious orders, and implemented corrective actions for processes where such risks were confirmed.</p>
Sep. 2024	<p>[Establishment of a business partner reporting system] We established the Business Partner Hotline as a system to receive reports from business partners.</p>
Nov. 2024	<p>[Establishment of the Corporate Defense Business Management Division at Head Office] We integrated management of defense business-related information to strengthen governance, compliance, and security frameworks.</p>
Dec. 2024	<p>[Simultaneous group-wide investigation into testing and inspection processes] We conducted an investigation into misconduct risks within inspection processes and took corrective actions. As a permanent measure, we are currently automating inspection processes.</p> <p>[Commencement of data audits] We began to monitor expense reimbursement data for employees across the Group, aiming to deter and quickly detect expense misconduct.</p>
Jan. 2025	<p>[Establishment of Basic Legal and Compliance Policy] We established the Basic Legal and Compliance Policy, which clearly sets forth the compliance-first principle, based on the belief that compliance must take precedence in every situation.</p>
Apr. 2025	<p>[Establishment of Legal & Compliance Division and centralization of audit organizations at Head Office] We enhanced legal functions and strengthened the independence of audit functions from companies, thereby reinforcing our framework for the second and the third lines of defense.</p>
Apr. 2026	<p>[Establishment of Corporate Quality Assurance Management Group at Head Office] We established a structure where quality issues are addressed at a company-wide level, by moving away from the conventional structure in which individual business divisions were mainly responsible for product quality.</p> <p>[Establishment of Organizational Culture Transformation & Compliance Group within the Human Resources Division at Head Office] We established a dedicated group within the Human Resource Division at Head Office to pursue sustained organizational culture transformation. This initiative was based on our recognition that the misconduct was attributable to the organizational culture, where conformity pressure existed within limited environments in departments or workplaces and such a culture led to problems, such as employees being unable to speak up what they want to.</p> <p>* Following the establishment of the Organizational Culture Transformation & Compliance Group, the Legal & Compliance Division was renamed the Legal Division.</p>

(Organizational structure at Head Office as of April 2026 [Excerpt])



Following the misconduct in testing of submarine engines, we were subject to a 2.5-month suspension from nominations by the Acquisition, Technology & Logistics Agency from December 26, 2025. The suspension period ended on March 11, 2026. The investigation by the Special Investigative Committee was completed with the publication of additional investigation findings in December 2025. The KHI Group will continue to work on creating a system that prevents misconduct and strengthening detection capabilities. In addition, centered on the Organizational Culture Transformation & Compliance Group established within the Human Resources Division on April 1, 2026, we will develop a system where employees can raise concerns and issues with a sense of safety and promote various measures that support employees. Through these initiatives, we aim to build an organizational culture where issues can be resolved effectively by employees' collaboration across the boundaries of departments. In this way, we will further accelerate the development of an open organizational culture built on a foundation of trust and dialogue, where everyone feels free to speak up.

(ii) Group Vision 2030

It is now the sixth year since we formulated Group Vision 2030, which outlines the future ideal the Group aims toward 2030, and we are promoting various measures to make it a reality. The Group is strengthening existing businesses, cultivating new businesses as future pillars through promotion of synergies among businesses, and providing new solutions for social issues, thereby pursuing sustainable growth.

(I) Fields that the KHI Group focuses on

Society faces a range of challenges to be addressed, including global environmental issues, the aging society, and labor shortages. In addition, we see the growing interest in national security from the perspectives of disaster preparedness, defense, energy, resources, and food. Given the circumstances, the KHI Group is focusing on the following three fields.

“Creating a Safe and Secure Remotely-Connected Society”

The KHI Group is working on various measures to achieve a society where everyone can live safely and peacefully. In doing so, we leverage our AI technology, remote control, robotics technology, etc. in diverse fields, such as medical and healthcare, nursing care, manufacturing, and industrial infrastructure, with keeping a wide range of scenarios in mind, including changes in working styles, disaster prevention and defense.

For example, our indoor delivery robot FORRO has been introduced in multiple hospitals, such as the NIPPON MEDICAL SCHOOL CHIBA HOKUSOH HOSPITAL. By operating around the clock, FORRO has been contributing to reducing the workload of healthcare professionals. Meanwhile, our humanoid robot Kaleido9, which was presented at the International Robot Exhibition 2025 (iREX2025), is expected to play an active role in not only industrial sites, disaster-affected areas, but also daily life.

“Near-Future Mobility”

Amid the increasing volume of logistics and labor shortages associated with a declining birthrate and aging population, the KHI Group has been proposing new means of transport and movement. This aims to make affluent, smart, and seamless movement possible.

Our unmanned helicopter K-RACER will contribute to strengthening national security in Japan and social infrastructure by undertaking supply transportation in the event of disaster as well as offering a wide range of applications not limited to private demand. Furthermore, we have launched the commercialization of CORLEO, which was exhibited at the EXPO 2025, OSAKA, KANSAI, JAPAN last year. We are currently pushing forward initiatives relating to CORLEO toward the Expo 2030 Riyadh to be held in Saudi Arabia in 2030, to conform to expectations.

In line with AI evolution, there are growing expectations for the utilization of physical AI in a wide range of fields, such as manufacturing, healthcare, and mobility. Considering this trend, the KHI Group has established a physical AI center in San Jose, California, the United States. In San Jose, where global technology companies and cutting-edge technologies gather, we will accelerate the social implementation of physical AI.

“Energy and Environmental Solutions”

Amid the deteriorating conditions in the Middle East, our hydrogen business has become increasingly important in terms of energy security in addition to carbon neutrality demand.

In November 2025, the Company and Japan Suiso Energy, Ltd. commenced construction work for the Kawasaki LH₂ Terminal, a liquefied hydrogen base in

Ogishima, Kawasaki City. Overseas, the Group has been building business partners steadily. This includes the signing of an MOU on the building of a joint binational liquefied hydrogen supply chain with Daimler Truck AG, and Hamburger Hafen und Logistik AG. We will drive steady market growth to achieve the full operation of a hydrogen supply chain in the future.

(II) Scenario for growth

Group Vision 2030 has been progressing steadily in line with its growth scenario. In FY2025, we recorded all-time highs for orders received, sales, and profit. This demonstrates that we have developed a structure where all businesses generate profits. Depending on the business, the business profit ratio has already reached 10%, a target for FY2030. In this way, the probability that we will achieve an 8% business profit ratio companywide by FY2027 is increasing. We will continue to strive for achieving a business profit ratio of over 10% in all businesses.

As part of the system supporting our growth scenario, the KHI Group has been promoting digital transformation (DX) and human resource development. This aims to create added value efficiently and achieve workforce diversity, thereby creating an organization where everyone willingly takes on challenges.

(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.	50.0	2.0	52.0
MUFG Bank, Ltd.	42.6	-	42.6
Sumitomo Mitsui Banking Corporation	22.7	10.0	32.7
Sumitomo Mitsui Trust Bank, Limited	16.1	9.0	25.1
Mizuho Bank Europe N.V.	23.8	-	23.8

(6) Capital Investments, Etc.

In the KHI Group, investments were mainly made in facilities for streamlining production in the Aerospace Systems segment, increasing production capability in the Powersports & Engine segment, and handling the hydrogen business in the Others segment. As a result, the KHI Group spent a total of ¥143.3 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.	33.1
Rolling Stock segment	Facilities for streamlining rolling stock production, etc.	5.8
Energy Solution & Marine Engineering segment	Facilities for streamlining production of industrial machinery, handling the hydrogen business, etc.	16.1
Precision Machinery & Robot segment	Facilities for streamlining production of hydraulic components and industrial robots, etc.	10.8
Powersports & Engine segment	Facilities for increasing powersports production, etc.	42.3
Others segment	Handling the hydrogen business, etc.	35.0
Total		143.3

(7) Material Business Reorganization

- (i) On April 1, 2025, the Company transferred 20% of the issued shares of Kawasaki Motors, Ltd. held by the Company to Kawasaki Motors, Ltd., and Kawasaki Motors, Ltd. allocated 20% of its issued shares to ITOCHU Corporation by way of a third-party allocation.
- (ii) At the Board of Directors meeting held on February 9, 2026, the Company resolved to transfer all shares of EarthTechnica Co., Ltd. (EarthTechnica) held by the Company to Furukawa Co., Ltd. (Furukawa) and executed a share transfer agreement on the same day. Under the share transfer agreement, all shares of EarthTechnica held by the Company will be transferred to Furukawa in two phases. First, 60% of the issued shares of EarthTechnica was transferred on April 1, 2026. The remaining 40% of the issued shares is scheduled to be transferred on April 1, 2027.

(8) Major Parent Companies and Subsidiaries

(i) Parent companies

Not applicable.

(ii) Major subsidiaries

(I) Consolidated subsidiaries

Company name	Location	Capital or capital contribution	Main business	The percentage of voting rights held (%)	Relationship
NIPPI Corporation	Kanazawa-ku, Yokohama	¥6,048 million	Aerospace Systems	100	Sales of its products to the Company Concurrent holding of officer positions
Kawasaki Railcar Manufacturing Co., Ltd.	Hyogo-ku, Kobe	¥9,685 million	Rolling Stock	100	Concurrent holding of officer positions
Kawasaki Rail Car Lincoln, Inc.	Delaware, U.S.A.	USD 0 thousand	Rolling Stock Aerospace Systems	100 [100]	Manufacturing of products of the Company and Kawasaki Railcar Manufacturing Co., Ltd. Concurrent holding of officer positions
Kawasaki Rail Car, Inc.	New York, U.S.A.	USD 60,600 thousand	Rolling Stock	100 [100]	Manufacturing and sales of products of Kawasaki Railcar Manufacturing Co., Ltd.
EarthTechnica Co., Ltd.	Chiyoda-ku, Tokyo	¥1,200 million	Energy Solution & Marine Engineering	100	Concurrent holding of officer positions
Kawasaki Thermal Engineering Co., Ltd.	Kusatsu, Shiga	¥1,460 million	Energy Solution & Marine Engineering	100	Concurrent holding of officer positions
Kawasaki Machine Systems, Ltd.	Kita-ku, Osaka	¥350 million	Energy Solution & Marine Engineering	100	Sales of the Company's products Concurrent holding of officer positions
Wuhan Kawasaki Marine Machinery Co., Ltd.	Wuhan, Hubei, China	¥1,100 million	Energy Solution & Marine Engineering	55	Manufacturing and sales of the Company's products Concurrent holding of officer positions
Kawasaki Precision Machinery (Suzhou) Ltd.	Suzhou, Jiangsu, China	¥3,000 million	Precision Machinery & Robot	100	Concurrent holding of officer positions
Kawasaki Precision Machinery (U.S.A.), Inc.	Michigan, U.S.A.	USD 5,000 thousand	Precision Machinery & Robot	100	Concurrent holding of officer positions
Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd.	Shanghai, China	¥400 million	Precision Machinery & Robot	100	Concurrent holding of officer positions

Company name	Location	Capital or capital contribution	Main business	The percentage of voting rights held (%)	Relationship
Kawasaki Precision Machinery (UK) Ltd.	Plymouth, United Kingdom	GBP 10,000 thousand	Precision Machinery & Robot	100	Concurrent holding of officer positions
Wipro Kawasaki Precision Machinery Private Limited	Bangalore, India	INR 725 million	Precision Machinery & Robot	51	Concurrent holding of officer positions
Flutek, Ltd.	Kyungnam, Korea	KRW 1.3 billion	Precision Machinery & Robot	50.38	Concurrent holding of officer positions
Kawasaki Robotics (Tianjin) Co., Ltd.	TEDA, China	¥200 million	Precision Machinery & Robot	100	Concurrent holding of officer positions
Kawasaki Robotics (Kunshan) Co., Ltd.	Kunshan, Jiangsu, China	¥1,680 million	Precision Machinery & Robot	100	Concurrent holding of officer positions
Kawasaki Robotics (U.S.A.), Inc.	Delaware, U.S.A.	USD 1,000 thousand	Precision Machinery & Robot	100	Sales of the Company's products Concurrent holding of officer positions
Kawasaki Robotics (Thailand) Co., Ltd.	Rayong, Thailand	THB 103 million	Precision Machinery & Robot	100	Sales of the Company's products Concurrent holding of officer positions
Kawasaki Motors, Ltd.	Akashi, Hyogo	¥1,000 million	Powersports & Engine	80	Concurrent holding of officer positions
Kawasaki Motors Corporation Japan	Akashi, Hyogo	¥100 million	Powersports & Engine	100 [100]	Sales of products of Kawasaki Motors, Ltd.
India Kawasaki Motors Pvt. Ltd.	Maharashtra, India	INR 813 million	Powersports & Engine	100 [100]	Manufacturing and sales of products of Kawasaki Motors, Ltd.
Kawasaki Motors Corp., USA	Delaware, U.S.A.	USD 165,900 thousand	Powersports & Engine	100 [100]	Sales of products of Kawasaki Motors, Ltd.
PT. Kawasaki Motor Indonesia	Bekasi, Indonesia	USD 80,000 thousand	Powersports & Engine	90 [90]	Manufacturing and sales of products of Kawasaki Motors, Ltd.
Kawasaki Motores do Brasil Ltda	Sao Paulo, Brasil	BRL 16,742 thousand	Powersports & Engine	100 [100]	Manufacturing and sales of products of Kawasaki Motors, Ltd.
Kawasaki Motors Europe N.V.	Hoofddorp, The Netherlands	EUR 64,093 thousand	Powersports & Engine	100 [100]	Sales of products of Kawasaki Motors, Ltd.
Kawasaki Motors (Phils.) Corporation	Metro Manila, Philippines	PHP 101,430 thousand	Powersports & Engine	50 [50]	Manufacturing and sales of products of Kawasaki Motors, Ltd.
Kawasaki Motors Manufacturing Corp., USA	Nebraska, U.S.A.	USD 170,000 thousand	Powersports & Engine	100 [100]	Manufacturing of products of Kawasaki Motors, Ltd.

Company name	Location	Capital or capital contribution	Main business	The percentage of voting rights held (%)	Relationship
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Rayong, Thailand	THB 1,900 million	Powersports & Engine	100 [100]	Manufacturing and sales of products of Kawasaki Motors, Ltd.
Kawasaki Motores de Mexico S.A. de C.V.	Nuevo Leon, Mexico	USD 183,000 thousand	Powersports & Engine	100 [100]	Manufacturing and sales of products of Kawasaki Motors, Ltd.
Japan Suiso Energy, Ltd.	Minato-ku, Tokyo	¥6,575 million	Others	66.6	Business related to planning and various surveys on the development of hydrogen supply chain Concurrent holding of officer positions
Kawasaki Trading Co., Ltd.	Chuo-ku, Kobe	¥600 million	Others	77.78	Sales of the Company's products, supply of equipment and materials to the Company Concurrent holding of officer positions
Kawasaki Life Corporation	Chuo-ku, Kobe	¥400 million	Others	100	Sales, leasing, and management of real estate, insurance agency services, building management services Concurrent holding of officer positions
80 other companies					

(II) Equity-method associates

Company name	Location	Capital or capital contribution	Main business	The percentage of voting rights held (%)	Relationship
JP Steel Plantech Co.	Kanagawa-ku, Yokohama	¥1,995 million	Energy Solution & Marine Engineering	33	Concurrent holding of officer positions
Anhui Conch Kawasaki Equipment Manufacturing Co., LTD.	Wuhu, Anhui, China	RMB 100,000 thousand	Energy Solution & Marine Engineering	49	Concurrent holding of officer positions
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.	Wuhu, Anhui, China	RMB 100,000 thousand	Energy Solution & Marine Engineering	49	Concurrent holding of officer positions
Anhui Conch Kawasaki Engineering Co., Ltd.	Wuhu, Anhui, China	RMB 348,000 thousand	Energy Solution & Marine Engineering	50	Concurrent holding of officer positions
Shanghai Conch Kawasaki Engineering Co., Ltd.	Shanghai, China	RMB 100,000 thousand	Energy Solution & Marine Engineering	49 [49]	Concurrent holding of officer positions
Medicaroid Corporation	Chuo-ku, Kobe	¥100 million	Precision Machinery & Robot	50	Concurrent holding of officer positions
Nantong COSCO KHI Ship Engineering Co., Ltd.	Nantong, Jiangsu, China	RMB 1,462,200 thousand	Energy Solution & Marine Engineering	50	Concurrent holding of officer positions
Dalian COSCO KHI Ship Engineering Co., Ltd.	Dalian, Liaoning, China	RMB 2,620,000 thousand	Energy Solution & Marine Engineering	49 [15]	Concurrent holding of officer positions
Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd.	Shangyu, Zhejiang, China	¥1,102 million	Precision Machinery & Robot	49	Concurrent holding of officer positions
Eddie KPM Precision Machinery (Suzhou) Ltd.	Suzhou, Jiangsu, China	RMB 300,000 thousand	Precision Machinery & Robot	49	Concurrent holding of officer positions
Motosikal Dan Enjin Nasional Sdn. Bhd.	Selangor Darul Ehsan, Malaysia	MYR 130,000 thousand	Powersports & Engine	30 [30]	
Kawasaki Motors Retail Finance, LLC	California, U.S.A.	USD 140,000 thousand	Powersports & Engine	50	
12 other companies					

- (Notes) 1. The main business indicates the names of segments.
2. Figures in square brackets in the percentage of voting rights held indicate the percentage of indirect ownership.

3. On April 1, 2025, the Company transferred 20% of the issued shares of Kawasaki Motors, Ltd. held by the Company to Kawasaki Motors, Ltd., and Kawasaki Motors, Ltd. allocated 20% of its issued shares to ITOCHU Corporation by way of a third-party allocation.
4. At the Board of Directors meeting held on February 9, 2026, the Company resolved to transfer all shares of EarthTechnica Co., Ltd. (EarthTechnica) held by the Company to Furukawa Co., Ltd. (Furukawa) and executed a share transfer agreement on the same day. Under the share transfer agreement, all shares of EarthTechnica held by the Company will be transferred to Furukawa in two phases. First, 60% of the issued shares of EarthTechnica was transferred on April 1, 2026, and the remaining 40% of the issued shares is scheduled to be transferred on April 1, 2027.

(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.	9,106
Rolling Stock segment	Manufacture and sale of rolling stock, snow removal machinery, etc.	3,661
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.	9,231
Precision Machinery & Robot segment	Manufacture and sale of hydraulic components, industrial robots, etc.	4,149
Powersports & Engine segment	Manufacture and sale of motorcycles, off-road four-wheeled vehicles (SxS, ATV), PWC ("JET SKI®"), general purpose gasoline engines, etc.	11,327
Others segment	Commerce, brokerage and mediation for sale and order reception and administration of welfare facilities, etc.	2,401
Companywide common areas	(Head Office Administration Department, Research & Development Department, etc.)	1,777
Total	-	41,652

- (Notes)
1. Employees total 30,062 people in Japan and 11,590 people overseas.
 2. The Company has 15,361 employees (average age: 41.7 years old; average years of service: 15.3 years).
 3. SxS is an abbreviation for "side by side," and it is a type of multipurpose four-wheeled vehicle. ATV stands for "all-terrain vehicle" and is a type of off-road four-wheeled vehicle. "PWC" stands for "personal watercraft" and is a water scooter.
 4. "JET SKI®" is a registered trademark of Kawasaki Motors, Ltd.

(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

In 2024, misconduct in the Company's submarine repair and marine engine businesses came to light. Additionally in 2025, misconduct incidents related to both businesses was uncovered during the Investigation of Similar Matters. Taking these facts seriously, 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 recurrence, please see page 45 to page 48.

2. Status of Shares (as of March 31, 2026)

(1) Aggregate Number of Issuable Shares	336,000,000 shares
(2) Total Number of Shares Issued	167,921,800 shares (including 48,775 treasury shares)
(3) Number of Shareholders	173,572

(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)	22,794	13.5
Custody Bank of Japan, Ltd. (Trust Account)	13,430	8.0
Nippon Life Insurance Company	5,751	3.4
Kawasaki Heavy Industries, Ltd. Employees Shareholder Association	4,488	2.6
Kawasaki Heavy Industries, Ltd. Kyoueikai	3,569	2.1
STATE STREET BANK AND TRUST COMPANY 505001	3,507	2.0
JPMORGAN CHASE BANK 385781	2,255	1.3
Mizuho Bank, Ltd.	2,239	1.3
HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	2,096	1.2
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	2,026	1.2

(Note) The shareholding ratio is calculated after subtracting treasury shares (48,775 shares).

(5) Other Important Matters Concerning Shares

The Company conducted a 5-for-1 stock split effective April 1, 2026, and changed the aggregate number of issuable shares in (1) above from 336,000,000 shares to 1,680,000,000 shares. As a result, the total number of shares issued in (2) above increased by 671,687,200 shares to 839,609,000 shares.

3. Company Officers (as of March 31, 2026)

(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, Mediaroid 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, ASICS Corporation
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	Atsuko Kakihara	
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
Outside Director, Audit and Supervisory Committee Member	Toshiaki Itagaki	Advisor, CHUGAI PHARMACEUTICAL CO., LTD. Outside Director, Bridgestone Corporation Member of the Board of Directors (Outside Director) (Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd.

- (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. During the fiscal year under review, Outside Director, Audit and Supervisory Committee Member Atsuko Ishii resigned at the conclusion of the 202nd Ordinary General Meeting of Shareholders held on June 26, 2025.
 3. Director, Full-Time Audit and Supervisory Committee Member Nobuhisa Kato passed away on January 22, 2026 and retired at the same date. He had many years of experience with finance, accounting and administration operations at the Company and possessed substantial knowledge about finance and accounting.
 4. 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.

Outside Director, Audit and Supervisory Committee Member Toshiaki Itagaki, who has served many positions including as Head of Finance & Accounting Department and Chief Financial Officer at CHUGAI PHARMACEUTICAL CO., LTD., has substantial knowledge about finance and accounting.

(2) Remuneration for Directors

(Millions of yen)

Position and number	Total amount of remuneration	Total amount of remuneration, etc. by category		
		Monetary reward		Performance-linked stock compensation
		Base remuneration	Performance-linked remuneration	
Directors (excluding Directors serving as Audit and Supervisory Committee Members) 8 persons	618	252	190	175
Directors serving as Audit and Supervisory Committee Members 6 persons	129	129	-	-
Total 14 persons [of which, 8 Outside Directors]	748 [117]	382 [117]	190 [-]	175 [-]

- (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	197 th 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) 	198 th Ordinary General Meeting of Shareholders June 25, 2021	5
Directors serving as Audit and Supervisory Committee Members	Cash	¥150 million per year	200 th Ordinary General Meeting of Shareholders June 28, 2023	5 (including 3 Outside Directors)

- (Note) The Company conducted a 5-for-1 stock split of its common stock effective on April 1, 2026. The above-mentioned maximum number of points (shares) to be granted per fiscal year reflects the number of shares prior to the stock split (as of March 31, 2026).

(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. Partial revisions to remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) have been resolved at the Board of Directors meetings held on May 9, 2024, September 26, 2024, May 21, 2025, and June 26, 2025. 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 "Eligible 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 enterprise 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 enterprise value over the medium to long term. The calculation of remuneration is based on the following details, with the remuneration period set from July to June of the following year. The specific structure is as follows.

(Underlines indicate revisions)

Remuneration from April 2025 to June 2025	Remuneration from July 2025 to March 2026 (provided performance-based points for long-term incentive-based remuneration were granted in June 2025)
<ul style="list-style-type: none"> Short-term incentive-based remuneration <p>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 <u>and</u> the target achievement level of each Eligible Director.</p> <p>The indicator of the consolidated performance of the Group is Profit attributable to owners of parent ("Profit"), and it is set to encourage the</p>	<ul style="list-style-type: none"> Short-term incentive-based remuneration <p>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, the target achievement level of each Eligible Director, <u>and employee engagement indicators</u>.</p> <p>The indicator of the consolidated performance of the Group is Profit attributable to owners of parent ("Profit"), and it is set to encourage the</p>

Remuneration from April 2025 to June 2025	Remuneration from July 2025 to March 2026 (provided performance-based points for long-term incentive-based remuneration were granted in June 2025)																								
<p>steady achievement of performance targets for a single fiscal year and the sharing of value among shareholders. The payment ratio <u>is set forth</u> as follows.</p> <p><u>As part of promoting management conscious of cost of capital and share prices, the KHI Group positions after-tax ROIC as an objective indicator for assessing the status of achievement of our management targets. Profits described in the table below are set based on after-tax ROIC.</u></p> <table border="1" data-bbox="331 779 860 1122"> <thead> <tr> <th>Profit</th> <th>Payment ratio (%)</th> </tr> </thead> <tbody> <tr> <td>Under 0</td> <td>-</td> </tr> <tr> <td>0 to less than ¥25 billion</td> <td>0-45</td> </tr> <tr> <td>¥25 billion to less than <u>¥45 billion</u></td> <td>50-95</td> </tr> <tr> <td><u>¥45 billion</u> to less than <u>¥70 billion</u></td> <td>100-195</td> </tr> <tr> <td><u>¥70 billion</u> or more</td> <td>200 or more</td> </tr> </tbody> </table> <p>The achievement level of the goals of each Eligible Director is determined based on the achievement level of the goals set by each Eligible Director in the previous fiscal year for short-term issues relating to the company as a whole, those in organizations under management of the Director, as well as tasks in charge.</p> <p>The proportions of the base remuneration and short-term incentive-based remuneration are set at <u>60%:40%</u> when the recipient's achievement of the goals is at a standard level.</p>	Profit	Payment ratio (%)	Under 0	-	0 to less than ¥25 billion	0-45	¥25 billion to less than <u>¥45 billion</u>	50-95	<u>¥45 billion</u> to less than <u>¥70 billion</u>	100-195	<u>¥70 billion</u> or more	200 or more	<p>steady achievement of performance targets for a single fiscal year and the sharing of value among shareholders, <u>and set based on the weighted average cost of capital ("WACC") to maintain an awareness of capital efficiency.</u> The payment ratio is as follows.</p> <table border="1" data-bbox="884 779 1406 1249"> <thead> <tr> <th>Profit</th> <th>Payment ratio (%)</th> </tr> </thead> <tbody> <tr> <td>Under 0</td> <td>-</td> </tr> <tr> <td>0 to less than ¥25 billion</td> <td>0-45</td> </tr> <tr> <td>¥25 billion to <u>profit less than WACC equivalent</u></td> <td>50-95</td> </tr> <tr> <td><u>WACC equivalent profit to profit less than WACC + 3% equivalent</u></td> <td>100-195</td> </tr> <tr> <td><u>Profit at least WACC + 3% equivalent</u></td> <td>200 or more</td> </tr> </tbody> </table> <p>The achievement level of the goals of each Eligible Director is determined based on the achievement level of the goals set by each Eligible Director in the previous fiscal year for short-term issues relating to the company as a whole, those in organizations under management of the Director, as well as tasks in charge.</p> <p><u>For employee engagement indicators, the payment ratio is determined according to the ratio of employees who give high scores to both "Engagement (job satisfaction)" and "Enablement (productive work environment)" in the Employee Engagement Survey, with the objective of encouraging even greater levels of performance among the personnel working at the Company.</u></p> <p>The proportions of the base remuneration and short-term incentive-based remuneration are set at <u>50%:50%</u> when the recipient's achievement of the goals is at a standard level.</p>	Profit	Payment ratio (%)	Under 0	-	0 to less than ¥25 billion	0-45	¥25 billion to <u>profit less than WACC equivalent</u>	50-95	<u>WACC equivalent profit to profit less than WACC + 3% equivalent</u>	100-195	<u>Profit at least WACC + 3% equivalent</u>	200 or more
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<p style="text-align: center;">Remuneration from April 2025 to June 2025</p>	<p style="text-align: center;">Remuneration from July 2025 to March 2026 (provided performance-based points for long-term incentive-based remuneration were granted in June 2025)</p>
<p>• Long-term incentive-based remuneration</p> <p>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 Eligible Director (performance points), and provide cash benefits equivalent to the amount of the share exchange value of the Company.</p> <p>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.</p> <p>For the performance points, shares are granted based on the achievement level of the goals of each Eligible Director to work as an incentive to improve enterprise value over the medium to long term. The achievement level of the goals of each Eligible Director is determined based on the achievement level of the goals set by each Eligible Director in the previous fiscal year for medium- to long-term issues relating to the company as a whole, those in organizations under management of the Director, as well as tasks in charge.</p> <p>The proportions of fixed points and performance points are set at <u>50%:50%</u> when the recipient's achievement is at a standard level.</p> <p>For long-term incentive-based remuneration, points granted may be revoked in whole or in part by resolution of the Board of Directors, in given</p>	<p>• Long-term incentive-based remuneration</p> <p>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 Eligible Director, <u>ESG indicators (CO₂ reductions and third-party evaluations), and share price metric</u> (performance points), and provide cash benefits equivalent to the amount of the share exchange value of the Company.</p> <p>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.</p> <p>For the performance points, shares are granted based on the achievement level of the goals of each Eligible Director, <u>ESG indicators, and share price metric</u> to work as an incentive to improve enterprise value over the medium to long term. The achievement level of the goals of each Eligible Director is determined based on the achievement level of the goals set by each Eligible Director in the previous fiscal year for medium- to long-term issues relating to the company as a whole, those in organizations under management of the Director, as well as tasks in charge.</p> <p><u>For ESG indicators, evaluations are conducted based on the degree of achievement of CO₂ reduction targets through the Company's business activities and solution offerings, with the payment ratio determined in conjunction with third-party evaluations (Dow Jones Best-in-Class Index*), to encourage overall ESG-related initiatives, including those for the reduction of CO₂. For share price metric, the payment ratio is established based on the degree of achievement of share price targets, to reinforce awareness regarding improvement of enterprise value.</u></p> <p>The proportions of fixed points and performance points are set at <u>30%:70%</u> when the recipient's achievement is at a standard level.</p> <p>For long-term incentive-based remuneration, points granted may be revoked in whole or in part by resolution of the Board of Directors, in given</p>

Remuneration from April 2025 to June 2025	Remuneration from July 2025 to March 2026 (provided performance-based points for long-term incentive-based remuneration were granted in June 2025)
<p>circumstances such as when an Eligible Director is dismissed or resigns due to causing damage to the Company.</p> <p>The overall remuneration ratio comprising the base remuneration, short-term incentive-based remuneration, and long-term incentive-based remuneration is set to be <u>approximately "50%:30%:20%," calculated based on the share price levels at around May 20, 2021, the date of the Board of Directors meeting that resolved the revisions to the compensation plan</u>, when the consolidated performance of the Group for the previous fiscal year achieves the target level and the individual targets set by each Eligible Director for the previous fiscal year are achieved 100%.</p>	<p>circumstances such as when an Eligible Director is dismissed or resigns due to causing damage to the Company.</p> <p>The overall remuneration ratio comprising the base remuneration, short-term incentive-based remuneration, and long-term incentive-based remuneration is approximately <u>"35%:35%:30%"</u> when the consolidated performance of the Group and each indicator in the previous fiscal year achieve the target level and the individual targets set by each Eligible Director for the previous fiscal year are achieved 100%.</p> <p>* Stock index related to sustainability published by S&P Global Inc.</p>

The individual targets set by each Eligible Director are to include targets on non-financial indicators in addition to key financial indicators.

Performance-linked compensation is based on performance for FY2024. Profit related to performance-linked compensation for this term was ¥88.0 billion.

* At the Board of Directors meeting held on September 29, 2025, the compensation plan for Eligible Directors was revised as follows (effective from July 2026 onward).

- 1) To enhance profitability, the indicator for the Group's consolidated performance for the short-term incentive-based remuneration will be switched from profit to profit margin.
- 2) To strengthen cash generation capacity, free cash flow will be introduced as a new indicator for the short-term incentive-based remuneration.

(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.

In November 2025, the Company introduced a remuneration clawback system for officers to further strengthen compliance and corporate governance. Under this system, the Company may require the return of paid remuneration based on the resolution of the Board of Directors, in the event that significant violations of laws and regulations are identified, or errors are discovered in financial figures used as the basis for calculating performance-linked remuneration. Remuneration subject to clawback is base remuneration in the event of significant violations of laws and regulations. For errors in financial figures used for calculating performance-linked remuneration, remuneration subject to clawback is short-term incentive-based remuneration and long-term incentive-based remuneration. Furthermore, the remuneration clawback system applies to Outside Directors and Directors serving as Audit and Supervisory Committee Members as well, in cases of significant violation of laws and regulations.

(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 12 times in FY2025. 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

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 31 of the Company's Articles of Incorporation, the Company has concluded an agreement with Directors serving as Audit and Supervisory Committee Members and Outside Directors not serving as Audit and Supervisory Committee Members to limit their liability to ¥10 million, or the amount specified by laws and regulations (an amount equivalent to two years' worth of Director remuneration), 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 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 Ms. Atsuko Kakihara as a Full-Time Audit and Supervisory Committee Member. Mr. Nobuhisa Kato, who served as Full-Time Audit and Supervisory Committee Member, passed away on January 22, 2026 and retired on the same date.

(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	16/17 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	17/17 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 engaging in discussions on revisions to the remuneration and evaluation systems for officers and the succession plan.
Katsuhiko Yoshida	17/17 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	17/17 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.
Susumu Tsukui	17/17 meetings	16/16 meetings	He has provided comments 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 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. Furthermore, 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.
Tomoko Amaya	17/17 meetings	16/16 meetings	She has provided comments 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 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.
Toshiaki Itagaki	14/14 meetings	10/10 meetings	He has provided comments 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 marketing, finance and accounting, IT, and digital fields. 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.

(Note) The status of attendance at the Board of Directors meetings and Audit and Supervisory Committee for Outside Director and Audit and Supervisory Committee Member Mr. Toshiaki Itagaki is based on his attendance records after he assumed the office of Audit and Supervisory Committee Member on June 26, 2025.

(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

After the discovery of misconduct in the submarine repair and marine engine businesses in 2024, we have established a Special Compliance Promotion Committee composed of the business execution side and have been committed to taking recurrence prevention measures. Directors Tsukui and Amaya participated in the Special Compliance Promotion Committee as observers and

provided advice on recommended recurrence prevention measures. Moreover, all Outside Directors in office have been fulfilling their responsibilities appropriately, by providing comments and recommendations on the prevention measures at the Board of Directors meetings and disclosing the Company's approach to compliance mainly through the integrated report (the Kawasaki Report).

In addition, Director Tsukui participated in the Special Investigative Committee composed of outside experts as an observer and provided comments and advice on the matter to the Company from an independent perspective.

(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.
	Outside Director, ASICS Corporation
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.
Tomoko Amaya	Outside Director, Audit and Supervisory Committee Member, East Japan Railway Company
Toshiaki Itagaki	Advisor, CHUGAI PHARMACEUTICAL CO., LTD.
	Outside Director, Bridgestone Corporation
	Member of the Board of Directors (Outside Director) (Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd.

(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.

Messages from Outside Directors

Jenifer Rogers

I believe it is essential for the Board of Directors to continue to enhance and advance compliance, reflecting on the misconduct uncovered in 2024. Despite ongoing initiatives to review organizational structures, aiming to entrench recurrence prevention measures and an integrity-based compliance culture in the organization, I recognize that there is still room for further improvement. It is imperative for us to pursue initiatives by referencing best practices and to evaluate progress objectively by strengthening internal expertise and using external experts. To achieve a business profit ratio of over 10% under Group Vision 2030, the Company must demonstrate concrete achievements to shareholders through well-disciplined investments and innovations including hydrogen, while grasping the increasingly complex global environment and identifying geopolitical risks accurately.

Hideo Tsujimura

The KHI Group has been making steady progress in achieving Group Vision 2030. The Group has been not only striving to strengthen existing businesses, but also taking on the challenge of creating new businesses actively. As a result of these initiatives, new business opportunities are emerging one after another. The areas where the KHI Group can demonstrate its strengths are increasingly expanding, including contributions to the security of energy, food, and resources, national resilience, as well as disaster prevention and defense. Based on these developments, I have strong confidence in the Group's further growth. Additionally, I see an open organizational culture based on relationship of trust has been fostered through group-wide concerted efforts for reforming organizational culture and awareness. I believe KHI is a company full of integrity and a spirit of challenge. I will dedicate myself to ensuring that the Group becomes an organization that is trusted by society even more.

Katsuhiko Yoshida

In an era of rapid change, enhancing governance with a focus on compliance is essential for the Group's continuous growth.

To this end, I believe that cultivating an open and transparent workplace environment is vital to drive new ideas and encourage new challenges.

Currently, I see the Group's overall momentum is increasing—internal collaboration is advancing and the Group is becoming more open to the outside world, including a co-creation hub, KAWARUBA. Technological capabilities, human resources, and AI utilization are key for further growth.

I will strive to contribute to the realization of Group Vision 2030, while ensuring flexible evolution in line with a changing society.

Melanie Brock

Currently, society surrounding us is changing at a speed we have never experienced before, and there are various challenges we must tackle, such as changes in market structure, technological innovation, geopolitical risks, and diversifying values among next generations. To achieve Group Vision 2030 in such an era, it is essential for each and every member of the management and employees to embrace changes without fear and to further enhance resilience (flexibility) that transform challenges into power.

Simply providing excellent products and services is insufficient to achieve sustainable growth not only in Japan but also in the global markets and to meet the expectations of society and customers. What the Group aims for, what value the Group delivers to society, and why the Group takes on these challenges—communicating this story clearly and powerfully is of utmost importance.

Susumu Tsukui

FY2025 was a year we saw a steady progress in overcoming the aftermath of the misconduct incident and regaining trust. In the process, bitter lessons were transformed into a power for the future, and group governance was further strengthened. Strict adherence to compliance enhanced the self-respect of each employee possessing a high level of technical expertise and brought out their capabilities, which led to a positive cycle of improved performance and resulted in a record-high profit. Beyond these achievements is Group Vision 2030. To speed up sustainable growth by providing solutions for social issues, the Group must powerfully drive an ambidextrous management strategy, through the combination of deepening existing businesses including mobility (ships, aircraft, etc.) and cultivating new growth areas including hydrogen and physical AI. Keeping this in mind, I will be committed to fulfilling my duties in oversight, advice, and consultation as an Outside Director.

Tomoko Amaya

During the past year, the KHI Group tackled the recurrence prevention measures sincerely, aiming to enhance compliance and governance systems at a group-wide scale, and made considerable progress. Continuous efforts on the prevention measures are of vital importance, particularly for reforming organizational culture and awareness, as it takes a long time to inculcate them in an organization. The establishment of the Organizational Culture Transformation & Compliance Group demonstrated the Company's strong commitment to these efforts. There was also progress in the business front. In addition to strengthening existing businesses, various new businesses such as the realization of and transition to a hydrogen-based society and social robots are moving to the stage of practical application and commercialization, aiming to achieve Group Vision 2030. I will devote myself to ensuring that the KHI Group becomes an organization that earns high expectations and trust from society, by fostering sound and vigorous organizational culture where employees can perform at their full potential.

Toshiaki Itagaki

During the past year, I carefully observed the materialization and implementation of recurrence prevention measures on misconduct that was discovered prior to my appointment, based on analysis by the Special Investigative Committee. There has been steady progress in initiatives integrating “creating systems that prevent misconduct,” “strengthening misconduct detection,” and “reforming our organizational culture and awareness.” I believe, however, continuous verification of their effectiveness is essential to ensure that these initiatives are truly embedded in the organization. On the other hand, the Group’s businesses are on the growth track benefiting from strong demand, while upfront investments in the hydrogen and robot areas are steadily bearing fruit as pillars for the future growth. While seeing solid progress in achieving Group Vision 2030, I have high expectations for the Group’s future breakthroughs. As an Outside Director, I will strictly oversee the balance between the advancement of governance and the execution of growth strategy, thereby contributing to the enhancement of enterprise value.

Consolidated Statement of Financial Position

(As of March 31, 2026)

(Unit: Millions of yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and cash equivalents	115,414	Trade and other payables	665,365
Trade and other receivables	880,387	Bonds, borrowings and other financial liabilities	502,673
Contract assets	199,776	Income taxes payable	18,596
Inventories	822,169	Contract liabilities	386,895
Income taxes receivable	1,920	Provisions	32,723
Other financial assets	16,951	Refund liabilities	83,368
Other current assets	201,354	Other current liabilities	255,262
Subtotal	2,237,974	Subtotal	1,944,884
Assets held for sale	18,065	Liabilities directly associated with assets held for sale	9,180
Total current assets	2,256,039	Total current liabilities	1,954,064
Non-current assets		Non-current liabilities	
Property, plant and equipment	542,937	Bonds, borrowings and other financial liabilities	358,516
Intangible assets	82,519	Retirement benefit liability	50,600
Right-of-use assets	67,931	Provisions	1,043
Investments accounted for using equity method	141,343	Deferred tax liabilities	361
Other financial assets	79,018	Other non-current liabilities	11,541
Deferred tax assets	119,475	Total non-current liabilities	422,064
Other non-current assets	35,358	Total liabilities	2,376,129
Total non-current assets	1,068,584	(Equity)	
		Share capital	104,484
		Capital surplus	107,584
		Retained earnings	580,816
		Treasury shares	(3,912)
		Other components of equity	89,111
		Other comprehensive income associated with assets held for sale	37
		Total equity attributable to owners of parent	878,121
		Non-controlling interests	70,372
		Total equity	948,494
Total assets	3,324,623	Total liabilities and equity	3,324,623

Consolidated Statement of Profit or Loss

(April 1, 2025 - March 31, 2026)

(Unit: Millions of yen)

Description	Amount
Revenue	2,311,267
Cost of sales	1,856,349
Gross profit	454,917
Selling, general and administrative expenses	328,759
Share of profit of investments accounted for using equity method	24,141
Other income	6,435
Other expenses	11,631
Business profit	145,103
Finance income	21,698
Finance costs	21,272
Profit before tax	145,530
Income tax expense	30,602
Profit	114,927
Profit attributable to	
Owners of parent	108,157
Non-controlling interests	6,769

Non-consolidated Balance Sheet

(As of March 31, 2026)

(Unit: Millions of yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	1,372,589	Current liabilities	1,201,296
Cash and deposits	70,055	Electronically recorded obligations - operating	182,290
Electronically recorded monetary claims - operating	7,635	Accounts payable - trade	213,305
Accounts receivable - trade	333,682	Short-term borrowings	168,883
Contract assets	132,254	Accounts payable - other	82,050
Raw materials and supplies	162,427	Accrued expenses	94,978
Work in process	328,089	Income taxes payable	7,672
Advance payments - trade	159,589	Contract liabilities	297,592
Prepaid expenses	5,398	Provision for bonuses	31,421
Short-term loans receivable	108,464	Provision for construction warranties	7,944
Other	66,317	Provision for loss on construction contracts	256
Allowance for doubtful accounts	(1,324)	Lease liabilities	669
		Refund liabilities	44,177
		Other	70,054
Non-current assets	577,919	Non-current liabilities	366,508
Property, plant and equipment	275,819	Bonds payable	89,000
Buildings	104,189	Long-term borrowings	195,500
Structures	19,184	Lease liabilities	5,296
Docks and building berths	1,964	Provision for retirement benefits	62,168
Machinery and equipment	82,081	Provision for loss on guarantees	6,761
Vessels	26	Other	7,783
Aircraft	32		
Vehicles	1,077	Total liabilities	1,567,805
Tools, furniture and fixtures	31,901	(Net assets)	
Land	20,990	Shareholders' equity	381,912
Leased assets	5,522	Share capital	104,484
Construction in progress	8,848	Capital surplus	54,128
Intangible assets	24,711	Legal capital surplus	54,126
Software	12,972	Other capital surplus	1
Other	11,738	Retained earnings	227,212
Investments and other assets	277,388	Other retained earnings	227,212
Investment securities	16,490	Reserve for tax purpose reduction entry of non-current assets	4,209
Shares of subsidiaries and associates	65,284	Retained earnings brought forward	223,003
Investments in capital of subsidiaries and associates	38,997	Treasury shares	(3,912)
Distressed receivables	1,434	Valuation and translation adjustments	790
Deferred tax assets	97,220	Valuation difference on available-for-sale securities	3,678
Other	59,514	Deferred gains or losses on hedges	(2,888)
Allowance for doubtful accounts	(1,552)	Total net assets	382,703
Total assets	1,950,508	Total liabilities and net assets	1,950,508

Non-consolidated Statement of Profit and Loss

(April 1, 2025 - March 31, 2026)

(Unit: Millions of yen)

Description	Amount	
Net sales		1,126,155
Cost of sales		935,501
Gross profit		190,653
Selling, general and administrative expenses		129,815
Operating profit		60,838
Non-operating income		
Interest income	1,401	
Dividend income	28,007	
Other	5,531	34,941
Non-operating expenses		
Interest expenses	3,620	
Loss on retirement of non-current assets	2,680	
Other	10,845	17,146
Ordinary profit		78,632
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	77,480	77,480
Profit before income taxes		156,112
Income taxes - current	11,275	
Income taxes - deferred	6,004	17,279
Profit		138,832

Audit Report
(English Translation)

The Audit and Supervisory Committee has conducted an audit concerning the performance of duties by the Directors for the 203rd fiscal year from April 1, 2025 to March 31, 2026, 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 AZSA 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 in the submarine repair business and the marine engine business, the Special Compliance Promotion Committee chaired by the President has been implementing recurrence prevention measures. These measures have been advanced to strengthen compliance and governance systems across the Group, considering recommendations from the Special Investigative Committee composed of outside experts. The Audit and Supervisory Committee has 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, 2026

Audit and Supervisory Committee, Kawasaki Heavy Industries, Ltd.

Full-Time Audit and Supervisory Committee Member	Atsuko Kakihara
Audit and Supervisory Committee Member	Susumu Tsukui
Audit and Supervisory Committee Member	Tomoko Amaya
Audit and Supervisory Committee Member	Toshiaki Itagaki

(Notes) 1. Audit and Supervisory Committee Members Susumu Tsukui, Tomoko Amaya, and Toshiaki Itagaki are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.
2. As Full-Time Audit and Supervisory Committee Member Nobuhisa Kato passed away and retired on January 22, 2026, he has not signed this audit report.