

These documents have been translated from Japanese originals for reference purposes only. In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

(Securities Code: 7012)

June 5, 2018

**Dear Shareholders:**

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

## **NOTICE OF THE 195<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 195<sup>th</sup> Ordinary General Meeting of Shareholders of Kawasaki Heavy Industries, Ltd. (the "Company" or "KHI"). The meeting will be held as described below.

**If you are unable to attend on the day of the meeting, we kindly ask you to review the "Reference Documents for the General Meeting of Shareholders" (described hereinafter), and exercise your voting right in writing or via the Internet, etc., by 5:00 p.m. on Tuesday, June 26, 2018 (JST).**

- 1. Date and Time:** Wednesday, June 27, 2018 at 10:00 a.m. (JST) (Door opens at 9 a.m.)
- 2. Place:** Kokusai Hall at The Kobe International House  
1-6 Gokoudori 8-chome, Chuo-ku, Kobe

**3. Meeting Agenda:**

**Matters to be reported:**

1. The Business Report, Consolidated Financial Statements for the Company's 195<sup>th</sup> Fiscal Year (from April 1, 2017 to March 31, 2018) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
2. Non-Consolidated Financial Statements for the Company's 195<sup>th</sup> Fiscal Year (from April 1, 2017 to March 31, 2018)

**Matters to be resolved:**

**Proposal No. 1:** Appropriation of Surplus

**Proposal No. 2:** Election of Twelve Directors

**Proposal No. 3:** Election of One Corporate Auditor

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

**4. Other matters regarding procedures of the General Meeting of Shareholders:**  
(1) Concerning web disclosure

---

Exercise of Voting Rights in Writing

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

Exercise of Voting Rights via the Internet, etc.

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

Notes:

## **Reference Documents for the General Meeting of Shareholders**

### **Proposals and References**

#### **Proposal No. 1: Appropriation of Surplus**

## Proposal No. 2: Election of Twelve Directors

The terms of office of all twelve Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we propose to elect twelve Directors (eight Directors to be reappointed (including one Outside Director) and four Directors to be newly appointed (including two Outside Directors)) to establish corporate governance at a higher level and further improve the enterprise value. Candidates for Directors were nominated by the Board of Directors in accordance with "Qualifications Expected of Directors," which is described on page 19. The Company has obtained a report to the effect that this nomination is appropriate from the Nomination Advisory Committee, which consists mainly of independent outside officers.

The candidates for Directors are as follows:

No.		Name	Duties, Significant concurrent positions etc.
1	Reappointed	Shigeru Murayama	
2	Reappointed	Yoshinori Kanehana	Chief Executive Officer
3	Reappointed		

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
		Apr. 1974    Joined Kawasaki Heavy Industries, Ltd.	

(Reappointed)

1    Shigeru Murayama  
      (February 27,  
      1950)

19,200  
shares

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
2	(Reappointed)  Yoshinori Kanehana (February 19, 1954)	<p>Apr. 1976    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2012    Senior Vice President General Manager, Marketing Division</p> <p>Jun. 2013    Senior Vice President President, Rolling Stock Company</p> <p>Apr. 2016    Senior Executive Vice President Assistant to the President</p> <p>Jun. 2016    President</p> <p>Apr. 2018    President and Chief Executive Officer (current position)</p> <hr/> <p><b>Reasons for nomination as candidate for Director</b> Mr. Kanehana has been mainly engaged in business related to technology and development of the rolling stock segment of the Company and its overseas business for many years. He assumed the office of its Senior Vice President in 2012 and its Senior Executive Vice President in April 2016. He has served as its President since June 2016. Presently, as President and Chief Executive Officer, he has been demonstrating outstanding leadership, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him again as a candidate for Director.</p>	12,600 shares

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
3	(Reappointed) Munenori Ishikawa (February 26, 1953)	<p>Apr. 1975    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2013    Executive Officer Vice President, Aerospace Company</p> <p>Jun. 2013    Managing Executive Officer President, Aerospace Company</p> <p>Jun. 2014    Senior Vice President President, Aerospace Company</p> <p>Apr. 2016    Senior Executive Vice President Assistant to the President, in charge of Production and Procurement Department and in charge of Aerospace Company</p> <p>Apr. 2017    Senior Executive Vice President Assistant to the President, in charge of Technology, Production, Sales and Procurement Department</p> <p>Apr. 2018    Director</p> <p>May 2018    Director, Vice President and Senior Executive Officer Assistant to the President, with overall responsibility for technology, production and procurement, and, in charge of Quality Control and Rolling Stock Company (current position)</p> <p><b>Reasons for nomination as candidate for Director</b> Mr. Ishikawa has been mainly engaged in business related to technology, development and production of the aerospace segment of the Company for many years. He was appointed as its Senior Vice President in 2014 and has served as its Senior Executive Vice President since 2016. Presently, as Director, Vice President and Senior Executive Officer, he has an overall responsibility for technology, production and procurement, while also being in charge of Quality Control and Rolling Stock Company, making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and nominated him again as a candidate for Director.</p>	8,800 shares



No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
		Apr. 1978    Joined Kawasaki Heavy Industries, Ltd. Apr. 2013    Executive Officer General Manager, Planning & Control Division of	

4	(Reappointed) Kenji Tomida (August 7, 1955)	7,100 shares
---	---	-----------------



No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
		<p>Apr. 1973    Joined Bank of Japan</p> <p>Apr. 2000    Resigned Bank of Japan</p> <p>Apr. 2000    Executive Director, Osaka Securities Exchange</p> <p>Apr. 2001    Executive Director (Member of the Board), Osaka Securities Exchange Co., Ltd.</p> <p>Dec. 2003    President &amp; CEO (Member of the Board), Osaka Securities Exchange Co., Ltd.</p> <p>Jan. 2013    Director &amp; Representative Executive Officer, Group COO, Japan Exchange Group, Inc. Director, Tokyo Stock Exchange, Inc.</p>	

Jun. 2015    Resigned Director & Representative Executive  
Officer, Group COO of Japan Ev2 670.3 Tm.4Tc-.0eh4.3(ge8( 670.3)3.4(ou1

7	<p>(Reappointed) (Outside Director Candidate) (Independent Officer)</p> <p>Michio Yoneda (June 14, 1949)</p>	200 shares
---	--	---------------

No.            Name

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
9	(Newly-appointed)  Sukeyuki Namiki (June 6, 1955)	<p>Apr. 1980    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2009    Staff officer to Engineering Division, Aerospace Company (In charge of P-X, C-X Project)</p> <p>Apr. 2014    Staff officer to Aerospace Company (In charge of Next-Generation Wide-Body Project Promotion Department)</p> <p>Apr. 2015    Executive Officer Vice President, Aerospace Company</p> <p>Apr. 2016    Managing Executive Officer President, Aerospace Company</p> <p>Apr. 2018    Managing Executive Officer President, Aerospace Systems Company, with overall responsibility for production</p> <p>May 2018    Managing Executive Officer President, Aerospace Systems Company (current position)</p> <p><b>Reasons for nomination as candidate for Director</b> Mr. Namiki has been mainly engaged in businesses related to technology and developing the aerospace segment of the Company for many years. He was appointed Executive Officer of the Company in 2015 and Managing Executive Officer of the Company in 2016. Presently, as Managing Executive Officer and President of Aerospace Systems Company, he has demonstrated outstanding leadership, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and newly nominated him as a candidate for Director.</p>	3,900 shares

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
10	(Newly-appointed)  Yasuhiko Hashimoto (May 15, 1957)	<p>Apr. 1981    Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2013    Executive Officer General Manager, Robot Business Division, Precision Machinery Company</p> <p>Apr. 2016    Managing Executive Officer In charge of promoting automation, General Manager, Robot Business Division, Precision Machinery Company</p> <p>Apr. 2018    Managing Executive Officer President, Precision Machinery &amp; Robot Company, in charge of promoting automation (current position)</p> <p><b>Reasons for nomination as candidate for Director</b> Mr. Hashimoto has been mainly engaged in businesses related to technology and developing of the industrial robots business unit of the Company for many years. He was appointed Executive Officer of the Company in 2013 and has served as Managing Executive Officer of the Company since 2016. Presently, as Managing Executive Officer and President of Precision Machinery &amp; Robot Company, he has demonstrated outstanding leadership, while also having overall responsibility for promoting companywide automation, thereby making a significant contribution to the Company's business growth and enhancing its enterprise value. Considering these points, we have determined that he is suitable for a Director and newly nominated him as a candidate for Director.</p>	2,700 shares

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
11	(Newly-appointed) (Outside Director Candidate) (Independent Officer)  Yoshiaki Tamura (October 3, 1954)	<p>Apr. 1979    Joined Asahi Glass Co., Ltd.</p> <p>Mar. 2013    Representative Director and Executive Vice President, Asahi Glass Co., Ltd. Overall Business Management, GM of Technology General Division, Deputy Leader of AGC Group Improvement Activities</p> <p>Jan. 2014    President of Glass Company, Asahi Glass Co., Ltd.</p> <p>Mar. 2014    Executive Vice President, President of Glass Company, Asahi Glass Co., Ltd.</p> <p>Jan. 2017    Assistant to CEO, Asahi Glass Co., Ltd.</p> <p>Mar. 2017    Executive Fellow, Asahi Glass Co., Ltd.</p> <p>Mar. 2018    Outside Director, DIC Corporation (current position)</p> <p><b>[Significant concurrent positions]</b> Outside Director, DIC Corporation</p> <p><b>Reasons for nomination as candidate for Director</b> Mr. Tamura served as Representative Director and Executive Vice President, Asahi Glass Co., Ltd., Overall Business Management, GM of Technology General Division, Deputy Leader of AGC Group Improvement Activities and Executive Vice President, President of Glass Company and other important positions. He has extensive experience in cor</p>	0 shares

No.	Name (Date of Birth)	Career Summary, Positions and Duties [Significant concurrent positions]	Number of the Company's shares held
-----	-------------------------	--	---

12	(Newly-appointed) (Outside Director Candidate) (Independent Officer)		
----	--	--	--



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

8. Although Mitsui Co. & Ltd., where Ms. Jenifer Rogers serves as Director, is a business partner

### Proposal No. 3: Election of One Corporate Auditor

The term of office of Corporate Auditor Mr. Takafumi Shibahara will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we propose to elect one Corporate Auditor. Candidate for Corporate Auditor was nominated by the Board of Directors in accordance with "Qualifications Expected of Corporate Auditors," which is described on page 19. 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.

We have obtained the prior consent of the Board of Corporate Auditors on this proposal.

The candidate for Corporate Auditor is as follows:

No.	Name (Date of Birth)	Carrier Summary and Positions [Significant concurrent positions]	Number of the Company's shares held
-----	-------------------------	---	--

(Newly-appointed)

Akio Nekoshima  
(September 30, 1958)

**(Reference)**

**[Qualifications Expected of Directors]**

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

**[Qualifications Expected of Corporate Auditors]**

1. Be able to contribute to ensuring the soundness of the KHI Group's management
2. Have the ability to make fair and appropriate judgment from an independent and objective standpoint
3. Be able to exercise one's authority in an active and positive manner, and properly express one's opinions to the Board of Directors or the management
4. Be familiar with the Company's business and corporate management or have abundant and broad experience, deep insight and expertise
5. At least one Corporate Auditor must have substantial knowledge about finance and accounting

**[Independence Standards for Officers]**

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

1. The Outside Officer presently serves or previously served in the last ten years as a managing director, executive officer, operating officer or other important employee of a company (including major subsidiaries designated by the Company) (hereinafter, the "Home Company") that has a business relationship with the KHI Group, where the average amount of transaction from the said business for the last five fiscal years exceeds 2% of average net sales of the KHI Group and the Home Company.
2. The Outside Officer serves as a specialist or consultant (corporation if it has judicial personality) of legal, accounting or tax affairs and the average remuneration directly received from the KHI Group (excluding remuneration for the Company's officer) for the last five fiscal years exceeds ¥10 million.
3. The Outside Officer serves as executive officer of a non-profit organization andorata9.4(a-6. 3

Attachment:

**Business Report**  
(April 1, 2017 - March 31, 2018)

**1. Overview concerning the Current Situation of Company Group**

Prior to reporting on Business Progress and Results, we would like to sincerely apologize to our shareholders and other stakeholders for causing significant

on sale of fixed asset) and a reduction in the burden of taxes accompanying the recording of deferred tax assets related to losses from a joint operations for the construction of ships in Brazil, while losses on the cancellation of a contract for the construction of offshore service vessels were recorded as an extraordinary loss.

Operating income decreased ¥4.1 billion from the previous fiscal year to ¥20.9 billion, which was mainly attributable to the decreased profitability of component parts for commercial aircraft.

### **Gas Turbine & Machinery segment**

In the Gas Turbine & Machinery segment, orders received were ¥248.1 billion, a decrease of ¥12.2 billion from the previous fiscal year. This was mainly attributable to a decrease in gas engine power plant projects for the domestic market.

Net sales increased ¥24.5 billion from the previous fiscal year to ¥266.4 billion, which was mainly due to increased sales of component parts of commercial aircraft jet engines.

Operating income decreased ¥0.5 billion from the previous fiscal year to ¥14.7 billion, which was primarily attributable to a decrease in profitable projects in the energy business, while sales increased.

### **Plant & Infrastructure segment**

In the Plant & Infrastructure segment, orders received were ¥100.1 billion, an increase of ¥5.0 billion from the previous fiscal year, which was mainly due to

## Precision Machinery segment

( ) Reference

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

(Billions of yen)

Segment	Orders Received		Net Sales		Operating Income/Loss	
	Amount	Year-on-Year Change	Amount	Year-on-Year Change	Amount	Year-on-Year Change
Ship & Offshore Structure	<b>4.7</b>	(32.2)	<b>95.6</b>	(7.5)	<b>(3.8)</b>	17.6
Rolling Stock	<b>257.1</b>	98.5	<b>141.7</b>	4.6	<b>(12.4)</b>	(15.9)
Aerospace	<b>374.4</b>	137.3	<b>330.2</b>	0.2	<b>20.9</b>	(4.1)
Gas Turbine & Machinery	<b>248.1</b>	(12.2)	<b>266.4</b>	24.5	<b>14.7</b>	(0.5)
Plant & Infrastructure	<b>100.1</b>	5.0	<b>124.4</b>	(36.4)	<b>2.9</b>	0.3
Motorcycle & Engine	<b>331.6</b>	18.6	<b>331.6</b>	18.6	<b>15.2</b>	3.5
Precision Machinery	<b>207.1</b>	40.2	<b>198.9</b>	43.7	<b>21.6</b>	8.5
Others	<b>84.8</b>	3.8	<b>85.0</b>	7.6	<b>2.9</b>	(0.2)
Adjustment	<b>-</b>	-	<b>-</b>	-	<b>(6.2)</b>	0.8
Total	<b>1,608.0</b>	259.3	<b>1,574.2</b>	55.4	<b>55.9</b>	9.9





- (5) **Transfer of business from other companies**  
Not applicable.
- (6) **Succession of rights and obligations pertaining to the business of another juridical person, etc., due to absorption-type merger or absorption-type company split**  
Not applicable.
- (7) **Acquisition or disposal of other company's shares or other holdings, or share options, etc.**  
Not applicable.
- (8) **Corporate Management Strategies in the Medium- to Long-Term and Issues to be Addressed**
- (i) **Comprehensive Inspection of Quality Management System**  
We set up the Companywide Quality Management Committee, which consists mainly of outside experts, and are seeking to identify the causes of production defects in the N700 Shinkansen train bogie frames and to develop measures to prevent their recurrence. Besides, we will strive to regain customers' trust by thoroughly inspecting the companywide quality management system.
- (ii) **ROIC Management (improvement of enterprise value)**  
We will make aggressive investments in growth areas (aerospace system, energy, robots, etc.) and, at the same time, make efforts to create synergies through the combined use of our internal technologies, and differentiate ourselves in terms of technologies and products with an eye toward future, thereby strengthening profitability and competitiveness. Besides, we aim to create free cash flows by improving cash flows from operating activities through measures that include improving the conditions on money reception and reducing assets. Furthermore, we will work on measures such as cutting costs and strengthening the global supply chain, and build a business operating system that is unaffected by exchange rate fluctuations in a way that secures a stable ROIC of a minimum of 8% in the medium- to long-term, even with a significant appreciation of the yen.
- (iii) **Strengthen project risk management**  
We will strengthen the risk check function prior to order-reception in an effort to thoroughly remove risks. Besides, in the Project Risk Management Committee, we will identify the progress of on-going projects to prevent losses and respond promptly to situational changes. By strengthening these activities, we will continue to take up the challenge of achieving sustainable growth.
- (iv) **Enhancement of manufacturing and service businesses with the use of information and communications technologies**  
We will continue to use information and communication technologies to visualize production conditions, and in the future, we will strengthen our manufacturing capabilities by enhancing cooperation between factories. In addition, we will establish a high-profit business structure throughout product lifecycles by developing and providing products and services that meet the expanding and diversifying needs of customers, such as motorcycles using artificial intelligence, remote monitoring and fault diagnosis technologies for electric power generation plants, etc.

**(v) Reforms in the way of working and promotion of diversity**

We will raise productivity by pushing ahead with reforms in the way of working, called “Kawasaki Workstyle Innovation Activities (K-Win Activities),” which center around administrative and technical employees to maximize their capabilities. In addition, we will respect for diversity and improve our employees’ work-life balance through the promotion of women’s participation in the work place and the support for child-rearing, etc., and promote the creation of an environment in which people with disabilities find more accessible, as well as the securing of jobs matching their respective abilities.

## (9) Trends in Assets and Income

### (i) Company Group Assets and Income

(Billions of yen)

Item	The 192nd fiscal year	The 193rd fiscal year	The 194th fiscal year	The 195th fiscal year (under review)
Orders received	1,712.9	1,693.6	1,348.7	<b>1,608.0</b>
Net sales	1,486.1	1,541.0	1,518.8	<b>1,574.2</b>
Operating income	87.2	95.9	45.9	<b>55.9</b>
Recurring profit	84.2	93.2	36.6	<b>43.2</b>
Net income attributable to owners of parent	51.6	46.0	26.2	<b>28.9</b>

Net income per share  
(yen)



**ii) Overseas**

Company name (Location)	Capital	The Company's percentage of equity participation	Main business
Kawasaki Motors Corp., U.S.A. (United States)	US\$165 million	100%	Sale of motorcycles, ATVs (all-terrain vehicles), utility vehicles, personal watercraft "JET SKI®" and general-purpose gasoline engines in the U.S. and South and Central America
Kawasaki Motors Manufacturing Corp., U.S.A. (United States)	US\$170 million	100%	Manufacture of ATVs (all-terrain vehicles), utility vehicles, personal watercraft "JET SKI®" and general-purpose gasoline engines; manufacture, servicing and engineering of rolling stock; manufacture of aircraft components



## (12) 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 Gifu Works (Kakamigahara, Gifu), Nagoya Works 1 (Yatomi, Aichi), Nagoya Works 2 (Ama-gun, Aichi), Kobe Works, Hyogo Works, Seishin Works, Plants, etc.





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

Not applicable.

**4. Company Officers**

and KHI Group over the corresponding period. Consequently, we have determined that there is no issue as regards to the independence of Mr. Torizumi and he is therefore suitable for an Independent Officer.

4. Director Joji Iki and Corporate Auditor Nobuyuki Fujikake resigned during the fiscal year under review at the conclusion of the 194th Ordinary General Meeting of Shareholders.
5. Corporate Auditor Katsuyoshi Fukuma, who has many years of experience with administration and accounting operations at the Company, has substantial knowledge about finance and accounting.

**(Reference) Executive Officers (as of May 22, 2018)**

Position	Name	Areas of Responsibility within the Company
President and Chief Executive Officer	Yoshinori Kanehana	Chief Executive Officer
Vice President and Senior Executive Officer	Kenji Tomida	Assistant to the President, with overall responsibility for finance and accounting, and in charge of Head Office Administration Department and Ship & Offshore Structure Company
Vice President and Senior Executive Officer	Munenori Ishikawa	Assistant to the President, with overall responsibility for technology, production and procurement, and, in charge of Quality Control and Rolling Stock Company
Managing Executive Officer	Kazuo Ota	President, Motorcycle & Engine Company
Managing Executive Officer	Tatsuya Watanabe	President, Energy System & Plant Engineering Company
Managing Executive Officer	Katsuya Yamamoto	General Manager, Corporate Planning Division, in charge of Risk Management
Managing Executive Officer	Ikuhiro Narimatsu	In charge of General Administration Department,

Position	Name	Areas of Responsibility within the Company
		charge of Engine Business)
Executive Officer	Ichiro Kono	General Manager, Sakaide Shipyard and Vice President, Ship & Offshore Structure Company
Executive Officer	Akihisa Yamamoto	In charge of Plant Technology Department, staff officer to Energy System & Plant Engineering Company
Executive Officer	Akira Matsufuji	Vice President, Rolling Stock Company
Executive Officer	Hiroshi Nakatani	Deputy General Manager, Corporate Technology Division and General Manager, Technical Institute

Executive Officer

Mitsuufu yS.6(2(l))-318(u)32.2(uo)248(u )0.122.153D-.046 Tc-.0089 Tw[(0c)-5.4

## (2) Remuneration to Directors and Corporate Auditors

(Millions of yen)

	Total amount of remuneration	Total amount of remuneration, etc. by category		
		Basic remuneration	Performance-based remuneration	Stock purchase fund
Directors 13 persons	675	473	134	67
Corporate Auditors 6 persons	103	103	–	–



**(v) Overview of limited liability agreement**

The Company has concluded limited liability agreement with Directors Yoshihiko Morita and Michio Yoneda and Corporate Auditors Takashi Torizumi, Satoru Kohdera and Atsuko Ishii, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by laws and regulations, whichever is higher.

**5. Accounting Auditor**

**(1) Accounting Auditor's Name**

KPMG AZSA LLC

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

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

¥185 million

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

¥240 million

(Notes) 1. The Board of Corporate Auditors verifies the reasonableness of audit plans, audit performance and progress, and estimate and calculation of remuneration regarding its Accounting Auditor in accordance with the "Practical Guidelines for Cooperation with

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

When it is recognized that the Accounting Auditor has engaged in an activity falling



## Consolidated Balance Sheet

(As of March 31, 2018)

(Unit: Millions of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>1,148,322</b>	<b>Current liabilities</b>	<b>869,643</b>
Cash on hand and in banks	70,632	Trade payables	245,398
Trade receivables	470,110	Electronically recorded obligations	117,772
Merchandise and finished products	62,385	Short-term debt and current portion of long-term debt	108,978
Work in process	326,459	Current portion of bonds	20,000
Raw materials and supplies	115,893	Current portion of lease obligations	283
Deferred tax assets	32,546	Income taxes payable	6,042
Other current assets	72,542	Deferred tax liabilities	244
Allowance for doubtful receivables	(2,247)	Accrued bonuses	19,903
		Provision for product warranties	13,000
		Provision for losses on construction contracts	18,258
		Advances from customers	194,306
		Other current liabilities	125,454
<b>Fixed assets</b>	<b>636,705</b>	<b>Long-term liabilities</b>	<b>433,999</b>
Net property, plant and equipment	479,797	Bonds payable	130,000
Buildings and structures, net	186,623	Long-term debt, less current portion	185,685
Machinery and equipment, net	144,399	Lease obligations	1,697
Land	62,694	Deferred tax liabilities	8,942
Leased assets, net	2,199	Liabilities for retirement benefits	86,836
Construction in progress	25,724	Other	20,837
Other, net	58,155		
Intangible assets	16,178	<b>Total liabilities</b>	<b>1,303,642</b>
Investments and other assets	140,730	<b>(Net assets)</b>	
		<b>Shareholders' equity</b>	<b>466,944</b>
		Common stock	104,484
		Capital surplus	54,573
		Retained earnings	308,010
			(124)
			<b>(883)</b>
			3,526
			403
			719
			(5,532)
			<b>15,324</b>
			<b>481,386</b>



## Non-consolidated Balance Sheet

(As of March 31, 2018)

(Unit: Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	

### Current assets

Cash on hand and in banks

Notes receivable-trade



**Audit Report**  
(English Translation)

Regarding the performance of duties by the Directors for the 195th fiscal year from April 1, 2017 to March 31, 2018, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon careful consideration based on the audit report prepared by each Corporate Auditor.

1. Summary of Auditing Methods by the Corporate Auditors and Board of Corporate Auditors

- (1) The Board of Corporate Auditors established auditing policies, audit plans and other relevant matters, and received reports from each Corporate Auditor regarding his/her audits and results thereof, as well as received reports from the Directors, and the Accounting Auditor regarding performance of their duties, and sought explanations as necessary.
- (2) Each Corporate Auditor complied with the auditing standards of the Corporate Auditors established by the Board of Corporate Auditors, followed the auditing policies, audit plans and other relevant matters, communicated with the Directors, internal control development division, Auditing Department (Internal Audit Department) and other employees, and any other relevant personnel, as well as making efforts to prepare the environment for information collection and audit, and conducted the audit by the following methods.
  - (i) Participated in the Board of Directors meetings and other important meetings, received reports from the Directors, Executive Officers, employees and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal business offices.  
As for subsidiaries, each Corporate Auditor communicated and exchanged information with Directors, Corporate Auditors and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.
  - (ii) Received reports from the Directors, employees and other relevant personnel regarding the structure and operation status of the system for ensuring that the performance of duties by the Directors, described in the Business Report, conforms to the related laws and regulations and the Articles of Incorporation,

Company Accounting) has been prepared in accordance with the "Product Quality Management Standards Regarding Audits" (issued by the Business Accounting Deliberation Council (BACD) on October 28, 2005) and other relevant standards, and sought explanations as necessary.

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

## 2. Results of Audit

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

- (i) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company's condition.
- (ii) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
- (iii) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. We have found no matters on which to remark regarding the information contained in this Business Report and the performance of duties by the Directors related to such internal controls system, including internal controls on financial reporting.

As noted in the Business Report, the Company established the Companywide Quality Control Committee and is conducting a comprehensive inspection of its quality management systems in response to the discovery of defects in Shinkansen train bogie frames in 2017. We will continue to closely monitor the status of the Companywide Quality Control Committee's activities and the results of its investigations.

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

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