

May 20, 2021

**Notice of a joint incorporation-type company split (simple split)**  
**with Hitachi Zosen Corporation related to**  
**Kawasaki's Tunnel Boring Machine (TBM) business**

Kawasaki Heavy Industries, Ltd. (hereinafter "Kawasaki") hereby announces that it resolved at a meeting of the Board of Directors held on May 20, 2021 that Kawasaki, along with Hitachi Zosen Corporation (hereinafter "Hitachi Zosen"), will transfer its TBM business (including the design, development, repair and sales of TBMs, civil engineering machines, etc., and their parts; however, excluding manufacturing-related business) to Kawasaki Heavy Industries Hitachi Zosen Tunnel Boring Machine Preparation Co., Ltd. (hereinafter "Preparation Company"), which will be newly established based on a joint incorporation-type company split involving the two companies effective from October 1, 2021.

With this company split, the expected decrease in Kawasaki's total assets will be less than 10% of net assets as of the last day of the previous fiscal year, and the expected decrease in Kawasaki's sales will be less than 3% of sales during the previous fiscal year therefore some of the items and details are omitted from this disclosure.

1. Purpose of this company split

On January 27, 2021, Kawasaki concluded a basic agreement with Hitachi Zosen to start detailed studies towards the establishment of a new company in TBM-related business.

In anticipation of the future market environment, the two companies have been discussing collaboration based on the "spirit of equality" in order to develop their TBM-related business and strengthen its competitiveness. As a result, the two companies have reached a basic agreement to consider establishing a new company that can create new value and meet the needs of a wide range of customers by utilizing and strengthening the advantages of both companies' sales and technological capabilities, a wide variety of product lineups, and supply chains.

The two companies have been holding discussions towards the establishment of the new company in October 2021, centered on the preparatory committee also established on January 27, and decided to adopt a joint incorporation-type company split as the means for doing so.

The new company will complement and strengthen the resources owned by both companies, and will carry out sales and engineering operations. Furthermore, by leveraging the synergies in the sales and technical fields created by the integration, the new company will expand its business in Japan and overseas, and aim to be a company that can contribute to the development of social infrastructure through TBM-related business.

## 2. Overview of this company split

### (1) Summary of this company split

#### [1] Schedule for this company split

Date of resolution of the Board of Directors	May 20, 2021
Date of agreement on the plan for this company split	May 20, 2021
Planned date of implementation (effective date)	October 1, 2021 (planned)

(Note) This company split at Kawasaki and Hitachi Zosen constitutes an incorporation-type company split under Article 805 of the Companies Act and will therefore be implemented without obtaining approval of the shareholders.

(2) Calculation of the share allocation related to this company split

[1] Grounds and reasons for the share allocation

In order to ensure the fairness and validity of the share allocation related to this company split, Kawasaki and Hitachi Zosen selected Deloitte Tohmatsu Financial Advisory LLC as an independent calculation agent and requested the calculation of the value of the subject business including this company split. Kawasaki and Hitachi Zosen took into comprehensive consideration the results of the calculations by the independent calculation agent as well as the circumstances and future prospects of the subject business, and as a result of careful discussions between the two companies regarding the company split, ultimately determined this company split after judging that the “[3] Details of the share allocation related to this split” of “2. Overview of this company split” were valid.

[2] Name of the independent calculation agent and its relationship with Kawasaki and Hitachi Zosen

Deloitte Tohmatsu Financial Advisory LLC, which Kawasaki and Hitachi Zosen asked to calculate the value of the subject business, is not a related party of Kawasaki or Hitachi Zosen and has no material interests that should be stated in connection with this company split.

[3] Overview of calculations

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[7] Total number of

(5) Situation after this company split

The trade name, Head Office address, the title and name of the representative, business description, capital and fiscal year of Kawasaki and Hitachi Zosen will not change due to this company split.

Matters concerning the Preparation Company will be as follows.

[1] Trade name	Kawasaki Heavy Industries Hitachi Zosen Tunnel Boring Machine Preparation Co., Ltd.
[2] Head Office address	Osaka
[3] Title and name of representative	Representative Director and President Masaharu Hirayama
[4] Business description	Tunnel boring machine-related business
[5] Capital	480 million yen
[6] Accounting period	March 31

(6) Future prospects

The impact of this company split on Kawasaki's consolidated results will be minor. We will issue notification promptly if it is determined that there will be a large impact on business results.

End

(Reference) Forecast of consolidated results