



# Kawasaki Report 2022





## Hydrogen World Firsts

In the spring of 2022, Kawasaki and six other companies completed the world's first maritime transport of liquefied hydrogen between Japan and Australia, using a liquefied hydrogen carrier. The successful completion of the pilot project demonstrated the feasibility of establishing an international liquefied hydrogen supply chain.

With over 40 years of cryogenic technology, Kawasaki developed and constructed the world's first liquefied hydrogen carrier *SUIISO FRONTIER* and the world's first liquefied hydrogen cargo handling demonstration terminal "Hy touch Kobe." Going forward, we will accelerate our efforts toward commercialization.

Liquefied hydrogen cargo handling demonstration terminal, Hy touch Kobe



# Hydrogen Road

## The Hydrogen-based Society Is Fast Approaching

Hydrogen can be produced in different ways in different parts of the world and can be stored as energy. With these advantages, hydrogen is growing in significance from the standpoint of energy security, beyond its contribution to carbon neutrality.

Kawasaki is developing and commercializing integrated technology for all stages of the hydrogen supply chain, including liquefied hydrogen carriers, large-scale liquefied hydrogen storage tanks, and gas turbines that generate electricity using 100% hydrogen as fuel.

Kawasaki plans to use its accumulated expertise and advanced technology, in cooperation with other companies, to create a hydrogen-based society.

The liquefied hydrogen carrier *SUIISO FRONTIER* returning to the port in Japan, carrying hydrogen produced in Australia. The *SUIISO FRONTIER* received two awards: "Ship of the Year 2021" Award, presented by the Japan Society of Naval Architects and Ocean Engineers, and the Prime Minister's Award, the top prize among the 51st Japan Industrial Technology Grand Prize presented by Nikkan Kogyo Shimbun.



**ANSWERS**  
Kawasaki's Challenge: Lead the world toward the realization of a hydrogen-based society



**Press Release**  
HySTRA celebrates the completion of the world's first liquefied hydrogen vessel voyage in Japan



## Kawasaki Achieves the World's First Cogeneration System in an Urban Area Using a Gas Turbine Fueled by Pure Hydrogen and Successfully Delivered Heat and Electricity

In 2018 Kawasaki and its partner company installed a cogeneration system on Port Island in Kobe, and achieved the world's first cogeneration system in an urban area using a gas turbine fueled by pure hydrogen and successfully delivered heat and electricity.

Leveraging our proprietary technologies cultivated in the industrial gas turbine field, Kawasaki is developing a line of products that use hydrogen as fuel, including hydrogen gas turbine power generation systems.

The hydrogen-based society is fast approaching.



Demonstration Project of Hydrogen Cogeneration System (Port Island in Kobe city)





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#### Key Points in Kawasaki Report 2022

#### POINT 1

#### What we hope our readers will learn from this report

The Kawasaki Group is taking a new step forward under its Group Vision 2030: Trustworthy Solutions for the Future. The Group aims to transform its organization and culture and achieve sustainable growth through the creation of new value, including in its hydrogen business.

This report presents the current status of the Group, with each Part describing initiatives and progress in line with Group Vision 2030 and with the material issues identified by the Group.

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#### POINT 2

#### A focus on three fields in our Group Vision 2030

Looking ahead to the social issues of the coming decade, we have established a growth scenario around three focal fields. The three fields have been assigned as top-level material issues in terms of Kawasaki's ideal of "social value created through our businesses."

- A Safe and Secure Remotely Connected Society
- Near-Future Mobility
- Energy and Environmental Solutions

### ESG for Value Creation

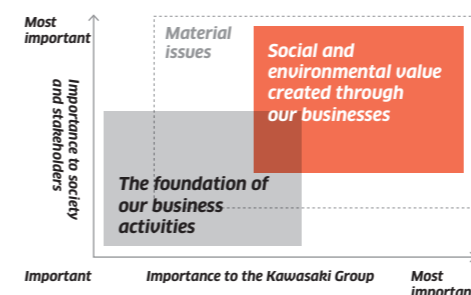
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#### POINT 3

#### Review of material issues constituting the foundation of our business activities

In conjunction with formulating Group Vision 2030, Kawasaki has reviewed what it considers to be material issues. We have identified priority items within each issue constituting the foundation of our business activities and have defined key performance indicators (KPIs).



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#### POINT 4

#### This report and the website provide complementary information

Detailed information and data related to the environment, society, and governance (ESG) are disclosed in a timely manner by updating the website as the information becomes known.



Kawasaki Report <-----> Website

#### Editorial Policy

Since fiscal 2013, the Kawasaki Group has published the Kawasaki Report as an integrated report. The report serves as a tool for communication with stakeholders and includes information about the Group's efforts to create value for society and boost enterprise value; management policies; business environment and strategy, and environmental, social, and governance (ESG) -related content.

More information on many of the topics touched upon in this report can also be found on our website.

**IR information:** <https://global.kawasaki.com/en/corp/ir/>  
**Sustainability information:** <https://global.kawasaki.com/en/corp/sustainability/>

#### Period

This report covers fiscal 2021 (April 1, 2021 to March 31, 2022), but some fiscal 2022 content is also included.

#### Scope

The report covers Kawasaki Heavy Industries, Ltd., its 99 consolidated subsidiaries (43 in Japan and 56 overseas) and 19 equity-method associates. Some data, however, refer to the parent company alone.

#### Frequency of Publication

Annually, in principle  
 Previous edition—October 2021  
 Next edition—September 2023

#### Contact Us

Please make inquiries through the inquiry form on our website.  
<https://global.kawasaki.com/en/corp/profile/contact/>

#### Guidelines

- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- International Financial Reporting Standards (IFRS) International Integrated Reporting Framework
- Ministry of the Environment Environmental Reporting Guidelines (2018 Edition) issued
- Ministry of Economy, Trade and Industry Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0

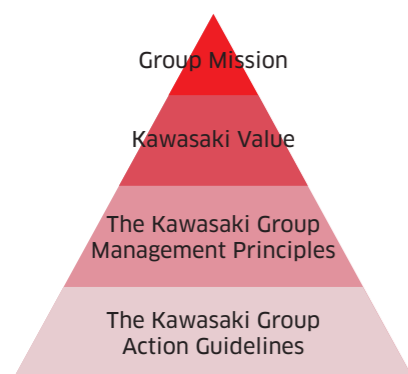


Group Mission (Our role in society)

Kawasaki, working as one for the good of the planet

# “Global Kawasaki”

We are the Kawasaki Group, a global technology leader with diverse integrated strengths. We create new value-for a better environment and a brighter future for generations to come.



### Kawasaki Values (Key values: the basis for strategy and policy planning)

- We respond to our customers' requirements
- We constantly achieve new heights in technology
- We pursue originality and innovation

### The Kawasaki Group Management Principles

(Group management guidelines; principles for management activities)

- 1. Trust** As an integrated technology leader, the Kawasaki Group is committed to providing high-performance products and services of superior safety and quality. By doing so, we will win the trust of our customers and the community.
- 2. Harmonious coexistence** The importance of corporate social responsibility (CSR) permeates all aspects of our business. This stance reflects the Kawasaki Group's corporate ideal of harmonious coexistence with the environment, society as a whole, local communities and individuals.
- 3. People** The Kawasaki Group's corporate culture is built on integrity, vitality, organizational strength and mutual respect for people through all levels of the Group. We nurture a global team for a global era.
- 4. Strategy** Enhance corporate value based on the guiding principles of "selective focusing of resources," "emphasis on quality over quantity," and "risk management."

### The Kawasaki Group Action Guidelines

(Guidelines for carrying out day-to-day business activities)

1. Always look at the bigger picture. Think and act from a long-term, global perspective.
2. Meet difficult challenges head-on. Aim high and never be afraid to try something new.
3. Be driven by your aspirations and goals. Work toward success by always dedicating yourself to your tasks.
4. Earn the trust of the community through high ethical standards and the example you set for others.
5. Keep striving for self-improvement. Act on your own initiative as a confident professional.
6. Be a part of Team Kawasaki. Share your pride and sense of fulfillment in a job well done.

## Kawasaki Group Policy on Sustainability Management

The Kawasaki Group has formulated the Kawasaki Group Policy on Sustainability Management to clarify the position of sustainability in management.

### 1. Fundamental concepts

Guided by the philosophy of founder Shozo Kawasaki, "contributing to the nation—to society—through expertise," for more than 120 years the Kawasaki Group has been constantly taking on leading-edge technological challenges to contribute to social development through the provision of innovative products. Today, we promote the development of solutions and new frameworks toward the future under the Group Mission, "Kawasaki, working as one for the good of the planet," which was built on the above philosophy. Our initiatives to this end range from transitioning to hydrogen energy to advocating for novel workstyles supported by robotic technologies. To realize the Group Mission, this policy hereby clarifies our long-term management approach in furtherance of our simultaneous pursuit of a sustainable society and ongoing improvement in corporate value. This pursuit will be underpinned by our efforts to create and deliver innovative solutions to various social and environmental problems confronting humanity and our planet over the future. In line with this policy, we will identify material issues based on the real-time assessment of the socio-economic environment and formulate management plans backed by well-grounded growth scenarios. Moreover, we will strengthen corporate governance and engage all our stakeholders in dialogue and collaboration to create new economic, social and environmental value.

### 2. Sustainability management policies

#### (1) Taking on the challenge of resolving social issues

We will take on the challenge of delivering innovative solutions to issues society faces in environmental, energy and resource fields, as well as to other problems arising from ongoing societal changes on various fronts, with the aim of contributing to the well-being of people around the world and the good of the planet over the future. To this end, we will take full advantage of our technological capabilities, which we have developed over many years, while consolidating diverse insights within and outside the Kawasaki Group. At the same time, we will continuously upgrade and transform the Kawasaki Group itself so that we remain capable of delivering new value as needed by stakeholders.

#### (2) Responsible corporate conduct

We will remain acutely aware of the social and environmental impact of our business operations and strive to enhance the sustainability of the entire value chain by implementing countermeasures in areas where our operations might pose a negative impact.

#### (3) Strengthening business foundations

We will enhance corporate governance while striving to improve employee engagement and maintain meaningful dialogue and collaboration with our stakeholders, with the aim of solidifying our business foundations, which will, in turn, support ongoing improvement in corporate value.

\* These policies are presented with some omissions. For the full text, please refer to information regarding sustainability on the Company website.





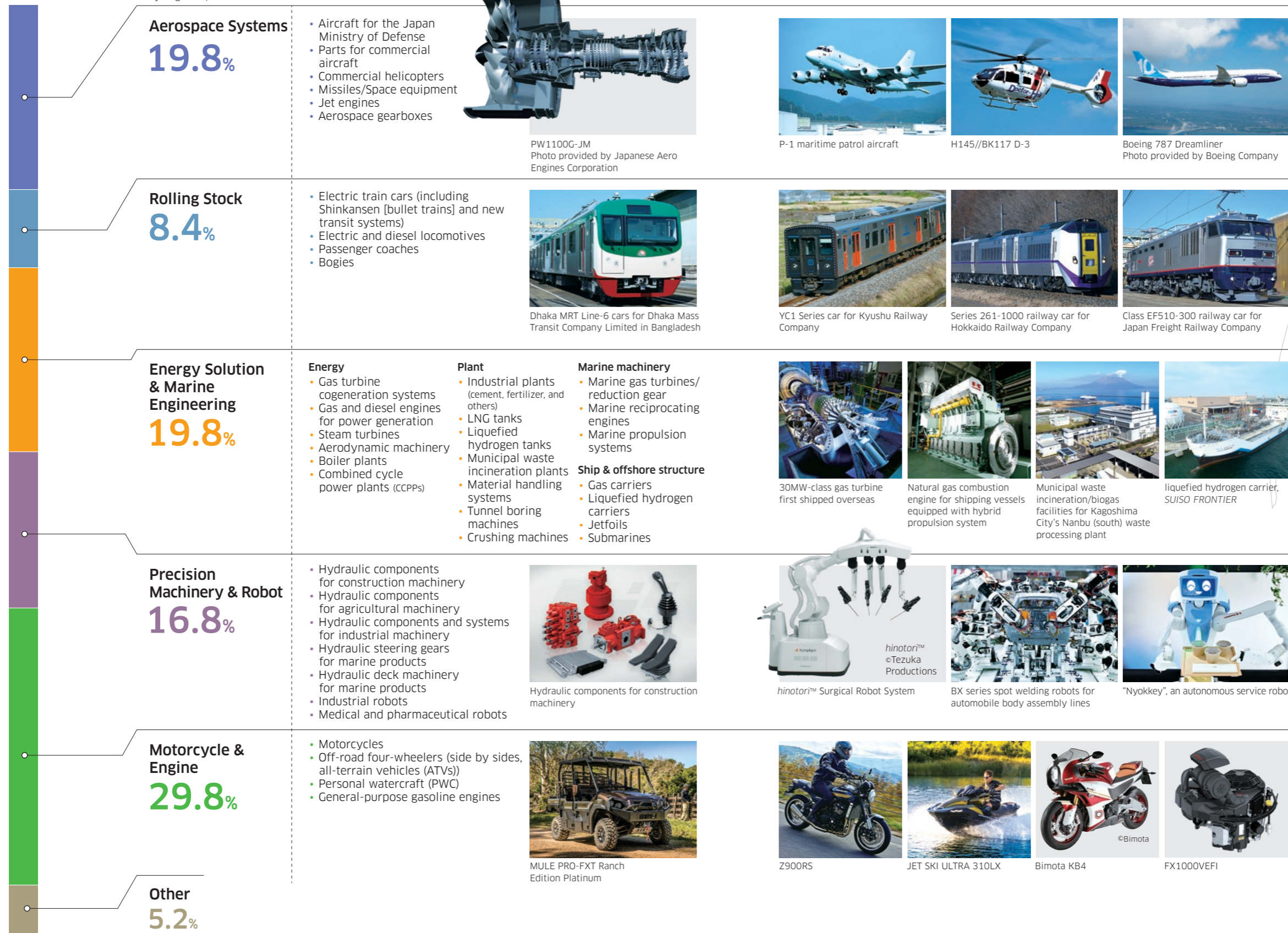
Our Businesses (Fiscal 2021)

Consolidated net sales

**¥1,500.8** billion

(Share of net sales by segment)

(Main Products)



Incorporated  
**1896**  
Founded  
**1878**

Consolidated employees  
**36,587**  
9,991 overseas  
**26,596** domestic

Domestic production sites  
**17**

Overseas production sites  
**22**

Overseas net sales ratio  
**55.7%**

Asia, Oceania, etc. 19.7%  
Japan 44.2%  
The Americas 27.7%  
Europe 8.1%

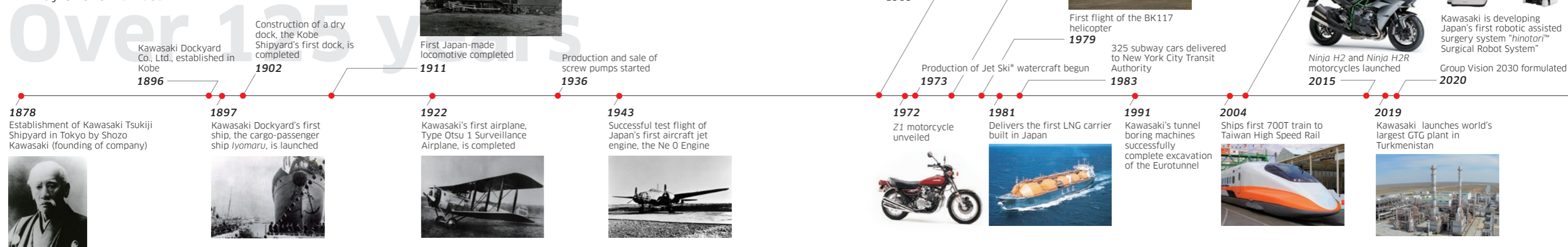


## History

For more than 120 years since its foundation, the Kawasaki Group has constantly been on the cutting edge of technology, creating numerous national and global firsts. Now, in anticipation of the increasingly widespread use of hydrogen energy as a means of achieving carbon neutrality, we will be drawing on our more than 40-year accumulation of technology and expertise to advance our hydrogen business.

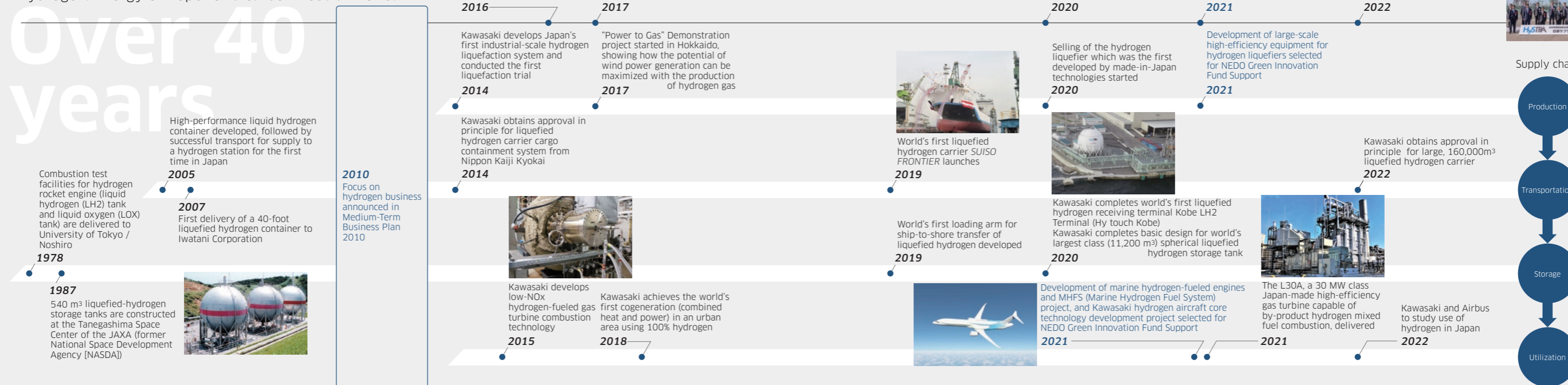
### Kawasaki's History

Contributing to the nation—to society—through expertise  
—by Shozo Kawasaki



### History of Kawasaki's Hydrogen Business

-Hydrogen. Energy of hope for a carbon neutral world.





## Approach to Sustainable Value Creation

The Kawasaki Group consistently creates new value by drawing on diverse, sophisticated technological capabilities to contribute to solutions to social issues around the world.

### Group Mission

Kawasaki, working as one for the good of the planet  
**“Global Kawasaki”**

<b>Global Social Issues</b>
Global warming
Decarbonization
Energy problems
Responding to changes in the movement of people and freight
Pandemic countermeasures
Shortage of and increasing burden on doctors
Increase in diverse work styles, including remote work

Management Resources	
(Fiscal 2021 figures)	
<b>Financial capital</b>	
Invested capital	<b>¥980.6</b> billion
<b>Manufactured capital</b>	
Capital expenditures	<b>¥53.5</b> billion
Key production sites	<b>17</b> in Japan <b>22</b> overseas
<b>Intellectual capital</b>	
120 years of experience and know-how	
Advanced technological capabilities across extensive domains	
R&D expenses	<b>¥47.0</b> billion
<b>Human capital</b>	
A technology-based Group pursuing quality	
Number of employees	<b>36,587</b>
<b>Social and relationship capital</b>	
Kawasaki brand	
Relationships of trust built with business partners over many years	
<b>Natural capital</b>	
Energy consumption* <sup>1</sup> (heat conversion)	<b>5,776</b> TJ
Procured amount* <sup>1</sup> of raw materials (steel)	<b>110</b> kt-CO <sub>2</sub>
<small>*1 Total for Kawasaki Heavy Industries (non-consolidated), Kawasaki Motors, and Kawasaki Railcar Manufacturing</small>	

### Business Activities and Strategy (Group Vision 2030)

## Solutions for Society Offered by the Kawasaki Group

#### Land & Air Transportation Systems

Airplane and rolling stock businesses leveraging dependable quality and cost competitiveness

- Aerospace Systems Company  
Airplanes, jet engines
- Kawasaki Railcar Manufacturing Co., Ltd.  
Rail cars, snow removal machinery

#### Motion Control & Motor Vehicles

Extending management resources to mass-production businesses and strengthening synergies in core component businesses

- Precision Machinery & Robot Company  
Hydraulic machinery, industrial robots
- Kawasaki Motors, Ltd.  
Motorcycles, off-road four-wheelers (SxS, ATVs), personal watercraft, general-purpose gasoline engines

#### Energy & Marine Engineering

Businesses in energy, mainly hydrogen, as well as marine engineering

- Energy Solution & Marine Engineering Company  
Energy-related equipment and systems, marine propulsion machinery and systems, industrial machinery, environmental equipment, cryogenic storage equipment, hydrogen-related facilities, crushing machines, ships

We will operate businesses within the three groups of Land & Air Transportation Systems, Motion Control & Motor Vehicles, and Energy & Marine Engineering and increase the effectiveness of coordination between businesses.

Key Outputs	
(Fiscal 2021 figures)	
<b>Financial capital</b>	
Cash flows from operating activities	<b>¥144.4</b> billion
Operating profit margin	<b>3.0%</b>
Before-tax ROIC* <sup>2</sup>	<b>3.5%</b>
<small>*2 Before-tax ROIC = EBIT (profit before income taxes + interest expense) / Invested capital (interest-bearing debt + shareholders' equity)</small>	
<b>Manufactured capital</b>	
Key Leading Market Share Products	
Semiconductor manufacturing robot global market share* <sup>3</sup>	<b>No.1</b>
Stand-by gas turbine generator domestic market share* <sup>4</sup>	<b>No.1</b>
401 cc and over motorcycle domestic market share* <sup>5</sup>	<b>No.1</b>
<small>*3 Kawasaki survey based on data from SEMI and Fuji Keizai *4 Kawasaki survey *5 Based on domestic registration data</small>	
<b>Intellectual capital and human capital</b>	
Included in Clarivate's Top 100 Global Innovators* <sup>6</sup> for six consecutive years (2015-2021)	
<small>*6 A selection of the world's top 100 innovative companies and institutions based on an analysis of intellectual property and patents using data about patent holdings.</small>	
<b>Social and relationship capital</b>	
Advancing hydrogen projects in coordination with other companies	
IR meetings with institutional investors	<b>199</b> times
<b>Natural capital</b>	
CO <sub>2</sub> emissions from business activities (Scope 1, 2)	<b>402</b> kt-CO <sub>2</sub>
Reduction of CO <sub>2</sub> emissions through product-based contributions* <sup>1</sup>	<b>17,390</b> kt-CO <sub>2</sub>
Kawasaki Ecological Frontiers (formerly Kawasaki-brand Green Products)	
Number of registered products* <sup>1</sup>	<b>68</b>
Net sales* <sup>1</sup>	<b>¥248.6</b> billion

### Created Social Value

#### A Safe and Secure Remotely Connected Society

- 3 GOOD HEALTH AND WELL-BEING
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 17 PARTNERSHIPS FOR THE GOALS

#### Near-Future Mobility

- 3 GOOD HEALTH AND WELL-BEING
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 17 PARTNERSHIPS FOR THE GOALS

#### Energy and Environmental Solutions

- 7 AFFORDABLE AND CLEAN ENERGY
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 17 PARTNERSHIPS FOR THE GOALS

### External Environment and Risks

Changes in Industrial Structures  
 Technological innovation / The evolution of AI and IoT

Climate Change  
 Global warming / Major natural disasters

Currency Fluctuations  
 Impact on revenue due to the Group's large proportion of overseas sales

Economic Trends  
 Impact via capital expenditure / Impact of the COVID-19 pandemic / U.S.-China trade friction



# To Our Stakeholders

We are pursuing Group Vision 2030 to continue to be a company that society needs.

Yasuhiko Hashimoto  
Representative Director  
President and Chief Executive Officer



## Providing solutions to societal issues and the needs of the times in a world facing challenges

Two years have passed since I assumed the post of president. Countries around the world are settling into a society that coexists with COVID-19 while prioritizing reactivating economic activity. At the same time, each country is endeavoring to address various issues that are strongly impacting the global economy, including disrupted logistics, the situation in Ukraine, accelerating inflation, and sharp fluctuations in exchange rates.

In November 2020, the Kawasaki Group introduced the Group Vision 2030 with the vision statement “Trustworthy Solutions for the Future.” The vision set the three focal fields of “a safe and secure remotely connected society,” “near-future mobility,” and “energy and environmental solutions” as our prime areas of focus as we seek to fulfill our growth scenario to 2030.

As president, I believe the three focal fields we are focusing on are becoming increasingly important as the world confronts the challenges it is facing. Our efforts to create “a safe and secure remotely connected society” and improve “near-future mobility” will enable a wider variety of work styles and transportation methods that will contribute substantially to eliminating the current disorder in logistics. Our hydrogen business is front and center of our pursuit of “energy and environmental solutions.” Hydrogen is not only essential to making society carbon neutral, it’s also become clear that it is extremely important for economic security.

The Kawasaki Group’s businesses span energy, transportation, defense, and industrial infrastructure, and I believe that the rapidly changing international environment is making our role in society increasingly important. We are advancing our strategies with a sense of urgency because we believe that Group Vision 2030 is the right direction for us and that our efforts will provide solutions to societal issues and the needs of the times.

## President-led projects setting the model for business development

Our efforts to advance toward the Group Vision 2030 are focused in three main areas: using the Group’s wide range of technological capabilities to create innovative solutions for addressing global social issues, forming partnerships and other new business structures, and reforming the Group itself to create the optimal corporate structure for achieving our vision.

We created the Presidential Project Management Division as part of the Company-wide reform to better position us to fulfill Group Vision 2030. I myself manage the division, and the division’s primary objective is to serve as a role model for the quick development of new businesses. One of my mottos is “speed is value.”

Kawasaki has accumulated and possesses a vast range of technologies and operates businesses in numerous fields, and we have always sought to take advantage of that variety to create new synergies. However, no synergy can be created without a clear target. To reach that target will take more than just the technology from one business, the know-how and sales channels of other businesses are also indispensable. When we bring those together and then carefully explore how to connect and integrate the separate businesses, that’s when we can begin the trial and error that leads to new synergies.

By defining the three focal fields, we have set our targets. The President Project brings together motivated employees and provides a structure for bold and innovative business plans that were not possible under the existing organization. Each project has team members with diverse expertise and skills from across our company framework and also brings in strengths from outside the Group to accelerate the development of new businesses.

In less than two years, several projects have already advanced to the stages of demonstrating commercial feasibility and engaging in full business operations. Projects at this stage include an automated PCR viral testing business using robotic technology; unmanned high-speed delivery helicopters, self-driving delivery robots combining robotics with our expertise in transportation equipment and, in a collaboration with Pasona, Inc.,



## Message from the President

solution for indoor positioning system.

These projects give me a strong sense that the spirit of embracing new challenges is gradually permeating throughout the Group. As president, it is gratifying to see that employees are being given opportunities to play an active role and apply their talents, and that the projects are being tackled with enthusiasm and speed as well as producing results.

### Reforming the personnel system to encourage employees to embrace new challenges

As we reform the business organization, we are also revising the personnel system. Our human capital is our greatest asset. However, no matter how outstanding our human capital is, we cannot improve our business structure or create new businesses without an effective structure and system for recognizing employees that boldly take on risks and challenges. I am seeking to foster an organizational culture where fear of failure is not a concern and everyone can propose new ideas and take on new challenges.

To create a system to proactively recognize employees embrace challenges, our first step was to eliminate the seniority-based elements in personnel evaluations. We changed the system so employees who volunteer to commit to high targets and who

propose new ideas, irrespective of their age or history in the company, can be selected for positions that allow them to pursue those activities. We also changed the evaluation criteria for targets and outcomes. Employees who set high targets are evaluated solely in terms of the specific targets, and employees are also recognized for remaining committed and not giving up even if the targets are not reached.

Work environment reform is also being carried out following our new concept of the “highly effective employee.” We define a highly effective employee based on the two axes of individual motivation and creating a motivating work environment. By quantifying these characteristics and continuously tracking the value for all employees, we can then create a score for each department. Managers of departments with low scores are asked to receive input from their department members about ways to improve motivation, and the managers are then evaluated by how well they are able to raise the department’s score.

This new personnel system has been gradually producing more employees who are eager to take on new challenges while also creating workplace environments to support their ambitions. I believe this has been a major achievement of the past two years.

This year, we also broadened our fellowship program, which appoints people with outstanding skills and knowledge to specialized fields. The program now provides a clearer career path to Executive Fellow that will enable us to identify

highly qualified employees with advanced expertise at an early stage and give them extra motivation through ample opportunities that are matched to their potential.

### Growth strategies for the medium and long term

We significantly improved business performance from the previous fiscal year in fiscal 2021 with increases in both sales and profits. Splitting off the former business divisions and establishing Kawasaki Motors and Kawasaki Railcar Manufacturing as separate wholly-owned subsidiaries in October 2021 proved particularly productive as both companies generated strong results in their initial fiscal years under autonomous management focused specifically on their individual markets. Kawasaki Motors’ performance benefited from the new living conditions during the Covid-19 pandemic as more people are using private vehicles for transportation. Kawasaki Railcar Manufacturing continued improving its management and reestablished profitability for the first time in five years.

We are progressing in line with growth scenarios for the medium- and long-term growth strategies set in the Group Vision 2030. The mass-production businesses of precision machinery, industrial robots, motorcycles, and energy products are currently providing revenue. The Company will expand earnings and free cash flow as the Aerospace Systems business recovers. For the future, we are developing the hydrogen, medical robots, and other new businesses into new revenue pillars to establish a steady growth trajectory.

In our focus area of creating “a safe and secure remotely connected society,” the PCR testing business that we got up and running in just one year has posted many successes, including providing free testing for local governments and setting up testing sites in the departure terminals of the Kansai and Narita international airports. We are considering expanding the business’s capabilities to combat potential future epidemics. Mediaroid Corporation, our joint venture with Sysmex Corporation, has been steadily increasing the number of patients that have benefited from its *hinotori*™ surgical robot system. The system brings the future of telemedicine one

step closer, and Mediaroid has already begun testing remote surgery using next-generation telecommunications. Remote Robotics Inc., a joint venture with Sony Group Corporation is combining Sony’s strengths in image processing, sensing, and communication technology with our robot technology and teleoperation\* expertise and know-how to create a platform for new work styles that will enable all people to take advantage of remote work technologies.

In the second focus area of “near-future mobility,” we are combining our robotics technology for automating manufacturing operations with our land, sea, and air mobility technology to develop new hardware for automated and more efficient movement of people and goods. These technologies include new services using the unmanned high-speed delivery helicopters mentioned earlier.

\* Teleoperation is remotely operating a robot with the same dexterity and precision as if the operator were at the site.

### Creating a society where hydrogen is always convenient

We are positioning the hydrogen business at the core of our energy and environmental solutions with the intention of developing it into a major pillar for the Group in the future. Hydrogen will be a prominent energy source as the world seeks to achieve carbon neutrality to mitigate climate change and address energy problems, such as depleting fossil resources. Hydrogen offers numerous advantages, particularly because it can be produced anywhere from various domestic resources and because it is storable. In addition to its many benefits and the fact that it is important for national economic security, I believe the Kawasaki Group has an important role to play in ensuring that our country has reliable supply of hydrogen in the future. Because of its importance, we expanded and fortified our hydrogen business structure by creating the Hydrogen Strategy Division and more than tripling our staff by bringing in personnel from research and development departments and the Head Office as well as professional talent from outside our organization.

In the spring of 2022, Kawasaki and six other companies successfully completed the world’s first maritime transport of liquefied hydrogen between



An effective structure and system for recognizing employees that boldly take on risks and challenges so we can improve our business structure and create new businesses



## Message from the President

Japan and Australia, using a liquefied hydrogen carrier. The project, which is supported by the New Energy and Industrial Technology Development Organization (NEDO), is a collaborative effort with other companies that we have been working on since 2016. Kawasaki designed and built *Suiso Frontier*, the world's first liquefied hydrogen carrier, and Hy touch Kobe, the world's first liquefied hydrogen cargo handling demonstration terminal. The Japan Society of Naval Architects and Ocean Engineers recognized the *Suiso Frontier* with the Ship of the Year Award 2021.

After demonstrating the technology, the next step is to demonstrate commercial viability for what is projected to be a ¥300 billion project. In 2021, the NEDO Green Innovation Fund selected the project to conduct commercial demonstration of a liquefied hydrogen supply chain and granted a subsidy of ¥220 billion. Kawasaki is in charge of constructing the entire supply chain from hydrogen liquefaction facilities to the loading terminals and liquefied hydrogen carriers, for which it has already obtained approval in principle for a 160,000 m<sup>3</sup> liquefied hydrogen carrier. We are fully committed to successfully establishing the operation's economic feasibility, including costs, with the aim of beginning commercial operations around 2030.

We are also establishing a position as a global leader in internal combustion engines for mobility with the development of the "Kawasaki safe and clean hydrogen combustion technology" used in our hydrogen power generation systems.

While we are making great strides toward making hydrogen convenient for society, we also know that one company cannot do it all. We have collaborated with numerous Japanese and overseas companies to conduct demonstrations, and we will join with new partners in the mobility arenas of ships, aircraft, automobiles, and motorcycles to create a hydrogen society in Japan and around the world. We recently conducted a demonstration run of an off-road four-wheel research vehicle equipped with a direct injection, hydrogen fuel motorcycle engine. The vehicle will be used in research conducted jointly with motorcycle and automobile-related companies on hydrogen fuel engines for compact mobility.

### Strengthening the management foundation of non-financial aspects

Our compliance measures in 2021 discovered inappropriate conduct in quality tests at subsidiary Kawasaki Thermal Engineering. We sincerely apologize for the inconvenience that we may have caused our customers and other concerned parties. A special investigation committee consisting of third parties is conducting a thorough investigation to determine the cause of this incident. The investigation finding will be used as the basis for corrective measures and to further strengthen the test management system and compliance structures throughout the Group to prevent recurrence.

We recognize the importance of non-financial aspects, such as environmental, social and governance (ESG), to achieving sustainable growth. Our hydrogen business helps customers reduce their CO<sub>2</sub> emissions, we believe we are obligated to show our environmental leadership by reducing our own CO<sub>2</sub> emissions. We are planning to install our own hydrogen power generation systems to provide green energy to our domestic facilities with the aim of becoming carbon neutral well ahead of the Japanese government's target of 2030.

We are also taking steps to lower CO<sub>2</sub> emissions across our supply chain as well as from the use of our products with the aim of achieving carbon neutrality for the entire Group as early as possible. In addition, we are incorporating the circular economy concept into our manufacturing processes and implementing measures to reduce waste and effectively use water resources in our production activities.

Our social initiatives start with placing the highest priority on our human resources (human capital) and revising our personnel system to foster an environment where all employees regardless of age, gender, or nationality can be fully active and feel free to express their ideas. We are also using our robot, communications, and remote telecooperation technologies to support diverse work styles and enable employees with children or who are providing nursing care to carry out their work duties remotely.

Our basic governance policy is to engage in highly transparent management and to improve corporate value for all stakeholders. We are

Helping address social issues is always at the core of management, and rigorously reassessing if we are providing effective solutions



constantly seeking to strengthen the effectiveness of the Board of Directors. In fiscal 2020, we transitioned to the Company with Audit & Supervisory Committee format, and in fiscal 2022, we reduced the number of internal directors by one to establish an equal number of external and internal directors. I am seeking to strengthen the supervisory function of the Board of Directors and to make greater use of external perspectives in our management.

### Building our future with employees who diligently take on challenges

I believe that a company that society needs will always survive. After nearly losing his life at sea twice, Kawasaki founder, Shozo Kawasaki realized the need for shipbuilding and built Japan's first Western-style ship. Kojiro Matsukata, the first president of Kawasaki Shipyard, foresaw the future of the aviation industry just 15 years after the Wright Brothers' invention and took the first steps to create the aircraft business. The robot business, where I worked during the 39 years I have been in the Company, began in the 1960s when we formed an early technical alliance with a company in the United States and developed Japan's first industrial robot.

Kawasaki Heavy Industries has become what it is today because our leaders have always asked what the time and what society needs and then

boldly ventured into uncharted fields. To ensure we continue growing in the future, it is essential that our management always remain centered on addressing issues in society and continue to rigorously question whether we are providing effective solutions. Above all, the key to the Company's growth is employees who feel pride and confidence that their work is contributing to society, and who never give up and remain earnestly committed to their work.

The reason our business performance recovered in fiscal 2021 is because so many of our employees carried out their work diligently and performed to their full potential. Management's top priority is to encourage and cultivate more employees—even if it's just one—with those characteristics.

We at the Kawasaki Heavy Industries Group believe in the future and will continue to work as one to achieve our Group Vision 2030. We would like to ask all of our stakeholders for their continued understanding and support of our Group.

Representative Director  
President and Chief Executive Officer



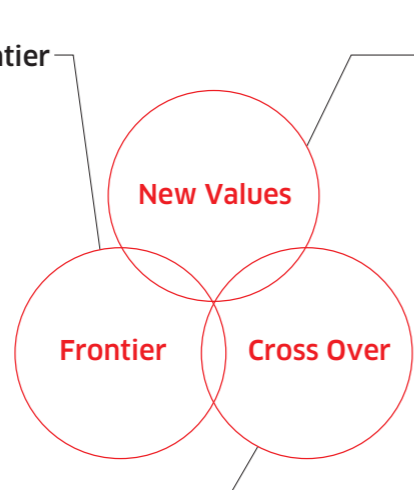
# Trustworthy Solutions for the Future

The Kawasaki Group will make available in a timely manner innovative solutions that accommodate an ever-changing society in order to create a hopeful future. At the same time, the Group will surpass organizational boundaries and take on challenges to expand the horizons of its potential for further growth.

**Frontier**

**Pioneering the technology frontier with our challenger DNA**

Since our founding, we have always been challengers. Throughout a history studded with national and global firsts in many sectors, including shipbuilding, rolling stock, and aerospace, we have leveraged our cutting-edge technologies and fostered a DNA characterized by a spirit of pioneering the frontier that draws on our unique perspective. We will continue to respond to the frontier of this new era's social challenges, based on that unique perspective, in order to create a hopeful future.



**New Values**

**Providing innovative solutions to the problems facing the world**

The world is now facing an array of problems, including environmental deterioration, energy challenges, expanding populations, graying societies, natural disasters, and pandemics. We are committed to providing new and meaningful value to a wide range of customers and society by concentrating the trusted technologies and knowledge that we have built in order to provide innovative solutions and to speedily accommodate social change.

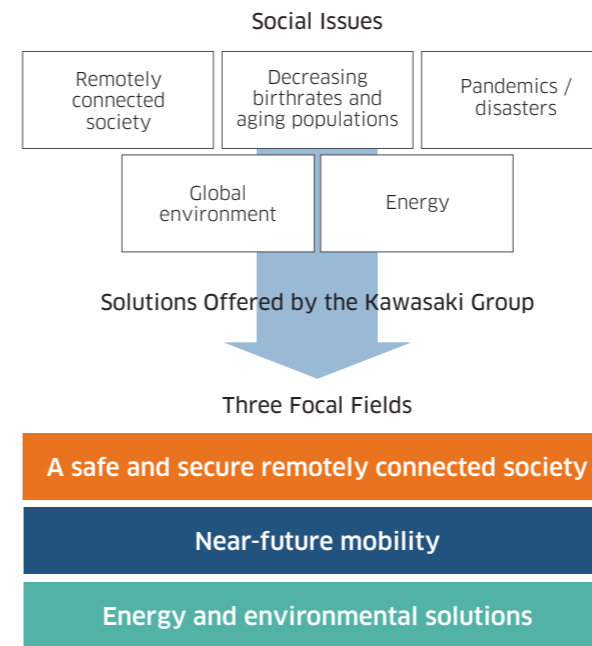
**Cross Over** **Becoming a creative challenger that continues to grow by breaking barriers**

To provide innovative solutions focused on social challenges, we will continue to be an open-minded, free-thinking, and creative team that goes beyond the boundaries of internal and external organizations and of product/service categories, leveraging our rich diversity. Moreover, we will keep growing as an organization and as individuals by expanding our potential, boldly taking on challenges in unfamiliar domains and learning from the experience.

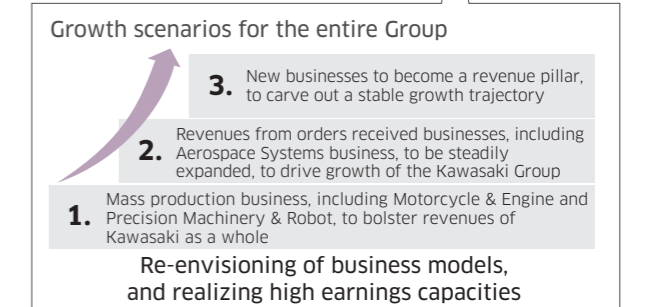
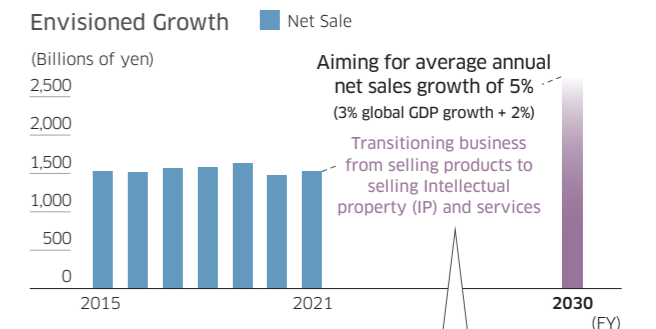
**/ Growth Scenario Leading to 2030**

Looking ahead to the social issues of the coming decade, we have established a growth scenario around three focal fields. By reinforcing Kawasaki's current mainstay businesses and realizing inter-business synergy, we are developing new businesses that will grow into future pillars.

Mass production business will bolster the



revenues of Kawasaki as a whole in the immediate term. After this, we will continue to stabilize and grow revenues from orders received, while increasing efforts to make new business, including hydrogen business, revenue pillars. By re-envisioning our business model in such ways, we aim to realize high earnings capacities and carve out a stable growth trajectory.



**/ Innovative Business Models**

In anticipation of the year 2030 the Group will continue to grow its existing businesses while pursuing innovations in its business models, in addition to responding to electrification and clean power and promoting hydrogen-related business, while facilitating the transition of businesses from selling products to selling IP and services.

By following this model, Kawasaki will aim at a

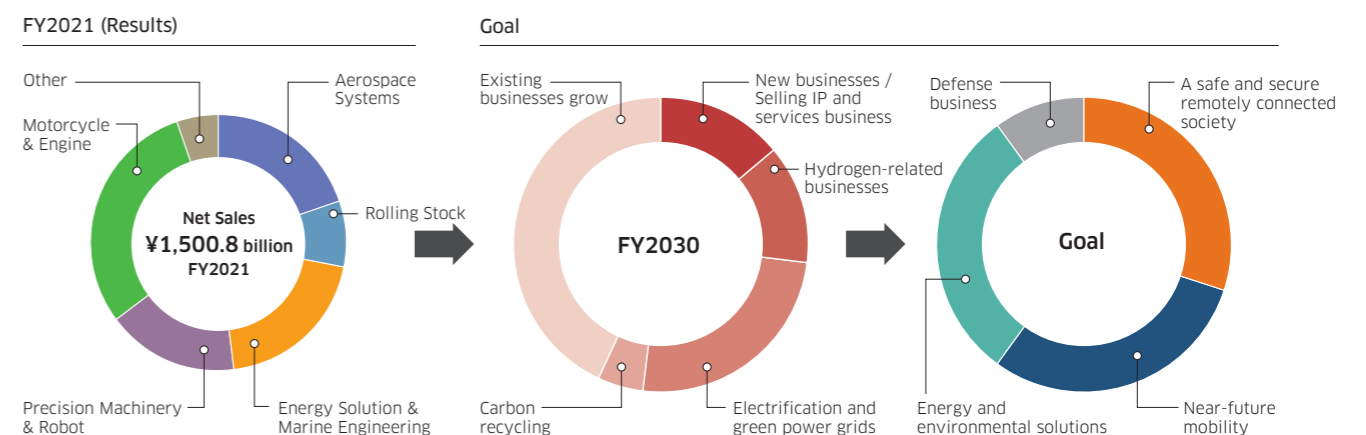
future point to fully transition its business models around the focal fields set out in the Group Vision 2030 of "A safe and secure remotely connected society," "Near-future mobility," and "Energy and environmental solutions." We will set our sights on realizing increasingly substantive solutions to societal challenges, and becoming a company which is highly rated by all stakeholders.

**/ Management Policy**

Since November 2020, the Kawasaki Group has been implementing Group Vision 2030, a vision for the Group's future.

We will pursue ongoing growth by investing in growth businesses while transforming to meet evolving needs based on the three strategies of "Pursue Growth," "Profits," and "Stability / Synergy."

<b>Pursue Growth</b>	<b>Development investment in growth fields and new businesses</b>	Related SDGs 
<b>Profits</b>	Operating profit margin: <b>5%–8%</b> Before-tax ROIC: <b>3% or more higher than WACC</b>	
<b>Stability / Synergy</b>	<b>Realizing a conglomerate premium*</b> <small>* An enterprise value-increasing effect from synergy between businesses</small>	





Group Vision 2030

**Five Measures for Achieving the Group Vision 2030**

The spread of COVID-19 has resulted in major changes to opportunities around the world, and we place particular value on taking social issues as the starting point of business and collaborating with diverse partners to provide solutions to those issues. Moreover, it is people who drive business forward and solve issues. We are taking measures with a priority on

developing a shared awareness among and unifying the actions of the employees who drive our business in order to achieve our vision.

Amidst these major changes, we will carry out five measures (referred to as "SPEED") with the aim of identifying the social issues that people are confronting in real life and taking prompt action.

<b>Social issue solution</b>	<ul style="list-style-type: none"> <li>Remotely connected society</li> <li>Decreasing birthrates and aging populations</li> <li>Pandemics / disasters</li> </ul>	<ul style="list-style-type: none"> <li>Global environment</li> <li>Energy</li> </ul>	<b>Three Focal Fields</b> A safe and secure remotely connected society Near-future mobility Energy and environmental solutions
	<b>Partnership for new values</b>	Open innovation: from selling products to selling IP and services	
<b>Employee engagement</b>	Personnel system reforms: increase highly effective employees and integrate various talents and diversity		
<b>Ever changing</b>	Reform the business portfolio and organizations with an awareness of market-in		
<b>Digital transformation</b>	Create next-generation business		

**Partnership for new value** Open innovation: from selling products to selling IP and services

**Creating new value with new solutions in collaboration with partners**

In today's highly-developed world where the pace of change increases on a daily basis, social issues are also becoming bigger and more complex. Our capabilities alone are insufficient to provide appropriate solutions to these trends, and collaboration with the national government and local governments, companies, and research institutions is essential. To reinforce

collaboration in areas related to the priority fields under the Group Vision 2030, we are putting particular emphasis on collaboration that goes beyond existing business Fields. By gathering the strengths and market knowledge of each party, we will provide new solutions to the challenges that people face today and in the future and meet the trust that has been placed in us.

Purpose	Collaborations
<ul style="list-style-type: none"> <li>Support healthcare with the <i>hinotori</i>™ surgical robot system</li> </ul>	Joint venture with Sismex Corporation Medicaroid Corporation
<ul style="list-style-type: none"> <li>Establish a joint venture to engage in the remote robot platform business</li> <li>Pursue a remote society in which all people can participate</li> </ul>	Joint venture with the Sony Group Remote Robotics Inc.
<ul style="list-style-type: none"> <li>Build a hydrogen supply chain and achieve carbon neutrality</li> </ul>	Seek commercialization in 2030 Technology Research Association HySTRA
<ul style="list-style-type: none"> <li>Link hydrogen transportation (supply side) and use (demand side)</li> <li>Supply hydrogen to hydrogen automobiles and other vehicles and generate new energy</li> </ul>	<ul style="list-style-type: none"> <li>Supply hydrogen to the Corolla with a hydrogen engine made by Toyota Motor Corporation</li> <li>Start joint research on hydrogen engines with motorcycle and automobile-related companies with the aim of using them on motorcycles and other vehicles</li> </ul>

**Employee engagement** Personnel system reforms: increase highly effective employees and integrate various talents and diversity

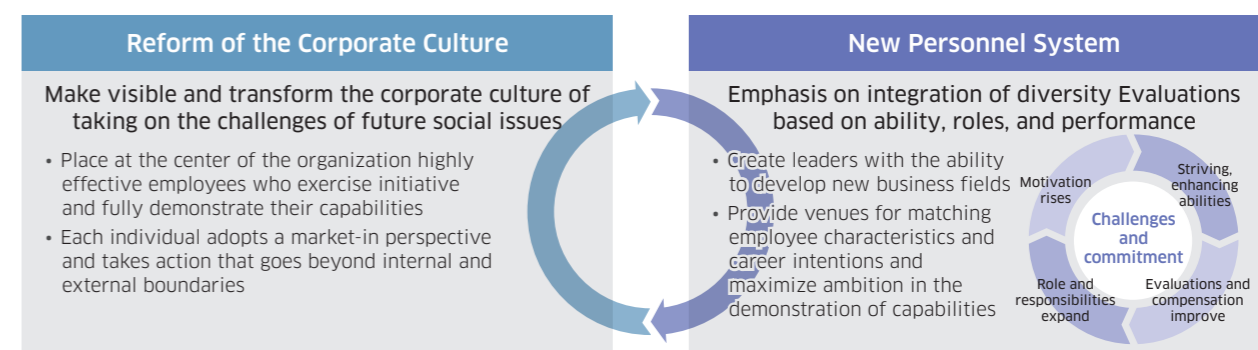
**Transform the corporate culture through human resource strategies and tackle social issues**

As society undergoes major changes, we believe that each employee must change his or her awareness and perspectives and repeatedly take on new, previously unseen challenges so that as a company we can provide solutions to difficult problems. To create such change, in 2021 we began shifting to a personnel system that focuses on the qualities, abilities, and direction of each employee's career.

visible the climate and culture that cannot be seen, we are able to gain an understanding of the characteristics of organizations and the values that employees prioritize, and we are working to shift to a corporate culture that enables employees to demonstrate their full potential.

We are also focused on our corporate culture, which is the accumulation and sum of individual awareness. By using engagement surveys to make

We will use the synergy effects from the demonstration of abilities tailored to individual preferences and aptitudes with the transformation of our corporate culture to achieve solutions to the social issues that we are targeting.



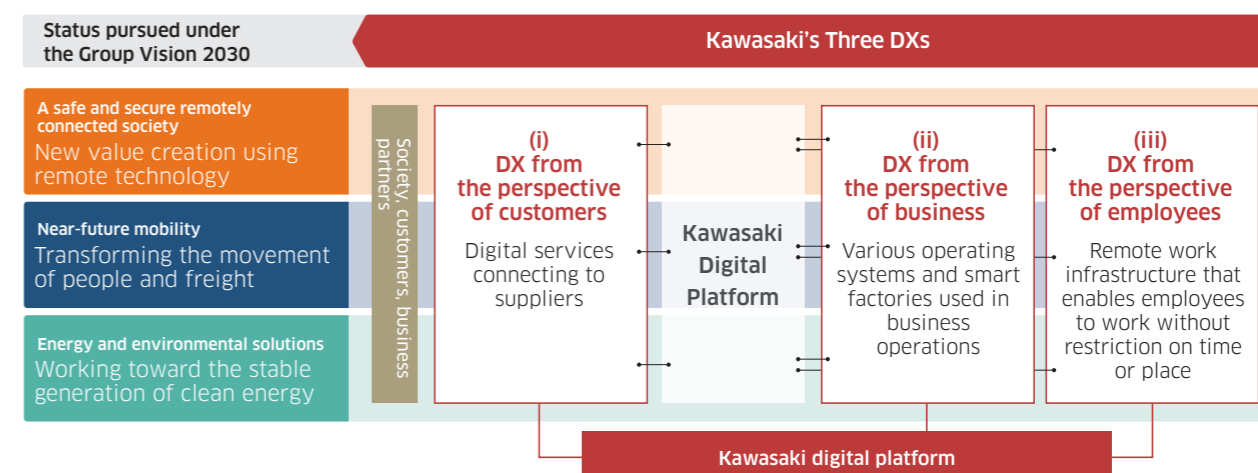
**Digital transformation** Create next-generation business

**Use Kawasaki DX to transform business styles and the processes that support them**

In order to overcome various boundaries and rapidly provide social value from the perspective of market-in, we are making substantial changes to our business styles and the processes that support them. One aspect of these activities is Kawasaki Digital Transformation (DX).

the perspective of business, and DX from the perspective of employees—to create new customer value, shift our business model from the sale of goods to the sale of IP and services, enhance the agility of our business foundations, reform employee working styles, and achieve other innovations.

For Kawasaki DX, we are taking action in three areas—DX from the perspective of customers, DX from





Focal Field 1



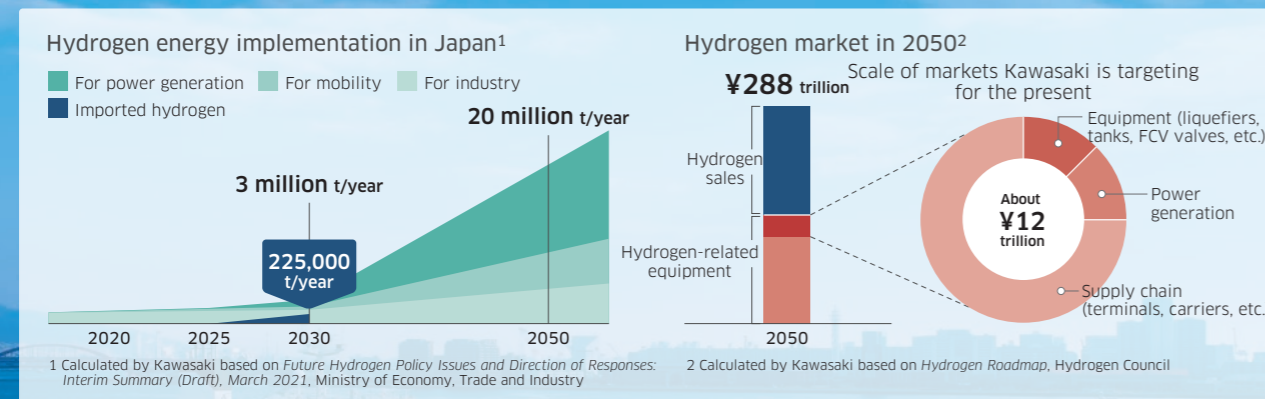
Working toward the stable generation of clean energy

# 1. Realizing a hydrogen society in an early stage

## / Hydrogen Market to Reach ¥288 Trillion in 2050

The Japanese government seeks to achieve essentially zero CO<sub>2</sub> emissions by 2050 and has set targets for the introduction of 3 million tons of hydrogen, a source of clean energy, by 2030 and 20 million tons by 2050. Achieving low-cost and large-volume supplies of hydrogen will require the introduction of CO<sub>2</sub>-free

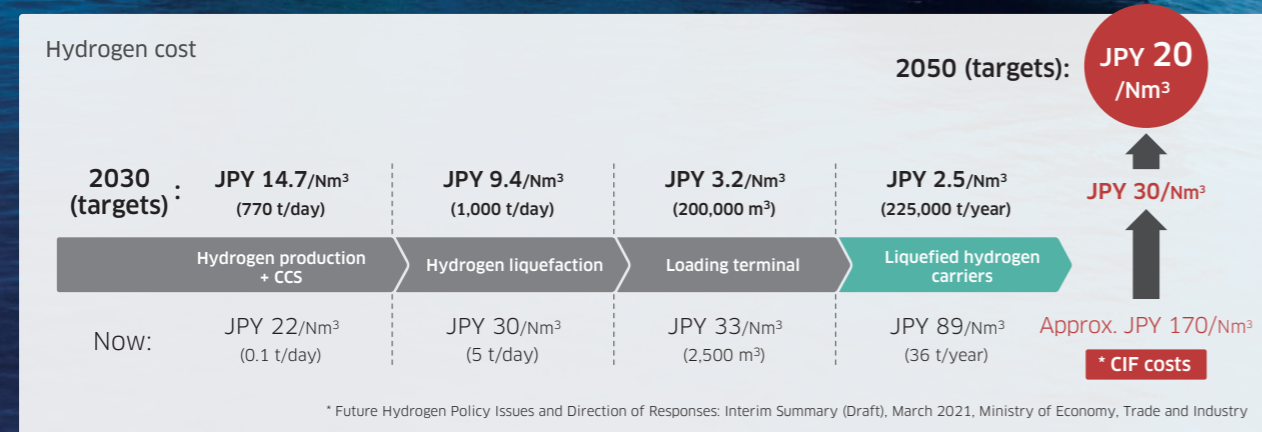
hydrogen from overseas. It is said that the hydrogen-related market will reach approximately ¥288 trillion in 2050, of which the hydrogen-related equipment, hydrogen power generation, and supply chain related markets that Kawasaki Heavy Industries is targeting will account for approximately ¥12 trillion.



## / Reducing the Costs of Hydrogen Is the Key to Widespread Use

At a scale using small carriers, the cost of hydrogen is approximately JPY 170/Nm<sup>3</sup>. This is approximately 10 times higher than LNG, making the widespread use of hydrogen difficult.

During the period up to 2030, costs will be reduced in each stage from hydrogen production to transportation by increasing the overall equipment scale to lower the cost to approximately JPY 30/Nm<sup>3</sup>.

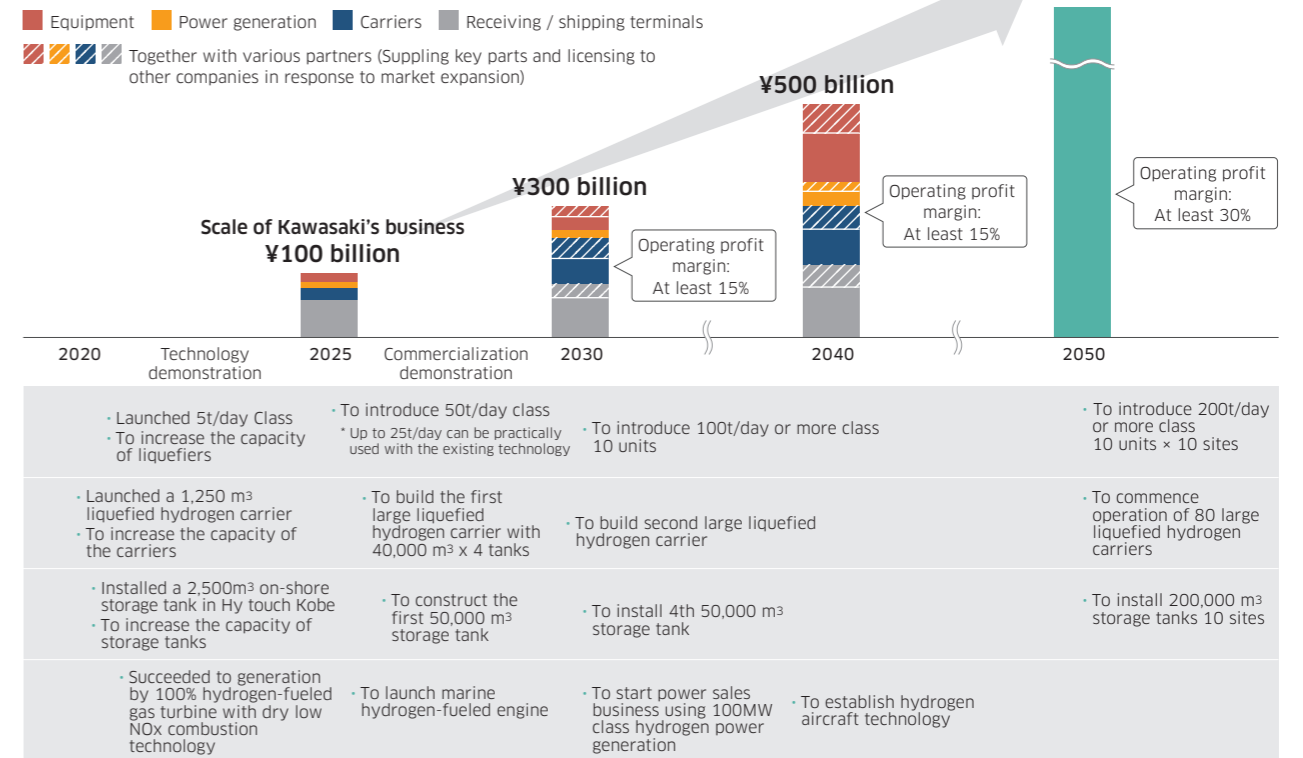


## / Seeking a Two-Trillion Yen Business in 2050

In comparison to a market scale of ¥12 trillion in 2050, Kawasaki anticipates sales revenue in excess of ¥100 billion in 2025. We anticipate supplying key parts and granting licenses to other companies, because their demand will exceed our production capacity in 2030. Subsequently, we believe that our business will grow to

¥300 billion and eventually reach ¥500 billion in 2040. We plan to substantially increase the operating profit margin by pursuing innovations in business models and shifting from selling products to selling IP and services.

### Hydrogen business plan



## / Potential of Hydrogen in the Mobility Field

Kawasaki is continuing its efforts to use hydrogen engines in various means of transportation including ships, aircraft, and automobiles with the aim of

achieving zero emissions for mobility. We are steadily working towards practical application while cooperating with specialized partners in various fields.

Development of marine hydrogen-fueled engines and MHFS (Marine Hydrogen Fuel System) project selected for NEDO Green Innovation Fund Support (October 2021)

Obtains approval in principle for large, 160,000m<sup>3</sup> liquefied hydrogen carrier (April 2022)

Kawasaki and Airbus to study use of hydrogen in Japan (April 2022)

Conducted a demonstration run of an off-road four-wheel research vehicle equipped with a direct injection, hydrogen fuel motorcycle engine. (September 2022)



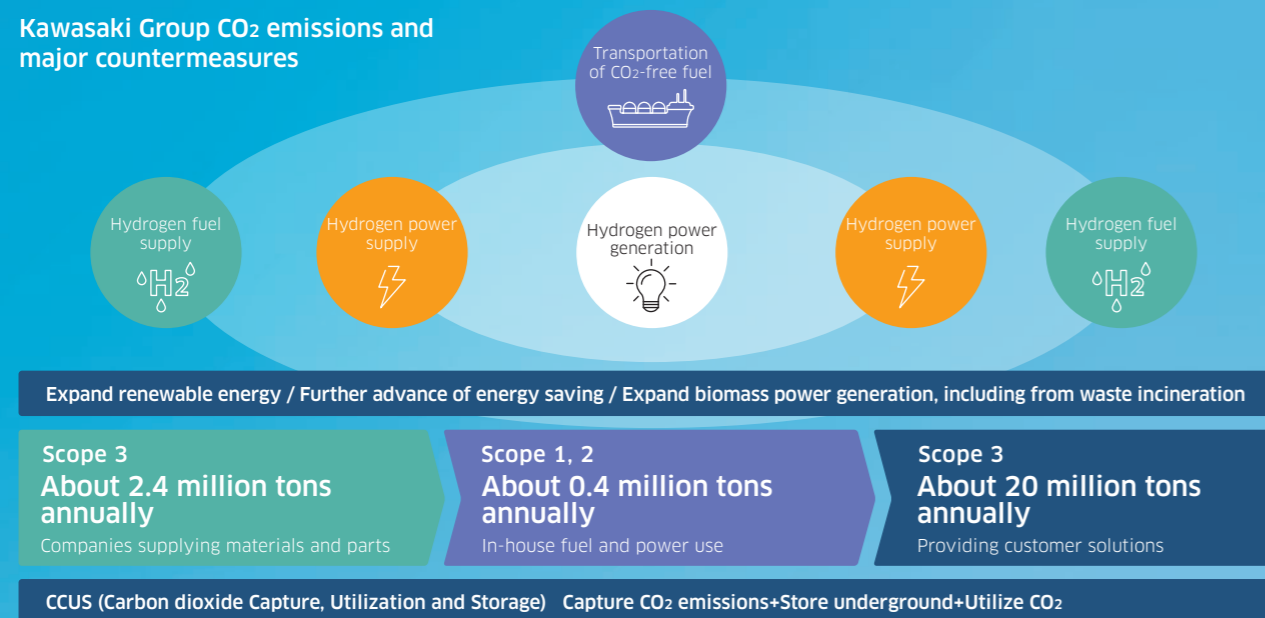
Focal Field 1



Working toward the stable generation of clean energy

## 2. Initiatives to achieve zero CO<sub>2</sub> emissions

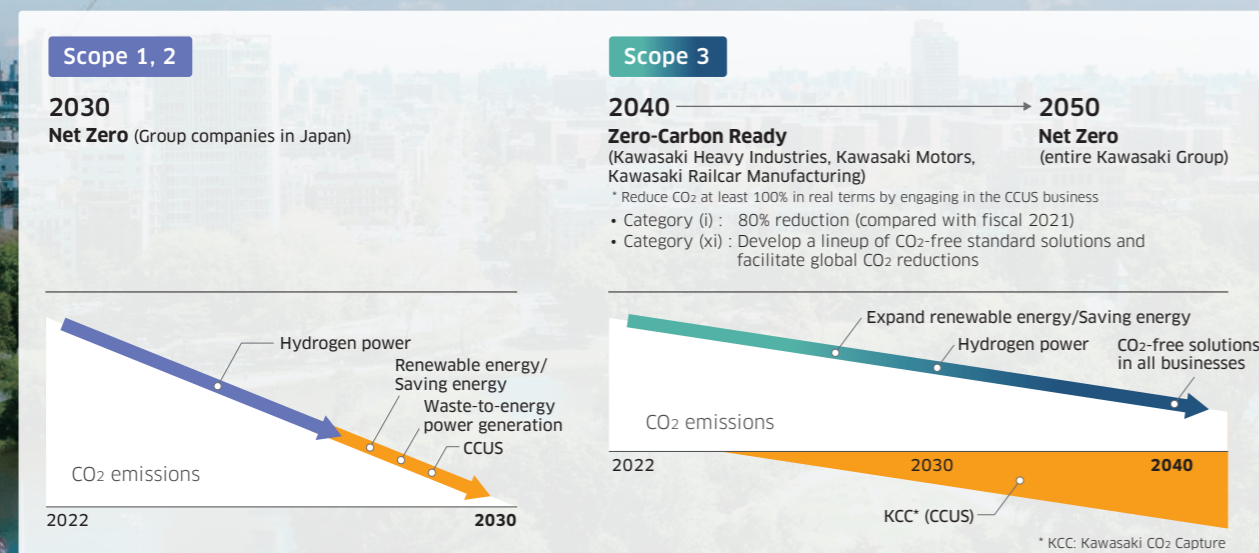
### Kawasaki Group CO<sub>2</sub> emissions and major countermeasures



### Carbon neutrality targets

The Group aims to achieve carbon neutrality domestically by 2030 through the further advance of energy saving, the expanded use of renewable energies, and the expansion of waste-to-energy power generation, as well as independent initiatives focusing on hydrogen power generation.

In addition, we will extend our decarbonization solutions to society, business partners, and customers, thereby contributing to the early realization of carbon neutrality in the world.



### Scope 1, 2



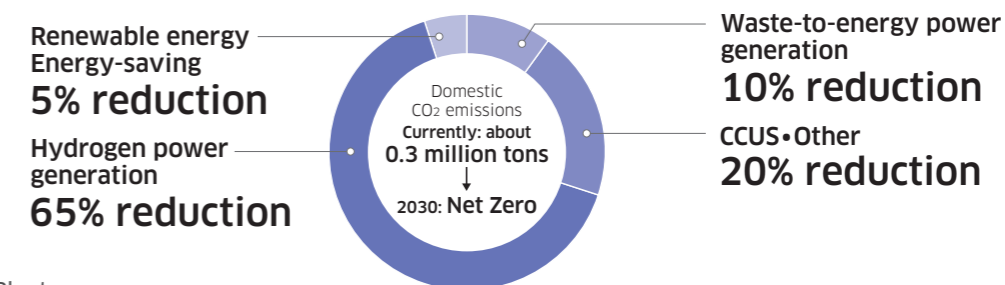
### Toward the Realization of Independent Carbon Neutrality by 2030 through Initiatives Focusing On Hydrogen Power Generation

To reduce Scope 1 and 2 CO<sub>2</sub> emissions, the Kawasaki Group will first create zero-emissions plants in Japan, which accounts for three-quarters of the Group's total annual emissions of 400,000 tons, by combining power generation from waste, renewable energy, and other sources with a focus on in-house hydrogen-fueled power generation facilities, as described below. We will then expand implementation to overseas subsidiaries and promote the introduction of hydrogen energy to existing power generation facilities previously delivered to customers and other facilities.

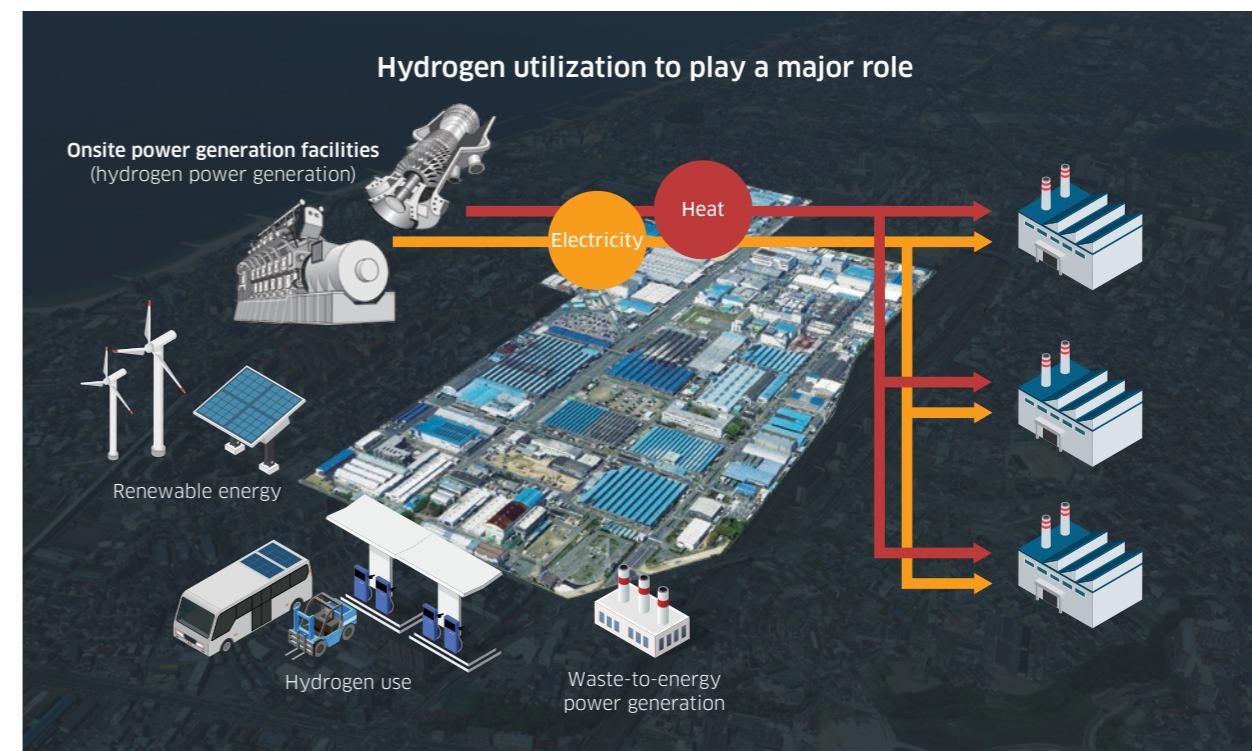
The natural gas-fired gas turbine facilities previously delivered by the company that are currently

in operation have a total capacity of about 1,000 MW. If we make proposals for the introduction of hydrogen energy and are able to transition these facilities to mixed hydrogen or exclusive hydrogen firing, it will be possible to shift to hydrogen energy without making substantial changes to existing facilities.

Hydrogen power generation is currently advancing from the verification stage to the commercial application stage, and one urban area that can serve as a model, we have already achieved supply of heat and electric power generated exclusively from hydrogen using gas turbines manufactured by Kawasaki Heavy Industries. (See P.3 for more details)



### Zero-Emission Plant



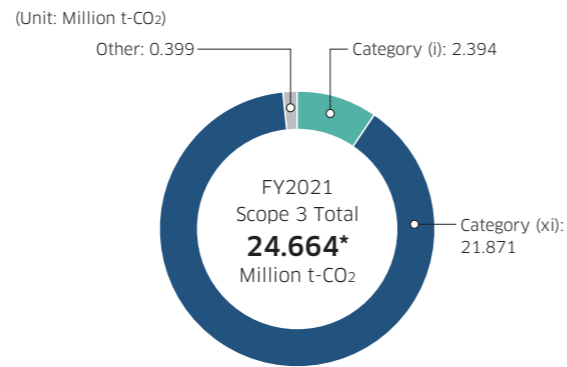


Scope 3

**Leading Society by Advancing Toward Zero-Carbon Ready**

Scope 3 Net Zero can only be achieved when all parties in the value chain including trading partners and clients become Zero-Carbon Ready. The Company will implement the maximum possible measures concerning Scope 3 to become Zero-Carbon Ready by 2040. Specifically, for category (i), we will slash CO<sub>2</sub> emissions by suppliers of materials and parts by 80%, and for category (xi), we will develop a lineup of CO<sub>2</sub>-free standard solutions in all businesses. Moreover, we will reduce CO<sub>2</sub> emissions by more than the Company's own Scope 3 emissions by working toward achieving a hydrogen-based society and engaging in the CCUS business, thereby contributing to the early achievement of carbon neutrality around the world.

Scope 3 Breakdown by Categories



\* Kawasaki Heavy Industries (non-consolidated), Kawasaki Motors, and Kawasaki Railcar Manufacturing

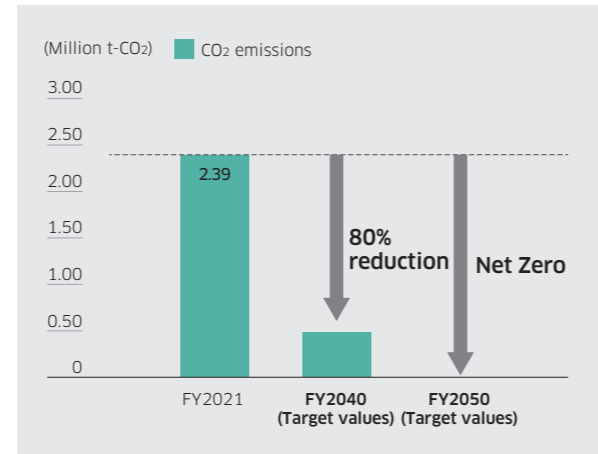
**Scope 3 Category (i) Companies supplying materials and parts About 2.4 million tons annually**

**Support industrial initiatives with hydrogen and CCUS solutions to further accelerate reductions**

It is anticipated that many industries and companies will tackle the reduction of CO<sub>2</sub> emissions through various measures, including the utilization of renewables and efficient energy use.

The Company will deepen its partnerships, including sharing emissions data with business partners, offering support for CO<sub>2</sub> reductions and striving for early achievement of zero emissions. This will be achieved by means not limited to in-company utilization by the Group of solutions such as hydrogen power, hydrogen fuel, and other alternative fuels, as well as CCUS, but also by providing these solutions to business partners that supply materials and parts.

Scope 3 Category (i) (CO<sub>2</sub> reductions scenarios)



**Scope 3 Category (xi) Providing customer solutions About 20 million tons annually\***

**Provide CO<sub>2</sub>-free solutions to all customers**

The Group will actively further three major initiatives. The first will be the provision of CO<sub>2</sub>-free fuels and electrical power to society, with a focus on its hydrogen business. The second will be to make a selection of choices for electrification and CO<sub>2</sub>-free fuels available to customers utilizing our various solutions including mobility and robots. The third will be to undertake initiatives to provide carbon capture, utilization, and storage (CCUS) solutions to capture CO<sub>2</sub> emitted into the atmosphere, and

subsequently store underground or use this CO<sub>2</sub>.

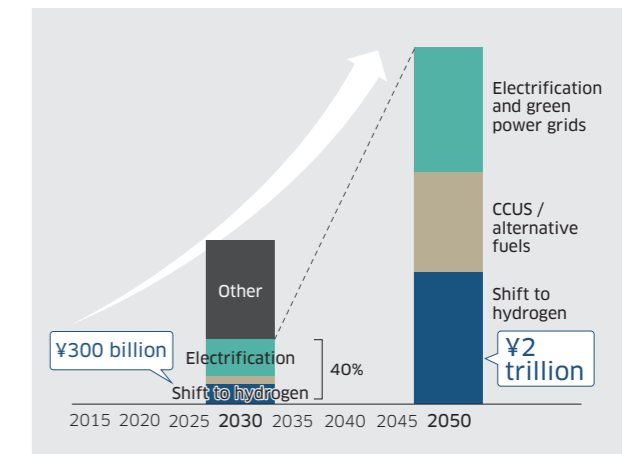
With these three pillars, the Group will make choices available to our customers of products and services (excluding defense and related; emergency products business) that contribute to the achievement of carbon neutrality by 2040, and promote global reductions in CO<sub>2</sub>.

\* From fiscal 2021, the Group modified its calculation method to allow more accurate records of emissions levels for Scope3 category (xi). Previously, CO<sub>2</sub> emissions levels for products such as hydraulic machinery, manufactured as parts to be incorporated in finished products, were calculated by tallying the CO<sub>2</sub> emissions levels of the finished products such as construction machinery. However, from fiscal 2021, these calculations will also take into account the degree of contributions and weight ratios for final products.

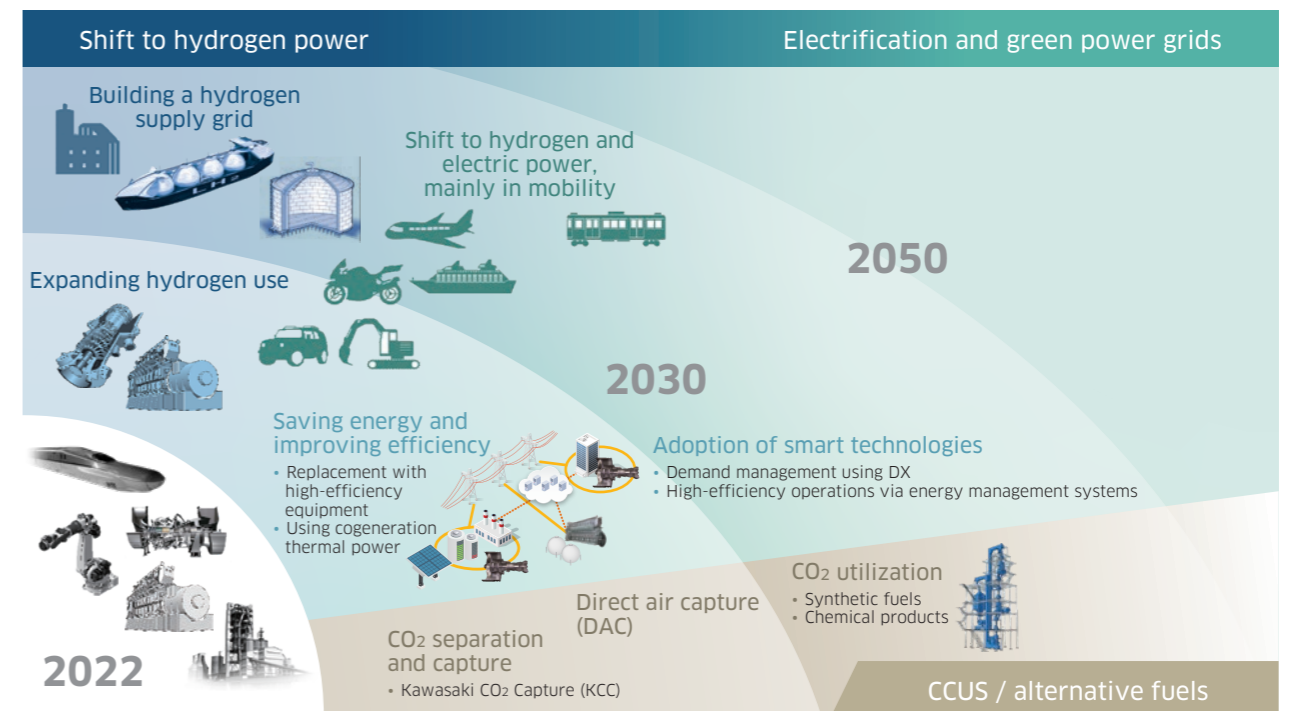
Direction of Transitions by Business

Businesses	Shift to hydrogen	Electrification and green power grids	CCUS / alternative fuels
Aerospace Systems	○	○	○
Rolling Stock	○	○	○
Precision Machinery	○	○	○
Robot		○	
Power Sports & Engine	○	○	○
Energy	○	○	○
Marine machinery	○	○	○
Plants	○	○	○
Ship & offshore structure	○	○	○

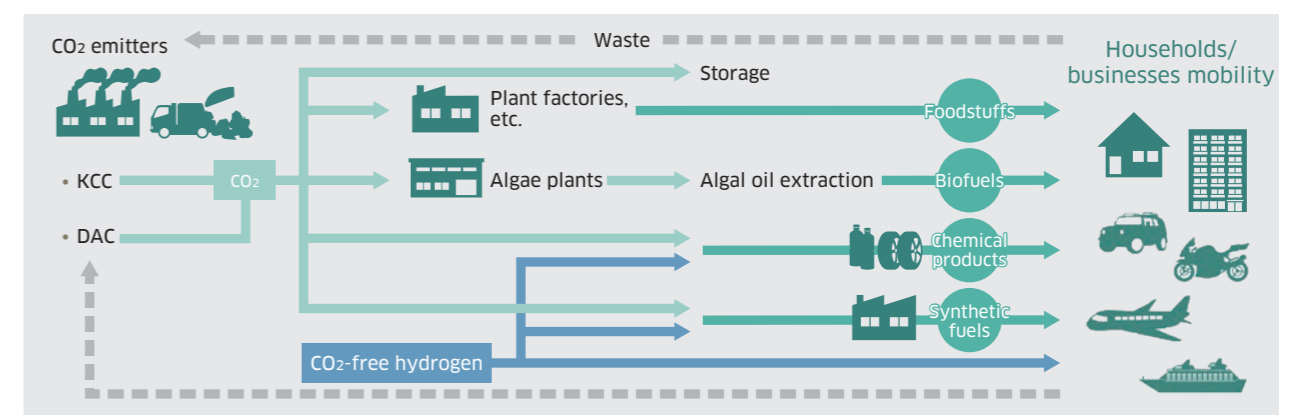
Envisioned Scale of Business by Future Solution



Decarbonization Solutions



A CO<sub>2</sub>-recycling Society





## Disclosure in Line with the Recommendations of the Task Force on Climate-related Financial Disclosures

Under its Group Vision 2030, the Kawasaki Group will actively contribute to the realization of a society in which the average global temperature rise is held to 1.5°C above pre-industrial levels—the goal of the Paris Agreement—through its business, by advancing its hydrogen business, CCUS\*1 and other efforts. At the same time, the Group is moving forward with measures, based on risk analysis, to address increasingly severe natural disasters, including business continuity planning (BCP), supply chain resilience and others. Here we report on climate change-related information based on TCFD recommendations.

\*1 Carbon dioxide Capture, Utilization and Storage

### Governance (Organizational governance of climate-related risks and rewards)

Kawasaki has established a Sustainability Committee, chaired by the President, to provide a system for discussion and reporting regarding its environmental management strategy, including climate change risks and opportunities; committee meetings are held at least twice a year. The Sustainability Committee regularly reports on its activities to the Board of Directors, which makes policy decisions regarding climate change-related initiatives and discusses other important matters.



### Strategy (Actual and potential impact of climate-related risks and opportunities on business, strategy and financial planning)

In energy and environmental solutions, one of three focal fields defined in the Group Vision 2030, the Group is actively advancing business aimed at realizing a decarbonized society through the hydrogen business, CCUS and other efforts.

In the current scenario analysis, we looked at the Group in its entirety to perform a comprehensive assessment in terms of (i) an assessment by industry; (ii) CO<sub>2</sub> emissions; (iii) business size and future growth potential; and (iv) climate change-related opportunities

and risks. We then identified those businesses that will be significantly impacted by climate change. We conducted a quantitative assessment (financial impact assessment) of the Energy Solution and Marine Engineering segment, which faces the greatest impact, as well as a qualitative assessment of the Aerospace Systems and Motorcycle & Engine segments, which will see the next-largest impact. Considering consistency with the Group Vision 2030, the year 2030 was set as the target year, with the analysis based on a scenario of 1.5°C and 4°C.

### Risk Management (Methods for identifying, assessing and managing climate-related risks)

The identification and assessment of risks related to climate change are conducted by the Sustainability Committee. Risks are identified in accordance with TCFD categories, including transition risks, physical risks and

others, and are assessed based on the size of their impact. The most significant risks among these are reported to the Board of Directors, which then holds discussions regarding countermeasures.

### Indicators and Targets (Indicators and targets employed when assessing and managing climate-related risks and opportunities)

The Group has established CO<sub>2</sub> emissions reduction targets, as shown in the chart at right.

For domestic Scope 1 and 2, including Group companies, our goal is to achieve self-sustaining carbon neutrality by 2030 through initiatives centered primarily around hydrogen power generation. For Scope 3, targets have been established for main categories (i) and (xi).

Our goal is for zero CO<sub>2</sub> emissions across the Group as a whole by 2050, in line with the CO<sub>2</sub>-free target set out in the Kawasaki Global Environmental Vision 2050.

Kawasaki Group CO<sub>2</sub> Emissions Reduction Targets

Scope 1, 2	Scope 3
<p><b>2030 Net Zero</b> Scope: Domestic Group companies</p>	<p><b>2040 Zero-Carbon Ready</b> * Substantially reduce CO<sub>2</sub> emissions by greater than 100% through promotion of the CCUS business (Category (i): 80% reduction (versus fiscal 2021) Category (xi): Promote CO<sub>2</sub> reductions in the world Scope: Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar</p>
<p><b>2050 Net Zero</b> Scope: Entire Group (consolidated)</p>	

## Climate Change Scenario Analysis

1.5°C Scenario (As of 2030) If Group Vision 2030 Is Achieved

Business Segment	Energy Solution & Marine Engineering Segment	Aerospace Systems Segment	Motorcycle & Engine Segment	
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>Decarbonization of energy will progress rapidly worldwide, and energy conservation, energy conversion and the shift toward non-fossil fuels will advance in Japan as well.</li> <li>An international supply chain will be built for hydrogen and ammonia, and power generation begins. Strategic placement of hydrogen stations advances.</li> </ul>	<ul style="list-style-type: none"> <li>Global air passenger traffic will increase as the middle class grows in emerging economies. The use of sustainable aviation fuel (SAF), such as biofuels, and hydrogen will be encouraged.</li> </ul>	<ul style="list-style-type: none"> <li>Rapid progress in electrification. The use of hydrogen and synthetic fuels will also advance.</li> </ul>	
<b>Opportunities</b>	<b>Hydrogen-related</b>	<ul style="list-style-type: none"> <li>Demand will increase for liquefaction plants, liquefied hydrogen storage tanks, liquefied hydrogen carriers, hydrogen gas turbines, hydrogen gas engines and marine hydrogen engines.</li> </ul>	<ul style="list-style-type: none"> <li>Efforts to develop hydrogen-powered aircraft will progress toward 2040.</li> </ul>	<ul style="list-style-type: none"> <li>Demand will increase for hydrogen engine motorcycles and four-wheelers.</li> </ul>
	<b>CCUS</b>	<ul style="list-style-type: none"> <li>Demand will increase for CO<sub>2</sub> recovery plants/equipment and use of CO<sub>2</sub>.</li> </ul>	—	—
	<b>Electrification</b>	<ul style="list-style-type: none"> <li>Demand will increase for marine electric propulsion systems and marine fuel cell and storage batteries.</li> </ul>	<ul style="list-style-type: none"> <li>Development of electric aircraft will advance.</li> </ul>	<ul style="list-style-type: none"> <li>New electric motorcycles (EV/HEV, etc.) will come to market and sales will increase.</li> </ul>
	<b>Alternative Fuels</b>	<ul style="list-style-type: none"> <li>The use of biomass will increase.</li> </ul>	<ul style="list-style-type: none"> <li>Demand for sustainable aircraft fuel (SAF) will increase.</li> </ul>	<ul style="list-style-type: none"> <li>Demand for e-fuel (carbon-neutral alternative fuels) compatible mobility will increase.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>Demand will increase for reduced GHG vessels, marine LPG/LNG engines and ammonia transport.</li> </ul>	<ul style="list-style-type: none"> <li>Demand will increase for fuel efficient engines.</li> </ul>	—	—
<b>Risks</b>	<ul style="list-style-type: none"> <li>Due to delays in infrastructure development, etc. widespread adoption of hydrogen may fall behind our assumptions.</li> <li>Demand for LNG power generation facilities will gradually decline.</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D and capital investments in new types of aircraft and engines using next-generation technology will increase.</li> </ul>	<ul style="list-style-type: none"> <li>EV/HEV development costs will increase. Capital investments in solving battery issues (durability, output), e-fuel and use of hydrogen technology will increase.</li> </ul>	
<b>Financial Impact (2030 net sales)</b>	<ul style="list-style-type: none"> <li>Hydrogen-related Products ¥300 billion</li> </ul>	(Scheduled for future implementation)	(Scheduled for future implementation)	
<b>Kawasaki's measures to address opportunities and risks</b>	<b>Hydrogen-related</b>	<ul style="list-style-type: none"> <li>We have promoted the Green Innovation Fund's commercialization demonstration projects to achieve greater scale at lower cost. We have actively promoted alliances with relevant companies to realize an international supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Kawasaki is also promoting R&amp;D in hydrogen aircraft core technology. We are advancing studies of airport infrastructure, etc. utilizing the hydrogen supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Stimulate demand by encouraging the development of mobility and general-purpose engines utilizing hydrogen engines.</li> </ul>
	<b>CCUS</b>	<ul style="list-style-type: none"> <li>Kawasaki has completed a demonstration of a CO<sub>2</sub> recovery plant under NEDO* and Ministry of the environment projects based on the strength of our submarine technology, and are advancing efforts to scale up and strengthen cost competitiveness of the plant toward commercialization. We are investigating a wide range of possibilities for utilization of CO<sub>2</sub>, including synthetic fuels.</li> <li>* New Energy and Industrial Technology Development Organization</li> </ul>	—	—
	<b>Electrification</b>	<ul style="list-style-type: none"> <li>Expand sales of hybrid/electric propulsion systems.</li> </ul>	<ul style="list-style-type: none"> <li>Advance development of elemental technologies related to electrification.</li> </ul>	<ul style="list-style-type: none"> <li>Deploy EV/HEV in at least 10 models by 2025, and replace major models with EV/HEV by 2035.</li> </ul>
	<b>Alternative Fuels</b>	<ul style="list-style-type: none"> <li>Expand sales of boilers compatible with a wide variety of biomass fuels.</li> </ul>	<ul style="list-style-type: none"> <li>Advance preparations for development of SAF-compatible engines.</li> </ul>	<ul style="list-style-type: none"> <li>Promote development of e-fuel compatible mobility.</li> </ul>
	<b>Other</b>	<ul style="list-style-type: none"> <li>In addition to meeting immediate transport demand with ammonia carriers, provide hydrogen engines and hydrogen supply systems for coastal vessels, which are the primary target ship types for our marine LNG gas engines.</li> <li>Meet demand for LNG power generation from an energy security perspective, while also promoting a conversion to hydrogen gas turbines and hydrogen gas engines.</li> </ul>	<ul style="list-style-type: none"> <li>Promote R&amp;D in composite materials and high-efficiency systems.</li> <li>To cope with rising research and equipment costs, promote R&amp;D in low-cost production technology using robot technology and IOT. Also increase development efficiency through alliances with other companies.</li> </ul>	<ul style="list-style-type: none"> <li>With regards to development costs and capital investments, we will control costs by standardizing components and outsourcing, including through collaboration with other companies.</li> </ul>

4°C Scenario (as of 2030) in the Absence of Progress with Group Vision 2030

Business Segment	Energy Solution & Marine Engineering Segment	Aerospace Systems Segment	Motorcycle & Engine Segment
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>Many countries withdraw from the Paris Agreement, leaving nature to take its course. Japan also fails to implement policies to reduce greenhouse gas emissions.</li> <li>Typhoons, floods and other natural disasters chronically occur and intensify.</li> <li>Gradual progress in deployment of renewable energy. Reliance on coal and oil continues. Hydrogen and ammonia technology fails to progress and introduction does not move forward.</li> </ul>	<ul style="list-style-type: none"> <li>The frequent occurrence of natural disasters may increase damage to power generation and transmission equipment, and increase the occurrence of delays in parts procurement and delivery due to supply chain disruptions.</li> </ul>	—
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Demand for distributed power and emergency power generation facilities will increase as a means of reducing disaster damage.</li> </ul>	<ul style="list-style-type: none"> <li>Demand for disaster response helicopters and related systems will increase as a means of reducing disaster damage.</li> </ul>	—
<b>Risks</b>	<ul style="list-style-type: none"> <li>Lack of progress in adoption of hydrogen and CCUS may cause delays in return on investments and require reevaluation of business plans.</li> </ul>	—	<ul style="list-style-type: none"> <li>Temperature changes may reduce lawn growth and shrink the general-purpose engine market.</li> </ul>
<b>Financial Impact</b>	<ul style="list-style-type: none"> <li>Loss of sales opportunities in hydrogen-related businesses. Delays in recovering investment.</li> <li>Maintenance and growth of business scale expected through continuation of and improvements to existing products.</li> </ul>	(Scheduled for future implementation)	(Scheduled for future implementation)
<b>Kawasaki's measures to address opportunities and risks</b>	<ul style="list-style-type: none"> <li>Promote deployment of distributed power sources, emergency power generation.</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate deployment of disaster response helicopters and related systems.</li> </ul>	<ul style="list-style-type: none"> <li>Consider repurposing technology acquired in lawn-related engines to enter markets outside of the lawn and garden segment.</li> </ul>
	<ul style="list-style-type: none"> <li>Strengthen business continuity planning (BCP), mainly at coastal plants, as a countermeasure against natural disasters. Work toward a more resilient supply chain.</li> </ul>		

Note: EV: Electric Vehicle; HEV: Hybrid Electric Vehicle; GHG: Greenhouse Gas



Focal Field 2

New value creation using remote technology



# Create a society that is affluent, safe, and secure for all with remote technology

## Kawasaki's Solutions to Social Issues

- In industrial robots, we will use automation and remote technologies to offer solutions to labor issues ranging from worker shortages in developed countries to difficult and dangerous worksites.
  - In the healthcare field, we will alleviate patient burden, the increasing burden on doctors, and regional healthcare disparities
  - Reflecting work and lifestyle diversification, we will facilitate remote work environments that enable participation in society regardless of distance, lifestyle constraints, or health limitations as well as the use of overseas workers and skilled workers.
  - We will use sophisticated and diverse transportation and energy equipment to prevent and alleviate damage from increasingly severe natural disasters and help ensure economic continuity and stability in daily life.
- Of these, here we introduce the following initiatives.

## For Medical Professionals Dealing with Human Lives

\* Mediaroid Intelligent Network System

### hinotori™ Surgical Robot System

In 1968, Kawasaki was the first company in Japan to develop and manufacture robots, and it has remained at the forefront of Japan's robotics industry ever since. In 2013, we established Mediaroid Corporation, specializing in medical robots, as a joint venture with Sysmex Corporation. Mediaroid Corporation then developed the hinotori™ surgical robot system, the first surgical robot produced in Japan.

As of October, 2022, the system has conducted a total of more than 600 urological operations Japan. On October 11, the system was approved for

expanded application in general surgery and gynecology. Going forward, we aim to offer proposals for streamlining operations using MINS\*, a network platform for digitalizing operations, as well as a technology transfer service.

In addition, we participated in three remote operation projects, and aim to improve the technology by conducting demonstration testing, while also participating in a project to formulate guidelines aimed at practical application.



hinotori™ Surgical Robot System

## Restoring Social Mobility

### PCR Testing Service

Amid the prolonged pandemic, restoring the movement of people and normal functioning of society will require the expansion of infectious disease testing. Using robots, Kawasaki now offers automated PCR testing services that realize rapid, continuous, high-volume, high-accuracy processing.

In fiscal 2021, using our experience in proposal-based product design for municipalities, airports and corporate

testing, we developed a system that enables us to suggest products quickly and appropriately in line with customer needs. Going forward, by expanding this testing service, we will prepare for a resurgence in COVID-19 infections while promoting its application to a variety of tests of diverse infectious diseases and in the medical field. We will thus contribute to both the safety and security of people's lives and to economic activity.



Narita International Airport PCR Lab.



Intake desk at the Kansai International Airport PCR Lab.



Tokyo Metropolitan Government project to offer free PCR and other tests



Tenkubashi PCR Lab.

## Offering New Value through Co-creation

### Providing Platform Services with Remote Robots

In December 2021, Kawasaki established Remote Robotics Inc., a joint venture with Sony Group Corporation. The company is working to develop this new business with the purpose of realizing a remotely connected society in which every person can participate and proposing new work styles.

As labor shortages worsen with the decline in the working population, the spread of diverse work styles has been limited, and there are many people who want to work but cannot, or who are forced to work in so-called 3-K jobs (*kitsui* = difficult, *kitanai* = dirty, *kiken* = dangerous).

We will propose new ways of

working between people and robots by building a remote robot platform connecting remote workers and businesses. We will provide tools for designing a remote environment that allows for remote operation of on-site robot systems and services. This can also be used for job assignments, worker skill improvement, process management and improvement.

### Use of the Industrial Metaverse

We are working with Microsoft on an industrial metaverse initiative. The goal is to achieve robot operation from remote locations through collaboration in the metaverse and the use of digital twins.



Operating a robot from a remote site





**Focal Field 3**

Transforming the movement of people and freight



# Create a society where people and freight move safely, quickly, and efficiently using new forms of mobility

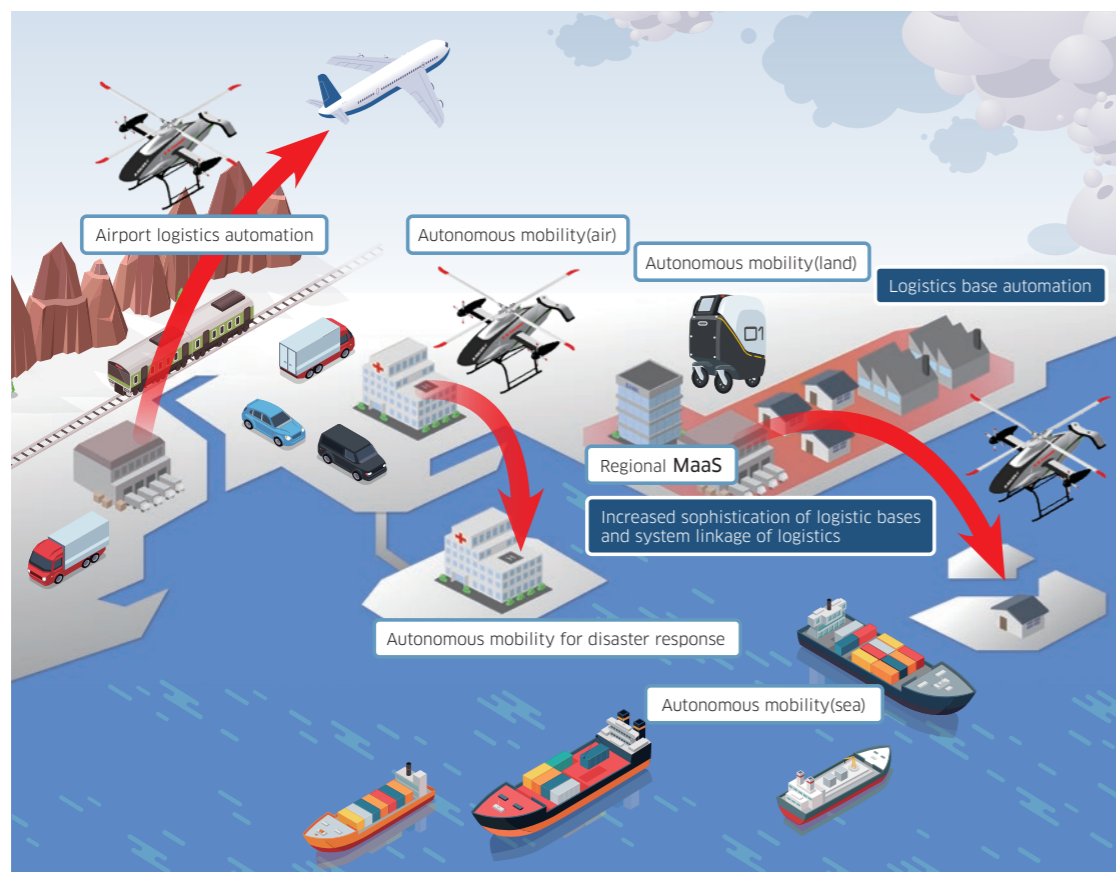
## Kawasaki's Solutions to Social Issues

- We will provide new solutions based on Kawasaki's wealth of technologies necessary to the transportation chain, including those related to airplanes, helicopters, ships, rolling stocks, and motorcycles. These solutions will address the changing manner of mobility, including growth in e-commerce, sharing services, and demand for personal mobility.
- Addressing the increasingly severe issues related to labor shortages and worsening working conditions caused by growing logistics volumes, we will offer new systems that combine transportation equipment with robotics and remote technologies.
- We will offer solutions leveraging new transportation systems that combine land and air transport to address such issues as time lost in transport due to higher traffic congestion because of economic development and disruptions caused by increasingly serious natural disasters.

## Working Toward the Social Implementation of Near-Future Mobility

We will build strategic partnerships in logistics from fiscal 2022 with the aim of achieving social implementation in regional cities, commercial facilities, hospitals, etc.

In addition, we will also participate in moves towards deregulation and institutional development with regard to remote and autonomous mobility.



Super City Using Near-Future Mobility

## Reforming the Last Mile in Logistics

\*1 Vertical Take-Off and Landing aircraft

The Kawasaki Group is a leading manufacturer in the Japanese aerospace industry, with an extensive track record in the manufacture of helicopters for the defense and commercial sectors as well as wide-ranging knowledge about such topics as air traffic control. Drawing on this technological prowess and expertise,

we are developing unmanned VTOL\*1 Aircraft with the aim of revolutionizing the last mile problem in logistics.

In addition, we aim to revolutionize the last mile in transportation using delivery robots that combine our robotics technologies with the driving technologies of our off-road four-wheelers.

## Initiatives in Fiscal 2021

To solve the last-mile problem and other logistics issues, we conducted technical demonstration tests at the Fukushima Robot Test Field of seamless unmanned cargo transport using an unmanned VTOL Aircraft in cooperation with a delivery robot. We also conducted a demonstration test aimed at realizing a logistics system without human intervention, utilizing a compact, low-speed delivery robot on public roads in Kinshicho and Nishi-Shinjuku in Tokyo, as well as a test of a multi-use UGV\*2 at Kawasaki's Akashi Plant aimed at realizing unmanned transport of goods in in-plant logistics.

We have also commissioned by Ina City, Nagano Prefecture, for its Unmanned VTOL Cargo Transport Platform Development Project (Fiscal 2021-2025). A flight demonstration was

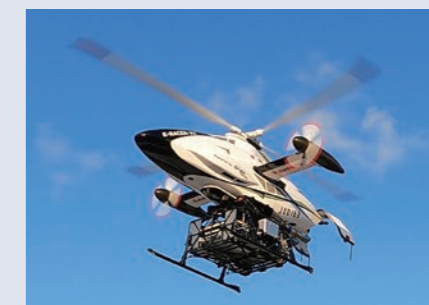
conducted at the Ina Ski Resort, at an elevation of 850 m with 60 kg of rice on board, as a plan for social implementation from transport of goods in mountainous areas.

In addition, demonstration tests of specimen delivery have been carried out at Fujita Health University to realize the "Smart Hospital" concept. We also participated in Tokyo's service project for 5G and other cutting-edge technology.

To develop the system, we participate in public-private councils and in the Robot Delivery Association. As we promote the commercialization of each type of mobility, going forward we aim to provide a new logistics system that integrates these technologies.



Unmanned VTOL Aircraft and delivery robots



Unmanned VTOL Aircraft equipped with delivery robot



Tokyo Governor Koike observing automated delivery robot



Multi-use UGV

\*2 Unmanned Ground Vehicle



## / Process for Identifying the Kawasaki Group's Material Issues

In 2018, Kawasaki identified material issues (materiality) by recognizing and summarizing the impact the Group's business activities have on society, in light of the diversifying expectations and demands of stakeholders and changes in the business environment.

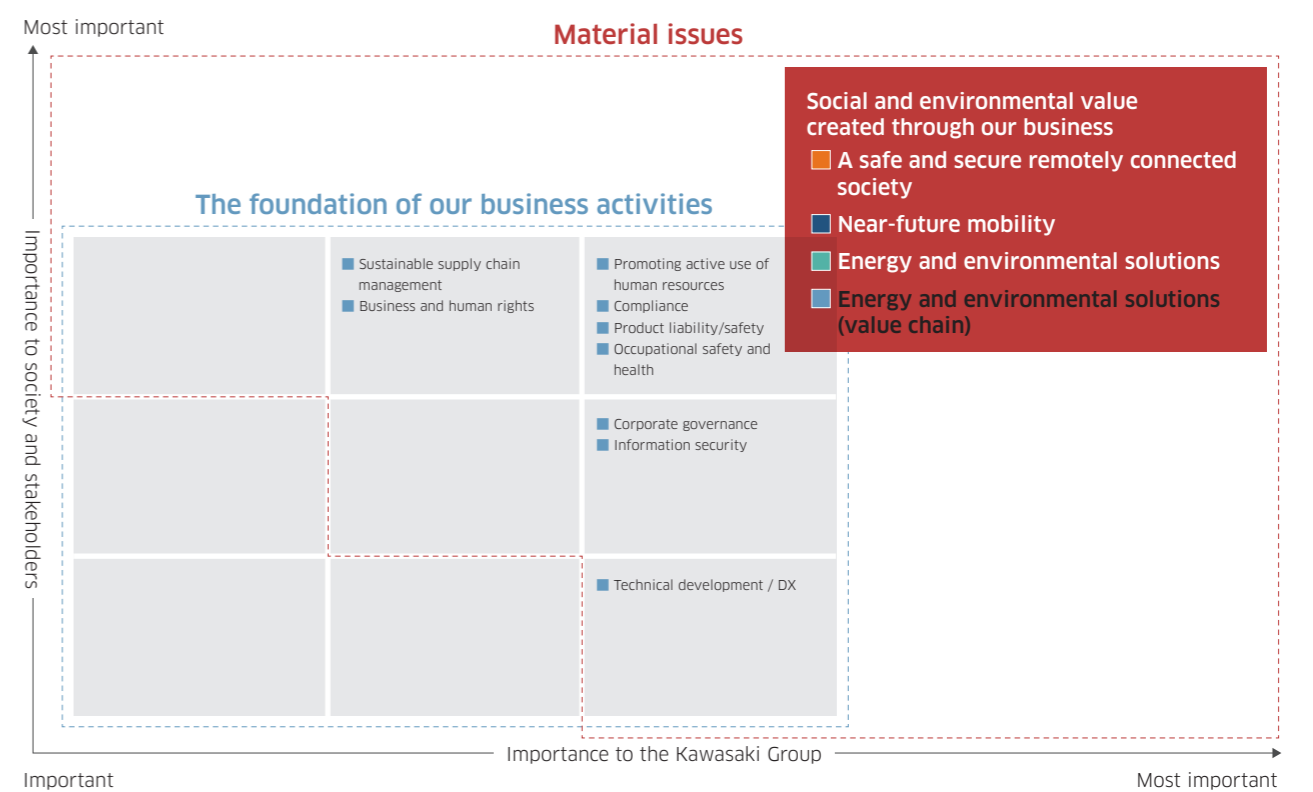
Further, with the November 2020 announcement of Group Vision 2030, we reevaluated these material issues. As in 2018, we divided them into two broad categories: The "social and environmental value created

through business," and the "foundation of our business activities." Initiatives conducted through our main business have been defined as the most material issues to be achieved by the Group over the long term, while other issues have been positioned as basic items for achieving the most material issues. Going forward, we will continue to regularly review our materiality in response to changes in the business environment and the expectations of society.

### Process for Identifying Materiality

STEP	Process for Identifying
<b>Step 1</b>	<p><b>Revision in line with the formulation of Group Vision 2030</b></p> <p>In November 2020, we formulated our Group Vision 2030, considering a variety of social issues, the Company's strengths and our vision for 2030. We also established three focal fields, including a safe and secure remotely connected society, near-future mobility and energy and environmental solutions. In June 2021, upon discussion by the Sustainability Committee chaired by the President, these three focal fields were set out as the social and environmental value created through business.</p>
<b>Step 2</b>	<p><b>Reviewing the "foundation of our business activities" category</b></p> <p>In light of our business strategy under the Group Vision 2030 and recent changes globally around sustainability, we reviewed the "foundation of our business activities" category. In conducting that review, we identified and sorted issues—with input from outside advisors—based on survey items from ESG assessment organizations (DJSI, FTSE, MSCI, Sustainalytics), SASB, investor stewardship principles, GRI, Future-Fit, and client company requests (Self-Assessment Questionnaire). We then mapped the material issues into two tentative categories: "Importance to society and stakeholders," and "importance to the Company."</p>
<b>Step 3</b>	<p><b>Interview outside experts and decide the material issues</b></p> <p>We then obtained the opinions of outside experts and reevaluated this mapping. After discussion by the Sustainability Committee based on those opinions and the revised mapping, further discussions were held by the Board of Directors which then determined the final material issues.</p> <p><b>Expert comments (excerpt)</b></p> <ul style="list-style-type: none"> <li>The Kawasaki Group has been hands-on in creating a business foundation to allow many companies to make the jump to 2030 and beyond. Because Kawasaki's own transition represents the creation of innovation for other companies, discussing that scenario in the context of value creation will make it easier to gain the understanding of investors.</li> <li>I would like the Company to make visible how the "foundation of our business activities" is connected to "social and environmental value created through our business, including a time line. In the wake of the COVID-19 pandemic, investors are keeping a close eye on issues of sustainable supply chains and human rights, so these two could be elevated a bit more under social and stakeholder expectations.</li> <li>The Company needs to list decarbonization and addressing TCFD among its "foundation of our business activities" issues. I think hydrogen can be considered over a somewhat longer period of time, as the technological innovations that will arise in the first half of 2030s will see the cost of hydrogen from renewable energy sources and the cost of hydrogen from fossil fuels reversed.</li> </ul>
<b>Step 4</b>	<p><b>Formulate the plan and conduct a review</b></p> <p>With the goal of complying with the management approach of the GRI standard, we will establish departments responsible and specific numeric targets for the key issues identified, and will advance activities toward achieving those targets through steady execution and follow-up. Progress will be reported to the Sustainability Committee as we strive for improvement.</p>

Materiality Matrix of Items Identified



### Priority Items in the Foundation of Our Business Activities Category

Items selected as important issues under the "foundation of our business activities" category have been categorized as follows, and priority items have been established under each issue: 1. Items of particular importance going forward (items that will have an ever-increasing impact on future finances); 2. Items that were emphasized in the past, but which will be steadily




reinforced going forward; and 3. Mechanisms to be developed as the foundation for everything. Further, we clarified the scope of initiatives in 1. and 2. Based on a high-level view of the entire value chain, from planning and design and product use, and from the suppliers involved to the customer.

: Scope of initiatives		Suppliers*	The Kawasaki Group	Our customers
Items of particular importance going forward (items that will have an ever-increasing impact on future finances)	Energy and environmental solutions (value chain)		Decarbonization	
			Improve resilience in response to climate change	
	Business and human rights		Effective use of resources	
	Promoting active use of human resources		Conduct human rights due diligence	
Items that were emphasized in the past, but which will be steadily reinforced going forward	Technical development / DX		Human resource system reforms, human resource development	
			Diversity and inclusion	
			Co-creation IP strategies for new business creation	
			Open innovation	
	Product liability / safety		Promote DX	
	Compliance	Compliance with the Sustainable Procurement Guidelines	Product liability/safety	Compliance with the Kawasaki Group Code of Conduct
	Occupational safety and health		Anti-corruption measures	Occupational safety and health
	Information security		Strengthen product security	Strengthen information security
			Strengthen cyber defenses	
			Privacy Policy	
<b>Corporate governance (mechanisms to be developed as the foundation of everything)</b>				

\* Because items to be addressed with regards to sustainable supply chain management are wide-ranging, priority items are shown in the Supplier column.



Group Vision 2030 | Goals and Results in the Three Focal Fields

Focal field and goal	Main actions	Social outcomes (results)	Targets / Key Performance Indicators(KPIs)	Specific measures	Achievements in Fiscal 2021
<p><b>A safe and secure remotely connected society</b></p> <p>New value creation using remote technology</p> <p>Create a society that is rich, safe, and secure for all with remote technology</p> 	<ul style="list-style-type: none"> <li><b>Healthcare</b> <ul style="list-style-type: none"> <li>Infectious disease testing business</li> <li>Surgery support business</li> <li>Nursing care business</li> </ul> </li> <li><b>Business in automated, autonomous, and remote technology support for manufacturing and service industries</b></li> </ul> <hr/> <ul style="list-style-type: none"> <li><b>Offer new ways of working and living to realize a remotely connected society</b> Provide a platform to match workers with businesses seeking labor using remote robots (joint venture business with Sony Group)</li> </ul> <hr/> <ul style="list-style-type: none"> <li><b>Provide transportation, power generation, and other equipment at times of disasters</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Infectious disease testing</b> to prevent the spread of disease and speed up recovery in the movement of people, including air travel demand</li> <li><b>Reduce the burden on healthcare and nursing care workers</b></li> <li>Advanced treatment using <b>surgical robot system</b></li> <li><b>Correct regional disparities</b></li> <li><b>Improve productivity and alleviate labor shortages</b></li> </ul> <hr/> <ul style="list-style-type: none"> <li><b>Work style reforms</b> <ul style="list-style-type: none"> <li>Time flexibility</li> <li>Eliminate strenuous, dirty, and dangerous work</li> <li>Remote work that includes on-site operations</li> </ul> </li> <li><b>Secure labor</b></li> <li><b>Provide opportunities for all people to participate in society</b></li> </ul> <hr/> <ul style="list-style-type: none"> <li>Support for evacuees (improve quality of life)</li> <li><b>Save more lives</b></li> </ul>	<p><b>Targets for 2030</b></p> <ul style="list-style-type: none"> <li>Eliminate 5% of Japan's approximately 2,000,000-person shortage in healthcare and welfare workers (market estimated at over ¥1 trillion)</li> <li>Eliminate 5% of Japan's approximately 4,000,000-person shortage in manufacturing and service industry workers (market estimated at over ¥2 trillion)</li> </ul> <p><b>KPIs</b></p> <p>(a) Remote platform active users (b) Number of cases carried out with surgical robot system</p>	<ul style="list-style-type: none"> <li><b>Infectious disease testing system</b> Joint PCR testing research with universities, PCR testing service at airports for departing passengers on international flights, expanding domestic use from monitoring to screening (social implementation)</li> <li>Demonstration of telesurgery performed at a distance of 30 km using <b>surgical robot system</b> (animal testing), world's first telesurgery demonstration using commercial 5G networks</li> <li>Adoption of nursing care robots in hospitals</li> <li>Market introduction of personal care products that use remotely connected technologies</li> <li>Development and implementation of robots for warehouses and stores</li> <li>Practical application of humanoid robots</li> <li>On-site work using remotely controlled robots at plants (proof of concept demonstration begun in fiscal 2021)</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Deliver medical service helicopters</li> <li>Deliver standby generator sets</li> </ul>	<ul style="list-style-type: none"> <li><b>Number of tests handled by the PCR testing service: About 400,000</b></li> <li><b>Surgical support robot systems</b> <ul style="list-style-type: none"> <li>Total systems deployed: 18;</li> <li>Total number of cases in urology: More than 180</li> </ul> </li> <li>Applied for expanded indication for use in gastrointestinal surgery and gynecology</li> <li>Participating in three telesurgery projects and currently conducting demonstration tests</li> <li><b>Established Remote Robotics Inc., a joint venture engaged in the remote robot platform business, with Sony Group Corporation</b></li> </ul>
<p><b>Near-future mobility</b></p> <p>Transforming the movement of people and freight</p> <p>Create a society where people and freight move safely, quickly, and efficiently using new forms of mobility</p> 	<ul style="list-style-type: none"> <li><b>Offer new equipment and systems, such as delivery robots and unmanned transport helicopters</b></li> <li><b>Offer automated, autonomous, and remote solutions for the logistics industry</b></li> <li>Reduce environmental burden and utilize advanced safety technology in transportation equipment</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Respond to mobility as a service (MaaS)</li> <li>Increase speed and efficiency of inter-city transport</li> <li>Promote optimization via integrated control of marine, land, and air transport</li> <li>Develop new personal mobility</li> <li><b>Take part in super city projects</b> Coordinate with municipalities to realize advanced cities</li> </ul>	<ul style="list-style-type: none"> <li>Handle increasing logistics volumes and <b>alleviate labor shortages</b></li> <li>Provide safe working conditions</li> <li>Realize a society that enables the environmentally friendly and safe movement of people and freight</li> </ul> <hr/> <ul style="list-style-type: none"> <li><b>Realize seamless urban transportation</b> Increase the speed and efficiency of the movement of people and freight</li> <li><b>Alleviate traffic congestion and logistics delays</b></li> <li><b>Disaster-resilient community building</b> Rapid transportation of emergency supplies, etc.</li> </ul>	<p><b>Targets for 2030</b></p> <ul style="list-style-type: none"> <li>Eliminate 20% of Japan's approximately 200,000-person shortage in logistics workers</li> <li><b>Commercialize new mobility</b> <ul style="list-style-type: none"> <li>Delivery robots</li> <li>Unmanned VTOL aircraft (vertical take-off and landing aircraft)</li> <li>Autonomous four-wheelers</li> <li>Supply chain optimization services, etc.</li> </ul> </li> <li>Autonomous marine transport (Marine Collaboration Project)</li> <li><b>Take part in super city projects</b></li> </ul> <p><b>KPIs</b></p> <p>(a) Number of unmanned VTOL aircraft and total volume transported (b) Number of delivery robot users and total volume transported</p>	<ul style="list-style-type: none"> <li><b>Logistics chain optimization</b> <p><b>Phase 1</b></p> <ul style="list-style-type: none"> <li>Autonomous transportation and loading equipment (autonomy that extends to the last mile)</li> </ul> <p><b>Phase 2</b></p> <ul style="list-style-type: none"> <li>Supply chains (create seamless connections: improve efficiency, including for reloading systems)</li> <li>Overseas expansion by 2030</li> </ul> </li> <li><b>New mobility</b> <ul style="list-style-type: none"> <li>Commercialize delivery robots and autonomous four-wheelers by 2025</li> <li>Full-scale operation of VTOL and integrated transport service business by 2030</li> </ul> </li> <li><b>Realize super cities</b> <ul style="list-style-type: none"> <li>Coordinate with municipalities to take part in super city projects (total optimization of urban transportation, including the movement of people)</li> <li>Build overarching management systems for the movement of people and freight (local MaaS) Organically link these with other Group businesses.</li> <li>Build cooperative relationships with logistics companies and software companies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>At Fukushima Robot Test Field, carried out technical demonstration tests of seamless unmanned cargo transport via unmanned VTOL aircraft in cooperation with a delivery robot</li> <li>On public roads in Kinshicho and Nishi-Shinjuku in Tokyo, conducted a demonstration test aimed at realizing a logistics system without human intervention, via a compact, low-speed delivery robot</li> <li>Conducted a demonstration test of a multi-use UGV aimed at realizing unmanned transport of goods in in-plant logistics at Kawasaki's Akashi Plant</li> <li>Commissioned by Ina City, Nagano Prefecture, for its Unmanned VTOL Cargo Transport Platform Development Project</li> <li>Conducted demonstration tests of specimen delivery, etc. at Fujita Health University toward realizing the "Smart Hospital" concept</li> <li>Participated in Tokyo's service project for 5G and other cutting-edge technology</li> </ul>
<p><b>Energy and environmental solutions</b></p> <p>Working toward the stable generation of clean energy</p> <p>Quickly achieve a stably powered, carbon-neutral society at low cost</p> 	<ul style="list-style-type: none"> <li><b>Build a hydrogen supply chain</b> High-volume, stable supply of hydrogen</li> <li><b>Expand the use of hydrogen</b> Power generation systems, transportation equipment, etc.</li> </ul> <hr/> <ul style="list-style-type: none"> <li><b>Electrify products</b> Transportation equipment and systems as well as components for construction machinery</li> </ul> <hr/> <ul style="list-style-type: none"> <li><b>Alternative fuels</b> Sustainable aviation fuel (SAF), biomass, etc.</li> </ul> <hr/> <ul style="list-style-type: none"> <li><b>CCUS</b> Capture and use CO<sub>2</sub> in fields that cannot eliminate fossil fuels</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Reduce environmental burden throughout the value chain</li> </ul>	<ul style="list-style-type: none"> <li><b>Reduce the price of hydrogen energy</b></li> <li><b>Help address climate change by reducing CO<sub>2</sub> emissions</b></li> <li><b>Provide clean travel and transportation by land, sea, and air</b></li> </ul> <hr/> <ul style="list-style-type: none"> <li>Help address climate change by reducing CO<sub>2</sub> emissions</li> </ul>	<p><b>Targets for 2030</b></p> <p><b>Hydrogen</b></p> <ul style="list-style-type: none"> <li>Hydrogen supply from Kawasaki solutions: 225,000 t/year (when commercialized)</li> <li>CO<sub>2</sub> reduction of 1.6 million tons (theoretical value) through hydrogen energy from Kawasaki solutions</li> </ul> <p><b>Existing products</b></p> <ul style="list-style-type: none"> <li>Manufacture of even more environmentally friendly products</li> <li>Reduction of CO<sub>2</sub> emissions from products</li> </ul> <p><b>KPIs</b></p> <p><b>Hydrogen</b></p> <p>(a) Hydrogen supplied by Kawasaki solutions (b) CO<sub>2</sub> reductions from Kawasaki's hydrogen energy solutions</p> <p><b>Existing products</b></p> <p>(a) Reduction of CO<sub>2</sub> emissions through product-based contributions (b) Number of registered products and net sales in Kawasaki Ecological Frontiers (formerly Green Products)</p>	<ul style="list-style-type: none"> <li><b>Form a hydrogen consortium</b> <ul style="list-style-type: none"> <li>Technological development</li> <li>Establish technologies for larger scale, leveraging NEDO subsidized projects and partnerships</li> </ul> </li> <li><b>Increase transport volume</b> (Two or more carriers in 2030; 80 or more carriers in 2050)</li> <li>Develop hydrogen-fueled rolling</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Mass production of hybrid and electric motorcycles and off-road four-wheelers</li> <li>Deliver hybrid and electric marine propulsion systems</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Begin pilot-scale demonstration testing of energy-saving CO<sub>2</sub> separation and capture system (Kansai Electric Power Company)</li> </ul>	<p><b>Hydrogen</b></p> <ul style="list-style-type: none"> <li>Completed the world's first maritime transport of liquefied hydrogen, including its loading and unloading has been held in Kobe, Japan</li> <li>Began collaboration with Airbus for the utilization of hydrogen in Japan. Memorandum of understanding signed for joint study of the building of hydrogen supply chains at various stages, from the production of hydrogen to its transportation to airports and supply to aircraft</li> </ul> <p><b>Existing products</b></p> <p>(a) Reduction of CO<sub>2</sub> emissions through product-based contributions by business: 17.39 million t-CO<sub>2</sub></p> <p>(b) Number of registered products and net sales in Kawasaki Ecological Frontiers (formerly Green Products): 68 products registered with net sales of ¥248.6 billion</p>

\* Refer to pp. 27-30 for more on the promotion of carbon neutrality. For other initiatives, please refer to information regarding sustainability on the Company website.



Message from the Financial Officer

## We are strengthening our financial position and advancing business reforms to fulfill the Group Vision 2030



**Katsuya Yamamoto**

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

### / Financing and human resources for Group Vision 2030

Kawasaki Heavy Industries is addressing social issues by providing innovative products and services in the Three Focal Fields defined in the Group Vision 2030. We will need to quickly conduct upfront investment to advance to commercialization in those fields as early as possible, and we will also need to improve the profitability of our existing businesses to accumulate the funds for that investment. We will steadily implement the strategies in Group Vision 2030 and enhance our corporate value by being an “ambidextrous organization” that generates cash by deepening existing businesses and continuously invests in new businesses.

I oversee both our financial operations and our human resource operations. My role is to help guide us to fulfilling the Group vision by not just through our financial activities, but also through our human capital, such as by advancing the personnel system reform that is presently being quickly implement throughout the Group.

### / Reforming our business to reestablish profitability

We reestablished profitability in fiscal 2021 by substantially improving our earnings in the Motorcycle & Engine business and in the Aerospace Systems business, where the impact from the Covid-19 pandemic subsided. After the motorcycle and rolling stock businesses were

spun off in October 2021, the motorcycle business posted record profits by using agile decision-making and succinct strategies to overcome logistics disruptions and parts shortages while harnessing the strong demand for outdoor recreation in developed countries. Management of the rolling stock business also improved from being spun off, and the business posted its first positive earnings result in five years.

Although the external environment for fiscal 2022 carries uncertainties, we expect to increase sales and profits in all segments as the impacts from the pandemic and from the weaker yen wane.

### / Improving cash flow and stronger profitability

Free cash flow also improved significantly to the positive to ¥91.8 billion in fiscal 2021 as our earnings recovered and from advances received in the Aerospace Systems business. The cash conversion cycle (CCC) also improved, falling to 127 days from a high of 153 days in fiscal 2020. We are also making steady progress paying down loans, which grew during the pandemic. The net debt-to-equity ratio improved to a generally acceptable level of 80.7%, due to reduced inventories and the improved earnings.

We are presently focusing on cash flow with the aim of creating a healthy balance of financial stability and investment in growth areas. We take the view that profit that does not produce cash is not real profit. Throughout the Group, we are strongly communicating

the increased importance of cash flow. In discussions about major investment plans, we are emphasizing considering the time needed to recoup investments and the impact the investment will have on our current financial standing.

For large projects that will significantly affect our management activities, we are formulating more accurate profit and loss plans by strengthening our pre-contract risk assessment functions and ensuring comprehensive financial discipline based on the shareholder equity of each business.

We are continuing to apply a program of financial management improvement\* and measures to lower barriers in our company system with the aim of maintaining the net debt-to-equity ratio in the 70-80% range and reducing CCC to below 100 days in the medium to long term. We are continuing our efforts to strengthen our ability to generate cash flow, lower interest-bearing debt, and maintain financial discipline while stepping up investment in growth areas.

\* The program to improve financial management operations by liquidating receivables, using supply chain financing, encouraging collection from customers, controlling inventories, and setting appropriate payment terms for suppliers.

### / Leveraging sustainable financing

In fiscal 2021, we raised 75% of the funding we needed for our businesses using sustainable finance, including through our first issuance of sustainability bonds. We became the first company in Japan to issue a sustainability bond for hydrogen-related business.

We will continue increasing our businesses that contribute to social and environmental sustainability and will use sustainable finance also to foster new businesses. We plan to increase the percentage of sustainable finance in our long-term borrowings to close to 50% by 2030 and to 100% by 2050.

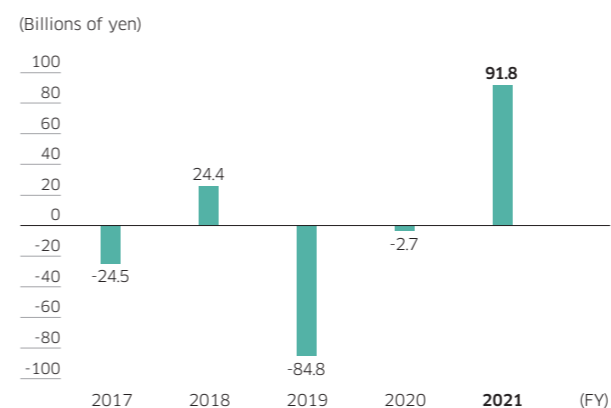
### / Increasing shareholder value through corporate growth

The Company intends to continue providing stable profit return to shareholders by distributing steady dividends based on a consolidated dividend payout ratio of 30%. In fiscal 2021, we distributed dividends of ¥40 per share, for a payout ratio of 30.7%. We are currently planning to raise the dividend to ¥50 per share in fiscal 2022.

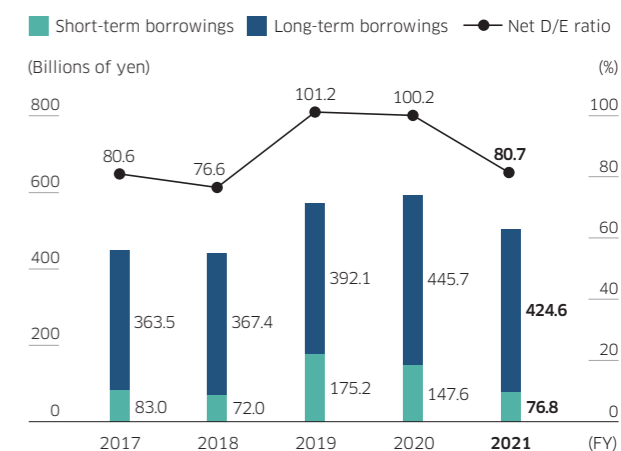
We recognize that increasing shareholder value comes not just from improving our business performance, but also requires raising the share price through the medium and long term. Our current price-to-earnings ratio, which reflects the growth expectations for a company, is currently about 14 times, which is near the average for our industry. We intend to raise the stock market assessment of our company by clearly explaining to shareholders and investors our growth strategy centered on the hydrogen business so they will fully understand our plan, and then we will back it up with results. In addition, we will implement an effective financial strategy and sustainable management to product corporate growth with an objective to grow to a market capitalization of ¥1 trillion.

To ensure we continue to fulfill shareholder and investor expectations, we will continue advancing our digital transformation, actively allocating management resources to growth areas, and transforming our business. We will also communicate, provide appropriate disclosure, and engage in constructive dialogue about our initiatives and progress through the media, by creating opportunities for discussion, and through constructive dialogue.

Free cash flow



Net D/E ratio and interest-bearing debt





Message from the Executive Officer in Charge of Technology Development and DX

## Further enhancing the competitiveness of our existing businesses and creating new value.

Hiroshi Nakatani

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



### / Outlining a future-oriented growth strategy

For the Kawasaki Group to establish sustainable growth, it is important to enhance the profitability of our existing businesses and to take a medium- and long-term perspective on laying the groundwork for developing the technologies for new products and businesses. We are identifying the technologies that will be needed 10 and 20 years in the future and outlining future-oriented strategies so we can get an early start on preparing for future needs.

That is the approach we took when envisioning the future of our hydrogen businesses. A little over 10 years ago, we looked ahead to future of energy security in Japan and envisioned hydrogen as the area where our Company could provide real value. At the time, many were skeptical that there would be a real need for hydrogen, but now hydrogen is considered a promising energy source for decarbonization and hydrogen-centered businesses are on the verge of becoming viable in many sectors, including power generation and transportation. Based on that experience, when we discuss potential directions for our R&D, we consider all aspects of business and society from how long our current products will continue to be competitive to the issues society will be facing in the future.

In fiscal 2021, we began taking inventory of our technologies and categorizing them as technologies to either keep or discard. We are still in the early stages of consideration and planning, but by focusing on the future for our products and businesses and planning

ahead for the technological evolution, we will strengthen our technological foundation for the future.

### / A new business model to generate greater value

Group Vision 2030 outlines three types of innovation that we will pursue to develop solutions for social issues in the areas of “a safe and secure remotely connected society,” “near-future mobility,” and “energy and environmental solutions.”

The first type is solution innovation, which is core technologies for solution-based business, and the second is product innovation, which is further developing our products and enhancing their competitiveness. Our businesses have been structured around product manufacturing and sales, with some core components driving our overall profitability. Now, we are seeking boost our profitability by extending our business reach upstream and downstream on the smile curve so we can raise value across the whole value chain.

To do that, we will develop technologies that further the evolution of our core components, create a business model that encompasses post-sale maintenance and operation services, and seek to grow our businesses beyond past limitations to provide solutions that create new value for our customers.

### / Process innovation that immediately accelerates sustainable growth

The third type of innovation we are pursuing is process innovation. We are improving management throughout the value chain with total quality management (TQM) and deepening the integration of the Kawasaki Production System (KPS) in our supply chain. In addition, we are standardizing our development and design processes in what we are calling the Kawasaki Design Process Transformation (K-DPX).

We celebrated our 125th year in 2021, and over the more than a century of operations our businesses units have developed their engineering and planning systems that they run in their own way. The ultimate aim of K-DPX is standardize these development and engineering processes. To date, traditional methods will be difficult to leave behind, but the times are rapidly changing, and the Group must also change in order to survive. Standardizing our parts, particularly core parts, will enable us to reduce procurement and quality control costs for the entire Group.

Standardizing our business processes is key to advancing our DX and also will have the benefit of facilitating human resource movement across company boundaries. We consider standardization to be vital for our future and are accelerating our efforts.

### / Fortifying intellectual property activities in our business strategies to add further value

While advancing our technology development and DX, we are also focusing on stepping up our intellectual property activities. Intellectual property is one of our core management resources, and we are seeking to establish and foster intellectual property activities linked to the complete cycle from early development through business strategy.

In the hydrogen businesses, for example, we have an intellectual property strategy for competition and co-creation. Hydrogen is an emerging field, and we cannot grow our business without first expanding the market. To develop the market, a balance of both open and closed intellectual property will be needed, and assistance from the industry and the government will be indispensable.

We will not rely solely on developing technologies ourselves but will also engage in open innovation to bring in and jointly develop leading technologies. Our process will be to envision future changes in society and what type of services and products will be needed, identify the technologies that will be needed to create those services and products, and then actively seek partnerships with companies and research institutions with the seeds to realize those technologies.

### / Advancing DX to create new customer value

DX is the linchpin of the three types of innovation that will transform our businesses and processes. The Kawasaki Digital Platform, which unifies all of our data in a digital space, is the foundation on which we are developing new services using digital technology in each focus field.

Our primary focus at this time is on collecting operational data. This is key because data on our robots after they are installed and operating at the customer site will enable us to anticipate malfunctions and provide preventive services through scheduled maintenance for production lines.

To realize new businesses like these, we are stepping up the training and acquisition DX human resources to run the operations and developing the Kawasaki Digital Platform as an ecosystem that will connect us with our customers and suppliers.

### / Cultivating human resources in technology development and strengthening foundational technologies for the future

The Kawasaki Group has introduced numerous firsts to Japan and the world. The areas of technological advances change with the times, but it is always people who create the technology. The products we produce and the services we provide are becoming increasingly diverse and sophisticated, and I believe that human resources are becoming more important than ever.

As the Group expands into new fields and new businesses, we will be looking forward to the products, services, and technologies that will be needed in the future as well as the human resources we will need to develop our businesses. We will take inventory of our present technologies and any technologies that we will need but don't have for the future businesses will be positioned as foundational technologies that we will cultivate through open innovation and by acquiring human resources.

The Kawasaki Group is diligently working to fulfill our Group Vision 2030 while also looking beyond to contribute to solutions that meet the increasingly diverse needs of society.



## Promotion of Human Resources Activities

### Goals of Group Vision 2030

- Strengthen and effectively use human capital (efficient allocation and human resource development) to achieve Group Vision 2030.
- Enhance employee engagement and build a company culture in which employees can continue to work with enthusiasm.
- Promote diversity and inclusion to build an organization in which a wide array of employees can maximize their individuality and potential.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
<ul style="list-style-type: none"> <li>• Implement the personnel system reform and human resource development in ways that enhance corporate value</li> <li>• Promote diversity and inclusion</li> </ul>	Proportion of employees answering "I want to continue working at the Kawasaki Group" on our Employment Engagement Survey	83% (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing)
	Proportion of women in managerial positions	1.75% (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing)
	Employee-related expenses	¥147,460 million (non-consolidated)

### Implement Personnel System Reform and Human Resource Development in Ways that Enhance Corporate Value

Human resources are the most important asset necessary for the Group to continuously provide new value required by society. In our Group Vision 2030, the enhancement of human capital is positioned as an important factor supporting our growth scenario.

Based on this awareness and in accordance with our basic policy on human capital (Kawasaki Group Policy on Human Resource Management), we are implementing various measures to recruit and develop diverse human resources, establish an environment that enhances and demonstrates the individualities and abilities of those human resources, and realize people and organizations that continuously tackle challenges and make reforms in a positive manner. In particular, positioning the improvement of employee engagement as a priority issue, we are tackling personnel system reforms and organizational development activities to further increase the number of highly motivated employees and provide them with an environment in which they can fully display their abilities.

In our human resource development, level-specific training, including for young employees and top management, and education and training common to the Group are planned and implemented by the head office, and education and training in response to the abilities and skills required in each business are planned and implemented by each internal company.

Additionally, to further develop human resources to support the development of our operations worldwide, the Group has been engaged in global human resources development since 2008. Specifically,

we implement the global business talent seminars to instill a mental preparedness to work from a global perspective and learn skills related to overseas business and the global basic skills seminars to instill a systematic understanding of differences in diversifying values.

#### K-Win Activities (Kawasaki Workstyle Innovation)

Beginning as a program of workstyle reform and developing into a project entailing operational transformation, organizational transformation, and corporate culture transformation, the Kawasaki Group's K-Win activities are now integrated into Group management and have been expanded to include overall corporate innovation to change the corporate culture and employee awareness for the purpose of achieving the Group Vision 2030. Through these efforts to create more highly motivated employees who actively take on challenges, we are building organizations that create virtuous cycles of corporate value enhancement.

#### Employee Engagement Survey

Believing that realization of the Group Vision 2030 requires employees willing to go beyond their boundaries and perform work with a sense of purpose and fulfillment, we are implementing a variety of reform activities, including K-Win activities. Using engagement survey which is employed widely by global corporations, we regularly grasp organizational capacity, identify issues, and consider effective measures to address them.

### Promote Diversity and Inclusion

Crucial to the continued growth of the Kawasaki Group's corporate value is the development of an organization that maximizes the ability of our 36,000 employees worldwide to fully demonstrate their potential, regardless of such factors as their nationality, gender, age, religion, and disability.

Based on this recognition, we are proactively implementing various initiatives to promote diversity and inclusion.

#### Women in Management

We have set the following goals for fiscal 2025: number of women in managerial positions compared to fiscal 2020, doubled to over 116; proportion of women among new-graduate hires placed in career-track administrative positions, 30%-40% or more; proportion of women in new-graduate hires placed on the career-track technical positions, 5%-15% or more.

#### LGBT-related Efforts

We formulated the "Kawasaki Declaration of Action in Support of LGBT," which provides employee conduct guidelines, clarifying Kawasaki's basic stance and action principles to be observed by all employees.

And in 2021, for the fourth consecutive year,

Kawasaki was awarded the highest rating of Gold in the Pride Index 2021, which reflects the level of effort on behalf of LGBT and other sexual minorities as recognized by the voluntary organization work with Pride.

#### Promoting Participation by People with Disabilities

In September 2013, we established our special subsidiary Kawasaki Heartfelt Service Co., Ltd., which promotes the active Group-wide employment of people with disabilities in order to maintain and improve their employment rates, and also works actively to create barrier-free workplaces. We are cultivating an environment where people with disabilities are able to develop their full potential.

#### Work-life Balance

Work-life balance is the foundation for promoting diversity and inclusion, allowing diverse employees to exercise their strengths. To that end, the Kawasaki Group believes that it is crucial to create highly productive workplaces where diverse employees can creatively use their abilities to the fullest while maintaining a good work-life balance. The Group makes available a variety of work styles options, allowing employees to balance their work and private lives, which in turn promotes work efficiency throughout the organization.

## Occupational Safety and Health

### Goals of Group Vision 2030

- Ensure that there are no serious occupational accidents Group-wide
- Reduce the need for sick leave
- Maintain and improve employee health

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results (calendar year basis)
<ul style="list-style-type: none"> <li>• Implement appropriate occupational safety and health measures: to prevent work-related accidents, to reduce the need for sick leave, and to encourage employees to improve lifestyle habits</li> </ul>	Total number of occupational accidents	58 (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing)
	Frequency rate of lost-time injuries	0.31 (same)
	Absence rate (day basis) due to sick leave taken in stances of four days or longer	7.8 (same)
	Health score*	3.9 (same)

\* Kawasaki's internally generated index based on a scoring of six lifestyle habits that affect labor productivity, derived from the results of health checkups. A higher score (with a maximum of 6) reflects a healthier lifestyle.

### Implement Appropriate Occupational Safety and Health Measures: To Prevent Work-related Accidents, to Reduce the Need for Sick Leave, and to Encourage Employees to Improve Lifestyle Habits

Based on our occupational safety and health management systems, we implement systematic safety and health management activities as well as improvements through ongoing PDCA cycles and

internal audits at workplaces. By doing so, we seek to create a virtuous cycle of improvement in these systems, prevent occupational accidents, and facilitate the creation of a comfortable work environment.



## Sustainable Supply Chain Management

### Goals of Group Vision 2030

- Remain aware of environmental, human rights, and other risks associated with the entire supply chain and work with suppliers to promote sustainability.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
<ul style="list-style-type: none"> <li>• Revise and distribute sustainable procurement guidelines</li> <li>• Implement Sustainable Procurement Survey of suppliers and review or audit based on their responses</li> <li>• Supply chain management with respect to human rights, decarbonization, and effective use of resources</li> </ul>	Number of major suppliers responding to our sustainable procurement survey	395
	Number of reports from our supplier hotline	N/A (our supplier hotline is currently being considered)

### / Implement Sustainable Procurement Survey of Suppliers and Review or Audit Based on Their Responses

Suppliers are one of the valuable business partners for the Kawasaki Group's business activities. It is essential that our procurement activities are conducted in line with our stance toward sustainability, which includes consideration for compliance, human rights, labor, occupational safety and health, and the global environment. To that end, we have published the Kawasaki Group's Policies for Material Procurement and CSR Procurement Guidelines, which outline our approach to sustainable procurement and requirements of suppliers. These policies and guidelines have been disseminated among related divisions, including Group

companies, so that the Group is united in our promotion of sustainable procurement.

Kawasaki has conducted surveys of domestic and overseas suppliers to assess their compliance with the Kawasaki Group CSR Procurement Guidelines and evaluate our supply-chain risks.

In fiscal 2021 we implemented a survey of major suppliers in Japan and received replies from 395 companies. Going forward, we will implement measures to strengthen sustainable initiatives throughout the supply chain based on the results of these surveys.

### / Supply Chain Management with Respect to Human Rights, Decarbonization, and Effective Use of Resources

Kawasaki has created the Kawasaki Group CSR Procurement Guidelines, which outline its expectations for its suppliers, with the aim of promoting sustainability issues throughout the supply chain, such as human rights considerations and the prohibition of forced labor and child labor. These guidelines are published on Kawasaki's website and distributed to suppliers. In fiscal 2020, we revised the basic agreements we form with our suppliers to include clear provisions mandating that they strive to comply with the Kawasaki Group CSR Procurement Guidelines. Additionally, we are asking our suppliers to step up their sustainability initiatives, including those advocating for human rights, by surveying our suppliers, hosting sustainability-themed briefings, and updating the provisions of the basic agreements.

Moreover, since fiscal 2018, we have been providing briefings to directly explain our approach to sustainability to our suppliers. At these briefings, we explain important issues in supply chain management, such as human rights and environmental problems, and request that suppliers strengthen their sustainability initiatives. From fiscal 2018 through fiscal 2019, we held 10 such sustainability-themed supplier briefings attended by a total of 1,000 people from 700 companies. Additionally, in fiscal 2019 we sent out a document titled "Toward the Further Promotion of Sustainability Activities Involving the Entire Supply Chain" to our suppliers in Japan, aiming to facilitate collaborative sustainability initiatives.

### / Addressing Conflict Minerals

In December 2013, the Kawasaki Group posted its Policy Regarding Procurement of Conflict Minerals on its website. This policy states that the Group has no intention whatsoever of being party to conflicts or inhumane acts in the Democratic Republic of the Congo and neighboring countries through the procurement or use of the tin, tantalum, tungsten, and gold—so-called

conflict minerals—that are produced in these countries. We also ask our suppliers to make similar efforts in the Kawasaki Group CSR Procurement Guidelines.

In fiscal 2021, based on customer requests, Kawasaki Motors, Ltd. carried out a survey of not only tin, tantalum, tungsten, and gold but also cobalt and duly conveyed the results.

## Business and Human Rights

### Goals of Group Vision 2030

- No violations of human rights throughout the value chain and no complicity in human rights violations.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
<ul style="list-style-type: none"> <li>• Implement human rights due diligence among subsidiaries and suppliers</li> </ul>	Number of subsidiaries confirming prohibition of child labor and forced labor (implementation at subsidiaries where the company president has changed)	15
	Number of participants in human rights training	13,245 (Number of participants in human rights training using e-learning)
	Number of human rights audits conducted and revised at subsidiaries and suppliers	N/A (under consideration for fiscal 2022)

### / Implement Human Rights Due Diligence Among Subsidiaries and Suppliers

The Kawasaki Group has enshrined respect for human rights in its business activities in the Kawasaki Group Code of Conduct. In fiscal 2019, we adopted the Kawasaki Group Policy on Human Rights. The Group also supports and respects international rules and norms regarding human rights and labor, including the International Bill of Human Rights, the International Labour Organization's core labor standards, and the United Nations Guiding Principles on Business and Human Rights.

Additionally, our Group is conducting human rights

due diligence aimed at carrying out initiatives to ensure respect for human rights in its business activities.

Going forward, we will formulate and implement risk reduction measures for key risks within the Group and in supply chains. Specifically, utilizing SAQ made by Kawasaki which correspond to the five sections stipulated in the RBA Code of Conduct (Labor, Health and Safety, Environment, Ethics, Management Systems), we plan to monitor some of the overseas Group companies located in countries where human rights risks are high in fiscal 2022.



## Technological Development/Digital Transformation (DX)

### Goals of Group Vision 2030

- Deliver new products and new businesses to market which contribute to the resolution of global environmental and social challenges.
- Successfully acquire and utilize intellectual property rights linked with business strategies.
- Promote process innovation, increase sophistication of processes and integrate digital technologies throughout the value chain.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
<ul style="list-style-type: none"> <li>• Promotion of open innovation</li> <li>• Building of intellectual property strategy (strengthening of intellectual property strategy) for the co-creation of new businesses</li> <li>• Promotion of digital transformation (DX) throughout the value chain</li> </ul>	Number of products and cases of commercialization in three focal fields of the Group Vision 2030	9 products and cases (automatic PCR testing systems, large-capacity battery propulsion systems for shipping, etc.)
	Number of cases of participation in planning of open innovation projects	11 cases (project for the construction of a platform to transport goods using unmanned VTOL aircraft in Ina City, Nagano; demonstration tests for service robots with Fujita Health University, etc.)
	R&D expenses	¥47 billion

### / Promotion of Open Innovation

The Kawasaki Group will mutually share and utilize the core technical competencies it possesses and deploy technologies in a versatile way to achieve significant synergy effects. In fiscal 2021, the Group concluded a co-development contract with Kawasaki Kisen Kaisha, Ltd. ("K" Line), and is pushing forward with development on a "AI (Artificial Intelligence)-based Marine Machinery

Operation Support System" that is expected to be part of the core technology to achieve autonomous vessel operation in the future alongside Preferred Networks, Inc.

We will continue to actively promote collaborations not only within the Group but also those with universities, research institutions, and other corporations, both domestically and overseas.

### / Building of Intellectual Property Strategy (Strengthening of Intellectual Property Strategy) for the Co-creation of New Businesses

To promote strategic intellectual property activities, we maintain a structure whereby the Intellectual Property Department in the Corporate Technology Division drafts and implements corporate measures and works with the intellectual property management departments of the internal companies to carry out intellectual property activities in line with each segment's business.

By taking part in business planning from the earliest stages, providing information useful for developing a business strategy that leverages IP information, making suggestions regarding strategy, and developing an IP strategy that will strengthen the business strategy, we strive to implement IP activities in coordination with management and the business strategy.

### / Promotion of Digital Transformation (DX) Throughout the Value Chain

Kawasaki DX is one of the activities set to significantly revolutionize the style in which the Group's businesses are conducted, and the processes to support this, and achieve the Group Vision 2030.

We will continue to actively promote DX initiatives throughout the value chain, leveraging the power of digital to realize innovations in the business model and

process reforms which emphasize market-orientation and speed.

Meanwhile, in April 2022, the Group formally authorized "Certified DX operators" as defined in the Ministry of Economy, Trade, and Industry's DX certification system.

## Information Security

### Goals of Group Vision 2030

- Maintain and manage cyberattack response and the protection of customer and product information with the world's highest level of security

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
<ul style="list-style-type: none"> <li>• Strengthen information security governance throughout the Kawasaki Group</li> </ul>	Number of employees taking information security training 20,000	19,033 persons
	Frequency of targeted threat mail training 20 times	Implementation in fiscal 2022 under consideration
	Number of receivers of targeted threat mail training 4,000	Implementation in fiscal 2022 under consideration
	Scores of 80 points or more for all domains owned by KHI from security risk rating	Percentage of domains exceeding target values: 83%

### / Strengthen Information Security Governance Throughout the Kawasaki Group

Led by the Head Office DX Strategy Division, we are bringing together the strengths of all internal companies to strengthen the Group's cyber security. Each internal company also has an information system department that implements security measures based on Company policy. We have established a dedicated framework under the Corporate Risk Management System to handle information security management for the Group. We adhere to a management cycle with an emphasis on rules, training, and technology measures to address constantly changing information security risks while systematically implementing, maintaining, and enhancing information security measures.

In addition, Benic Solution Corporation, a subsidiary that handles the Group's data center, has acquired ISO 27001 certification, an international standard for information security management, and strives to uphold a high level of operational reliability.

We implement vulnerability analyses of the servers of our demilitarized zone (DMZ) network, which connects internal systems with the outside network, both in-house and with the help of security vendors. Furthermore, we have implemented systems to prevent unauthorized access to data from outside as well as information leaks from inside and to stop the spread of computer viruses as well as systems to check for illicit activity.

### / Group-wide Information Security Education and Training

We conduct regularly education and training focused on information security for Kawasaki Group employees.

This instruction covers laws and social customs as well as corporate rules and examples of incidents, and course content is tailored by position, with content for newly hired employees, general employees, and managerial staff. Training includes regular drills using

simulations of targeted attack phishing emails to help employees learn how to avoid damaging situations, such as cyberattacks and online crime, which can occur in the course of daily business operations.

There were no cases of violations pertaining to information security in fiscal 2021.



The foundation of our business activities

## Compliance

### Goals of Group Vision 2030

- Monitor as accurately as possible the risks arising from compliance violations.
- Build an inclusive and effective compliance system tailored to given risks, and continuously manage and regularly update this system.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
<ul style="list-style-type: none"> <li>• Further improve compliance awareness throughout the Group</li> <li>• Strengthen anti-corruption measures throughout the Group</li> </ul>	Number of cases of serious fraud or scandals per year	1 case
	Number of employees taking the Code of Conduct training	Code of Conduct/Compliance Guidebook e-learning training 17,393 persons (73% of target)
	Degree of compliance permeation in employee awareness surveys	1point UP (2020: 69 point → 2021: 70 point)

### / Further Improve Compliance Awareness Throughout the Group

In order to facilitate the monitoring of risks arising from internal compliance violations, the Kawasaki Group implements an annual awareness survey for employees. Questions are set on compliance awareness as part of employee engagement surveys, with changes and trends in awareness analyzed by facets including internal Company and position, and reflected in planning for required compliance measures and other initiatives.

In addition, October of each year is designated Compliance Month with the aim of reaffirming and

enhancing awareness of compliance, and various compliance-related activities are conducted.

In fiscal 2021, the President issued a message and Kawasaki, the Group newsletter, included articles intended to raise compliance awareness as well as an overview of the Compliance Reporting and Consultation System (whistle-blowing system). Furthermore, announcements were made encouraging utilization of the Compliance Reporting and Consultation System, compliance training was conducted via e-learning, and other activities were conducted.

### / Strengthen Anti-corruption Measures Throughout the Group

The Kawasaki Group's business entails numerous opportunities for contact with government agencies and public officials, creating a high likelihood of exposure to corruption risk. To prevent corruption, the Kawasaki Group conducts business activities in line with related policies and provides education for employees as part of the operation of compliance systems.

We provide overseas bribery prevention training for employees involved in overseas businesses every

year. In fiscal 2021, 1,537 employees took part in e-learning for employees in Japan, and 300 took part in e-learning for employees stationed overseas. We conduct surveys of participants in e-learning to confirm their understanding of the material. Furthermore, compliance training on bribery prevention is included in training programs for employees in charge of overseas businesses.

### Inappropriate actions during product inspection at Group subsidiary (recurrence prevention initiatives)

As announced in June 2022, inappropriate behaviors relating to inspections of some absorption refrigerators manufactured and retailed as air conditioning systems, mainly for use in buildings, were discovered at Kawasaki Thermal Engineering Co., Ltd. Below we give an overview, as well as detailing ongoing measures being taken to address this issue. This incident has no impact on the safety of absorption refrigerators and we are confirming that the performance of models currently being retailed is within allowable margins as defined in Japanese industry standards for indicated performance.

To ensure that there is no future occurrence of such cases, we have conducted a thorough investigation of causes by means of a special surveying committee comprised of outside attorneys at law, with corrective measures taken, and will endeavor to further strengthen the inspection management systems and compliance throughout the Group, to prevent recurrence.

#### Overview of inappropriate actions

Actions involving test operation before shipping	<ul style="list-style-type: none"> <li>• Data not surveyed for screening performance documentation [Period] 1984-2022 [Number of incidents] 1,950</li> <li>• Inappropriate operation of measuring device during in-situ inspection [Period] 1984-2022 [Number of incidents] 334</li> </ul>
Inappropriate entry in catalogues/specifications	<ul style="list-style-type: none"> <li>• Indication of conformity to JIS standards in catalogues/specifications for cooling capacity as well as COP* for some products which did not satisfy the JIS performance range standards [Period] 1986-2009 [Number of applicable models/units] 6 models/2,944 units</li> </ul>

#### Ongoing measures

Measures of Kawasaki Thermal Engineering	<ul style="list-style-type: none"> <li>• Make internal and external announcements on the verification method for performance/quality of absorption refrigerators.</li> <li>• Strengthen internal compliance activities.</li> </ul>
Measures of the Kawasaki Group	<ul style="list-style-type: none"> <li>• Take seriously any inappropriate acts by related companies and, centering on the Company-wide Compliance Committee, implement a reexamination of compliance violations and thoroughly instill compliance throughout the entire Group.</li> </ul>

\* COP (coefficient of performance): Indicates the efficiency of absorption refrigerators. Figure obtained by dividing the cooling capacity by the sum total of the heat source calorie consumption and power consumption.

## Product Liability/Safety

### Goals of Group Vision 2030

- Deliver "Trustworthy" and "Safe" products and services from the customer's perspective based on consistent quality policies covering from top management to work-site operators.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
<ul style="list-style-type: none"> <li>• Promote TQM activities</li> </ul>	Number of cases of product safety law violations 0	0 cases
	TQM level 2.8 or above	Average across all business segments: 2.9
	Percentage of employees taking TQM training 100%	100% (1,604 training participants)

### / Promote TQM Activities

We have established the TQM Department within the Corporate Technology Division and are promoting Group-wide quality-assurance activities centering on policy management, daily management, and quality-management education and training. We continuously implement dissemination seminars for

officers and all employees and deepen understanding of TQM at all levels, from new recruits to top management, by means of our own level-specific educational curriculum.



## The foundation of our business activities

### Corporate Governance

#### Basic Stance on Corporate Governance

The Kawasaki Group's basic stance on corporate governance is to raise enterprise value through effective and sound management while forming solid relationships with all stakeholders, including shareholders, customers, employees, and communities,

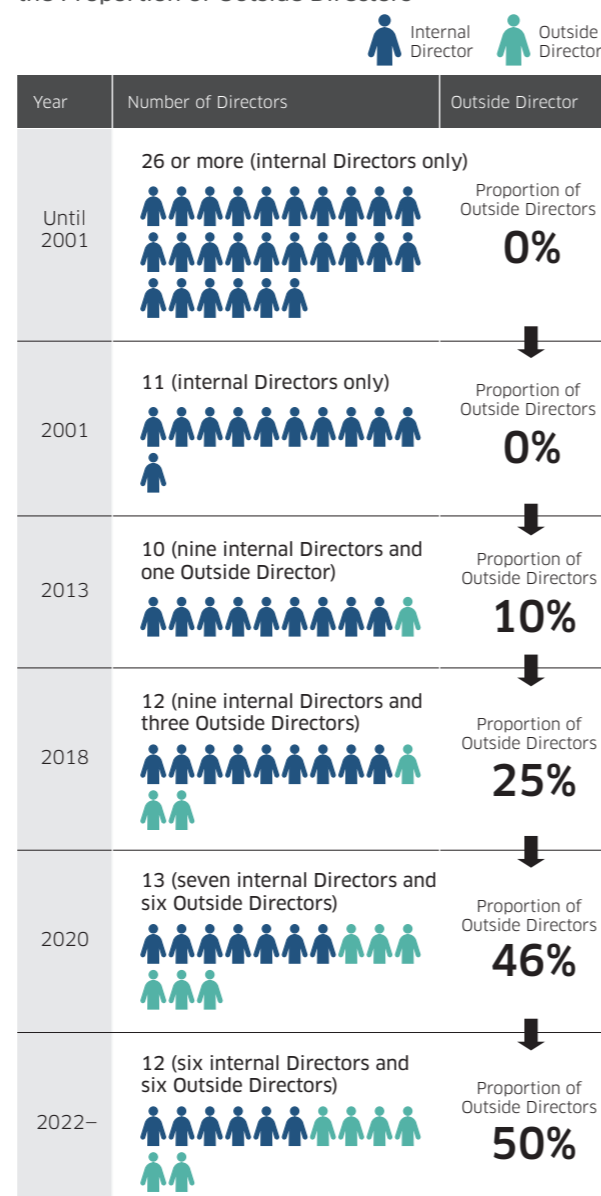
through highly transparent management practices. The Kawasaki Group is striving to further strengthen and enhance corporate governance systems as appropriate for its businesses and scale.

#### Initiatives to Strengthen Corporate Governance

##### Background of Improvement Measures

Year	Initiative
2001	<ul style="list-style-type: none"> <li>Adopted the executive officer system</li> <li>Reduced the number of Directors from 26 to 11</li> </ul>
2002	<ul style="list-style-type: none"> <li>Increased the number of Outside Audit &amp; Supervisory Board Members to two</li> <li>Adopted a performance-based compensation system</li> </ul>
2005	<ul style="list-style-type: none"> <li>Abolished the retirement benefit system for Directors</li> </ul>
2013	<ul style="list-style-type: none"> <li>Appointed an Outside Director</li> </ul>
2015	<ul style="list-style-type: none"> <li>Increased the number of Outside Directors to two</li> <li>Took steps in response to the introduction of Japan's Corporate Governance Code</li> <li>Established the Nomination Advisory Committee and Compensation Advisory Committee</li> <li>Began evaluations of the effectiveness of the Board of Directors</li> </ul>
2016	<ul style="list-style-type: none"> <li>Added stock purchase funds to Director's compensation</li> </ul>
2017	<ul style="list-style-type: none"> <li>Increased the number of Outside Audit &amp; Supervisory Board Members to three</li> <li>Revised matters requiring resolution by the Board of Directors (expanding the scope of delegation to executives)</li> </ul>
2018	<ul style="list-style-type: none"> <li>Increased the number of Outside Directors to three</li> <li>Revised the Director and executive officer system</li> </ul>
2019	<ul style="list-style-type: none"> <li>Reduced the number of Directors from 12 to 11</li> </ul>
2020	<ul style="list-style-type: none"> <li>Transitioned to a company with an audit &amp; supervisory committee</li> <li>Reduced the number of Directors not serving as Audit &amp; Supervisory Committee Members from 11 to 8</li> <li>Eliminated overlap between Directors and officers responsible for specific businesses</li> </ul>
2021	<ul style="list-style-type: none"> <li>Revised the Director compensation system (adopted a performance-based stock compensation plan)</li> </ul>
2022	<ul style="list-style-type: none"> <li>Reduced the number of internal Directors not serving as Audit &amp; Supervisory Committee Members from 5 to 4</li> <li>Proportion of Outside Directors set to reach 50%</li> </ul>

##### Changes in the Number of Directors and the Proportion of Outside Directors

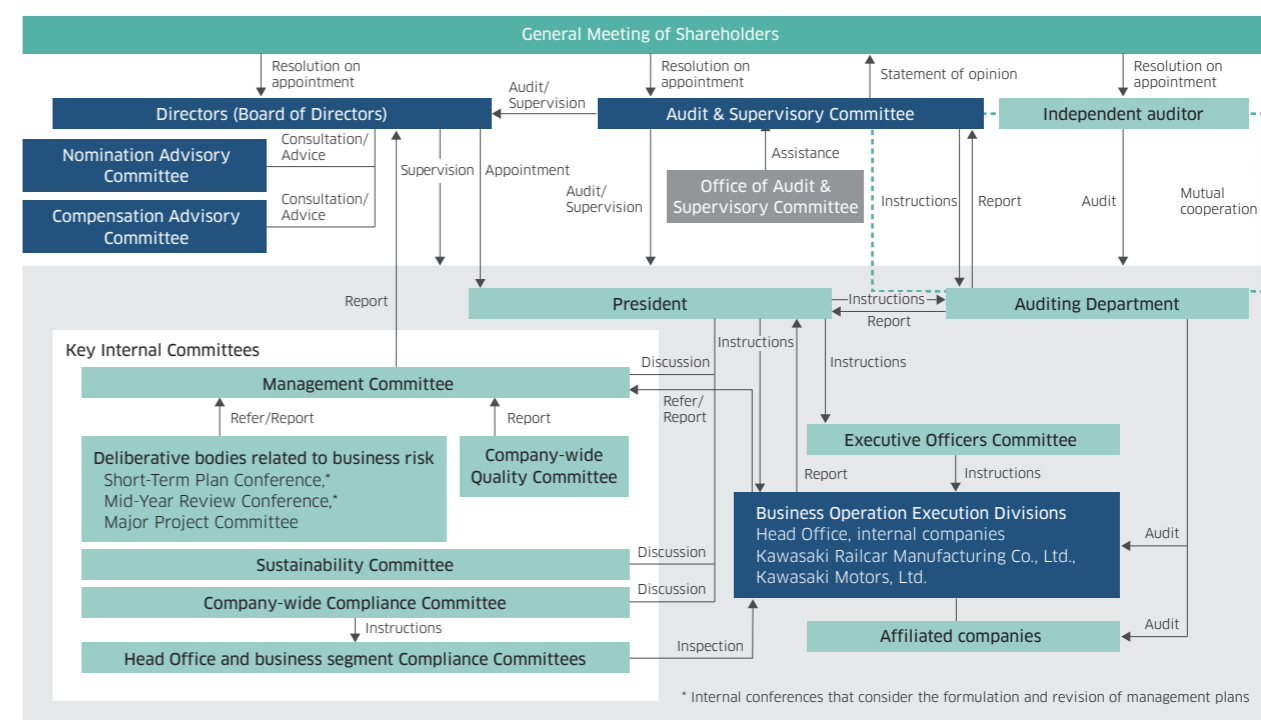


### Corporate Governance System

Kawasaki is a company with an Audit & Supervisory Committee and has voluntarily established a Nomination Advisory Committee and a Compensation Advisory Committee

Committee as advisory bodies to the Board of Directors as a well as a Management Committee, an Executive Officers Committee, and other governance bodies.

#### The Kawasaki Group's Governance Structure (As of June 24, 2022)



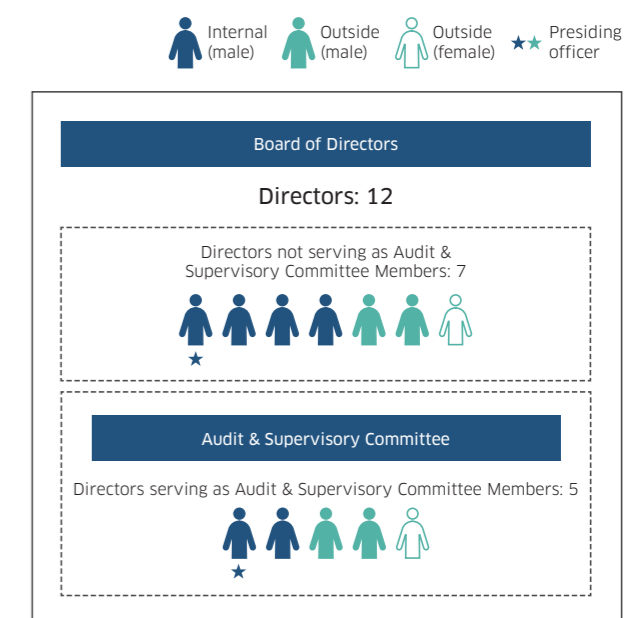
Kawasaki's main deliberative bodies are as follows.

#### Board of Directors

The Board of Directors comprises 12 Directors (of whom, five serve as Audit & Supervisory Committee Members), with the chairman serving as the presiding officer by resolution of the Board. Six Directors are Outside Directors (of whom, three serve as Audit & Supervisory Committee Members) and independent of business execution. By avoiding having Directors serve concurrently as officers responsible for specific businesses (the internal company presidents, etc.), the Company seeks to enhance the separation of management oversight and business execution and thereby further reinforce the Board of Director's oversight functions.

#### Audit & Supervisory Committee

The Audit & Supervisory Committee comprises five Directors, including three Outside Directors. To secure effective oversight, the two internal Directors have been appointed as full-time Audit & Supervisory Committee Members. Furthermore, to ensure the reliability of financial reporting, the Company appoints Audit & Supervisory Committee Members who have considerable knowledge of finance and accounting.





## The foundation of our business activities

### Nomination Advisory Committee

The Nomination Advisory Committee has been established as an advisory body to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. A majority of the committee members are Outside Directors, as is the presiding officer. The Nomination Advisory Committee discusses such matters as policies regarding the appointment and dismissal of Directors and other officers and the appropriateness of candidates for such positions and provides reports and advice to the Board of Directors.



### Compensation Advisory Committee

The Compensation Advisory Committee has been established as an advisory body to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. A majority of the committee members are Outside Directors, as is the presiding officer. The Compensation Advisory Committee discusses such matters as Director compensation policy and the appropriateness of the Director compensation and provides reports and advice to the Board of Directors.



### Business Execution Framework

Kawasaki has adopted an executive officer system in order to facilitate response to rapid changes in the business environment. To accelerate decision making, a great deal of authority over business execution decisions is delegated to the executive Directors and executive officers, who are appointed by the Board of Directors.

### Management Committee

Kawasaki maintains a Management Committee, comprising mainly executive Directors and internal company presidents, as an advisory body to the president. The Management Committee discusses matters that are important to business execution.

For the sake of auditing business execution, Directors who serve as full-time Audit & Supervisory Committee Members also attend the committee's meetings.

### Executive Officers Committee

Kawasaki maintains an Executive Officers Committee, comprising all of the executive officers, with the President as the presiding officer, to build unified consensus in Group management and smoothly advance business execution. This committee issues business execution policy based on management policy and

plans determined mainly by the Board of Directors and Management Committee as well as decisions made by the Management Committee. It also discusses management issues.

For the sake of auditing business execution, Directors who serve as full-time Audit & Supervisory Committee Members also attend the committee's meetings.

### Major Project Committee

To manage risk before bidding on and making investment decisions regarding major projects that could significantly impact operations and performance, Kawasaki maintains a Major Project Committee, attended by representatives from related Head Office divisions and divisions related to specific projects, with the general manager of the Corporate Planning Division serving as presiding officer. The Major Project Committee evaluates and considers ways of addressing the risks of such projects.

### Company-wide Quality Committee

To reinforce quality control throughout the Company, Kawasaki maintains a Company-wide Quality Committee, comprising representatives from the Corporate Planning Division, Corporate Technology Division, and the related divisions of the internal companies and other related companies, with the Senior Corporate Executive Officer in charge of technology serving as the presiding officer. The Company-wide Quality Committee discusses Company-wide quality control policy, ensures its application, and shares information.

### Sustainability Committee

To promote the sustainability of society, the environment, and the Kawasaki Group, Kawasaki maintains a Sustainability Committee, comprising the Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of sustainability, the general managers of the Head Office divisions, and others, with the President serving as presiding officer. The Sustainability Committee discusses and decides measures to promote sustainability and monitors the achievement of targets and compliance with such policy.

For the sake of auditing business execution and to reflect a broad range of external insights and opinions in the committee's decisions, Directors who serve as Audit & Supervisory Committee Members as well as the remaining Outside Directors also attend the committee's meetings.

### Company-wide Compliance Committee

To ensure rigorous compliance throughout the Kawasaki Group, Kawasaki maintains a Company-wide Compliance Committee, comprising the Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of compliance, the general

managers of the Head Office divisions, and others, with the President serving as presiding officer. The Companywide Compliance Committee discusses and decides measures to ensure thorough compliance and monitors the achievement of targets and compliance with such policy.

For the sake of auditing business execution and to reflect a broad range of external insights and opinions in the committee's decisions, Directors who serve as Audit & Supervisory Committee Members as well as the remaining Outside Directors also attend the committee's meetings.

## Evaluation of the Board of Directors' Effectiveness

The Board of Directors strives to ensure that its members, including independent Outside Directors, engage in free, vigorous discussion based on their insights and experience and reach appropriate

management decisions. As part of these efforts, since fiscal 2015, the Board of Directors annually evaluates and analyzes the effectiveness of its operations.

### Evaluation Process

Board of Directors		All Directors	External specialists	Board of Directors	
(i)	(ii)	(iii)	(iv)	(v)	(vi)
Confirm the status of initiatives to address issues identified via the previous evaluation.	Determine evaluation methods to be used, key items to be surveyed and other matters pertaining to the upcoming evaluation.	Conduct surveys. An anonymous survey of all Directors and Audit & Supervisory Committee Members is carried out based on advice from and with the cooperation of outside experts.	Aggregate and analyze survey results.	Discuss findings from analysis.	Determine issues to be addressed and policies for countermeasures based on findings from analysis and results of the Board of Directors' discussion.

### Process of Fiscal 2021 Effectiveness Evaluation and Evaluation Results

(i) (ii)	(iii)	(iv)
<p>The Board of Directors determines items to be surveyed.</p> <p><b>Items surveyed</b></p> <ul style="list-style-type: none"> <li>• Composition of the Board of Directors</li> <li>• Operation of the Board of Directors</li> <li>• Discussions at the Board of Directors</li> </ul> <p><b>Survey methods</b></p> <p>Based on a 5-point scale and free writing section. To more accurately evaluate the effectiveness of the Board of Directors, the number of questions was increased from four to seven items, and these questions take into account the changes made in the revision of the Corporate Governance Code.</p>	<p>A survey of all Directors is conducted.</p> <p><b>Monitoring functions provided by the Board of Directors</b></p> <ul style="list-style-type: none"> <li>• Training</li> <li>• Interactions with shareholders (investors)</li> <li>• Audit &amp; Supervisory Committee</li> </ul>	<p>Outside experts aggregate and analyze the survey results.</p> <p><b>Evaluation results</b></p> <p>The analysis of survey results found that the Board of Directors' operations were evaluated highly overall, and significant improvement was seen especially in regards to the following three items identified as issues to be addressed in the previous year. While the items of "clarifying requirements for Director candidates" and "upgrading leadership succession plans" received high evaluations, the Company will continue to actively engage with these issues in terms of the further strengthening of governance and the enhancement of corporate value.</p> <ul style="list-style-type: none"> <li>• Clarifying requirements for Director candidates</li> <li>• Upgrading leadership succession plans</li> <li>• Strengthening collaboration with the Nomination Advisory Committee and Compensation Advisory Committee</li> </ul> <p>(For details, please refer to "Initiatives to Address Issues Identified in the Course of Preceding Evaluations" on p. 57.)</p>
<p>Discussion by the Board of Directors</p> <p>(v) (iv)</p> <p><b>Conclusions reached by the Board of Directors</b></p> <p>"The operations of the Board of Directors have been deemed effective."</p> <p><b>Initiatives to further improve effectiveness</b></p> <ul style="list-style-type: none"> <li>• Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies</li> <li>• Committing to the fulfillment of the requirements for Director candidates</li> <li>• Formalizing leadership succession plans</li> <li>• Strengthening internal control systems and risk management structures</li> </ul> <p>(For details of initiatives, please refer to "Initiatives to Further Improve Effectiveness" on p. 57.)</p>		



## The foundation of our business activities

### Initiatives to Address Issues Identified in the Course of Preceding Evaluations

Issues identified in the course of preceding evaluations	Initiatives
Enhancing the content of the Board of Directors' discussion regarding medium to long-term management policies	The Board of Directors engaged in the discussion of important management policies and strategies (e.g., sustainability management policies, human resource strategies, corporate transformation) in light of the revised Corporate Governance Code.
Clarifying requirements for Director candidates	The Board of Directors and the Nomination Advisory Committee strive to identify skills and other requirements for Director candidates in light of the Company's medium- to long-term management policies and strategies. Accordingly, a Board of Director skills matrix has been developed, and it is disclosed in the Corporate Governance Report.
Upgrading leadership succession plans	After defining the qualities and requirements needed for each key position, including CEO and company president, the Board of Directors and Nomination Advisory Committee selected succession candidates through interviews with the President and Senior Corporate Executive Officers and by narrowing the pool of candidates based on external assessments.
Strengthening supervision over the development of internal control systems and risk management structures	Kawasaki has enhanced the auditing capacities of the Board of Directors by creating a framework to facilitate regular reporting to the Board of Directors on the operational status of Company-wide risk management structures, in addition to monitoring of the results of evaluations on the progress and operation of internal control systems. Kawasaki also created a system to allow instant sharing of crisis management data using digital tools.

### Initiatives to Further Improve Effectiveness

Issues identified via the latest evaluation	Initiatives
Enhancing the content of the Board of Directors' discussion regarding medium to long-term management policies	There will continue to be discussion on important issues toward achieving Group Vision 2030, and efforts will be made to further strengthen governance.
Committing to the fulfillment of the requirements for Director candidates	To strengthen the Board of Directors' field of supervision needed to achieve the Group Vision 2030 set forth in the skills matrix, the Company will verify whether the requirements for candidates have been met and take necessary measures to satisfy them.
Formalizing leadership succession plans	The candidate recruitment process will be systematized, and the aim is to formalize leadership succession plans by documenting this system in writing.
Strengthening internal control systems and risk management structures	Initiatives will be undertaken to strengthen compliance, with Head Office actively leading the Kawasaki Group in creating a structure to ensure the functionality of its internal control systems, including those of overseas subsidiaries. In addition, the Company will formalize timely deliberations by the Board of Directors for major risks identified during monitoring.
Securing diversity among core human resources	Concerning the diversity of core human resources, after organizing perceptions on the current status of the Group and ideas for securing diversity, the results will be discussed by the Board of Directors and incorporated into a concrete action plan, whereby a system to increase its feasibility will be established.

## / Director Compensation

The compensation system for Directors is based on the following basic policy with the aim of achieving the Group Vision 2030, "Trustworthy Solutions for the Future," established in November 2020.

### Basic Policy

Placing stronger emphasis on contribution to the Company's goals, the revised compensation system is designed to reward each recipient based on their responsibilities and accomplishments. To this end, it not only provides short-term incentives but also rewards Directors for their contributions to medium- to long-term improvement in corporate value. In this way, we aim to promote the sharing of value between Directors and stakeholders, including shareholders.

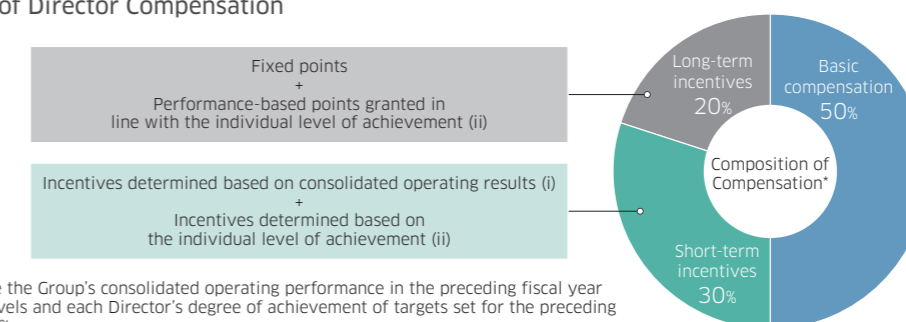
### Compensation for Directors (Excluding Audit & Supervisory Committee members and Outside Directors)

Compensation for Directors consists of basic compensation, short-term incentives, and long-term incentives. Basic compensation and short-term incentives are paid in cash. Long-term incentives are paid in the form of performance-based stock compensation to promote the sharing of benefits and risks between the Directors and shareholders in addition to more strongly incentivizing medium- to long-term contribution to corporate value.

These three components of director compensation account for approximately 50%, 30%, and 20%, respectively, of the total, assuming that the Group's consolidated operating results in the preceding fiscal year reached target levels and that each Director's individual performance targets for said fiscal year are fully met.

	Payment method	Details
Basic compensation (fixed compensation)	Cash	Each Director's pay grade is determined based on the missions assigned to them.
Short-term incentives (performance-based compensation)	Cash	Performance-based compensation is determined in line with single-year operating results and other indicators. Specifically, the amount of this compensation is determined based on consolidated operating results and the level of achievement of each Director's individual performance targets. Profit attributable to owners of parent is used as the indicator for assessing consolidated operating results, with the aim of providing incentives for the steady accomplishment of single-year operating results targets and promoting the sharing of value with shareholders. The payment ratio applied to this performance-based compensation is determined based on the profit attributable to owners of parent for the year, as presented on the next page (see (i)). Details of the process for determining the level of achievement are presented in (ii) on the same page.
Long-term incentives (fixed portion and performance-based portion)	Stock	Long-term incentives utilize a stock benefit trust and are determined based on fixed points granted to Directors in line with their periods of service as well as performance-based points granted for their accomplishments vis-à-vis individual performance targets. In principle, these incentives are paid to the recipients in the form of both Company shares and cash (the latter being in an amount equivalent to the value of a portion of said shares after conversion) at the time of their retirement as Director. The proportions of fixed points and performance-based points are designed to account for 50% each when the recipient's level of achievement is at a standard level. For the time being, the ratio of the fixed portion and the performance-based portion will be set at 50%:50%, but in the future, the ratio of the performance-based portion will be raised to increase incentives to enhance corporate value over the medium- to long-term. Details of the process for determining the level of achievement are presented in (ii) on the next page.

### Composition of Director Compensation



\* In the case where the Group's consolidated operating performance in the preceding fiscal year reached target levels and each Director's degree of achievement of targets set for the preceding fiscal year is 100%.



## The foundation of our business activities

### (i) Payment Ratio Based on Profit Attributable to Owners of Parent

Profit Attributable to Owners of Parent	Payment ratio (%)
less than 0	–
0 to less than ¥25 billion	0% to 45%
¥25 billion to less than ¥45 billion	50% to 95%
¥45 billion to less than ¥70 billion	100% to 195%
¥70 billion or more	200%

### (ii) Process for Determining Level of Achievement of Individual Performance Targets

Setting of Targets
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Each Director sets their own targets in terms of addressing short-, medium and long-term issues, including those associated with business units and operations under their supervision and Company-wide issues. These include targets pertaining to important financial indicators as well as targets associated with initiatives aimed at realizing the United Nations Sustainable Development Goals (SDGs), efforts to improve employee engagement, and other aspects of non-financial performance.

- **Targets for short-term issues:** Targets to be achieved by the end of the fiscal year
- **Targets for medium- to long-term issues:** Targets to be achieved in light of the Group Vision 2030

Methods for Assessing the Level of Target Achievement
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The targets set by Directors are assessed at the end of each fiscal year, and the degree of achievement is reflected in compensation. The assessment of each Director is determined as described below.

- **President:** All Outside Directors who serve as members of the Compensation Advisory Committee conduct individual, face-to-face interviews with the President and make a determination through deliberations among those Outside Directors
- **Senior Corporate Executive Officers:** Outside Directors who serve as members of the Compensation Advisory Committee conduct individual, face-to-face interviews with the Senior Corporate Executive Officers and make a determination through deliberations among those Outside Directors
- **Other Directors:** The President conducts interviews of the individual Directors jointly with the Senior Corporate Executive Officers, formulate an assess through deliberations with the Senior Corporate Executive Officers, and refers the matters to the Compensation Advisory Committee for a decision

### Compensation for Audit & Supervisory Committee Members and Outside Directors

To ensure their professional independence, compensation for these individuals consists only of fixed compensation and is not linked with performance.

#### Methods for Determining Compensation

The total maximum amount of compensation for Directors (excluding Audit & Compensation Committee Members) is set by a resolution passed at the General Meeting of Shareholders. Within this limit, the amount of compensation is determined by the resolution of the Board of Directors based on the deliberations of the Compensation Advisory Committee. The presiding officer and a majority of the members of the Compensation Advisory Committee are Outside Directors.

The Board of Directors may also resolve to entrust the president with the responsibility of determining the amount of compensation for each director. In such cases, however, the president is required to honor the conclusions reached via the deliberations of the Compensation Advisory Committee and comply with policies regarding the determination of the amounts of director compensation and methods for calculating such compensation.

### Fiscal 2021 Compensation

Type of officer	Total compensation (millions of yen)	Total compensation by type (millions of yen)				Number of recipients
		Monetary compensation			Stock compensation	
		Basic compensation	Performance-based compensation	Stock purchase fund		
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	385	237	69	9	69	5
Audit & Supervisory Committee Members (excluding Outside Directors)	71	71	–	–	–	2
Outside Directors	80	80	–	–	–	6

- Notes: 1. For performance-based compensation portion of monetary compensation, the total amount paid for performance-based compensation under the previous compensation system and short-term incentive compensation under the new system is indicated.  
 2. For stock compensation, the amount recorded as expenses for the current fiscal year is indicated based on performance-based stock compensation introduced pursuant to a resolution of the 198th Ordinary General Meeting of Shareholders held on June 25, 2021 and differs from the actual amount paid.  
 3. The total maximum amount of annual compensation for Directors (excluding Audit & Supervisory Committee Members) is set at ¥800 million based on a resolution passed at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020.  
 4. The total maximum amount of performance-based stock compensation is set at ¥325 million per year, with the annual number of Company shares to be allocated to the recipients being limited to 50,000 shares. At the 198th Ordinary General Meeting of Shareholders held on June 25, 2021, these frameworks were approved separately from the total maximum amount of annual compensation for Directors (excluding Audit & Supervisory Committee Members).  
 5. The total maximum amount of annual compensation for Audit & Supervisory Committee Members is set at ¥120 million based on a resolution passed at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020.

## / Basic Stance on Risk Management

In accordance with the Companies Act of Japan, the Kawasaki Board of Directors has adopted a basic policy for internal control systems. This policy stipulates that we identify, classify, analyze, and assess risks and then implement risk management (avoidance, reduction, etc.) in line with the Group's Risk Management Regulations.

In addition, to achieve sustained improvements in profitability and enterprise value, the Kawasaki Group Mission Statement identifies risk management as a guiding theme of the Kawasaki Group Management Principles.

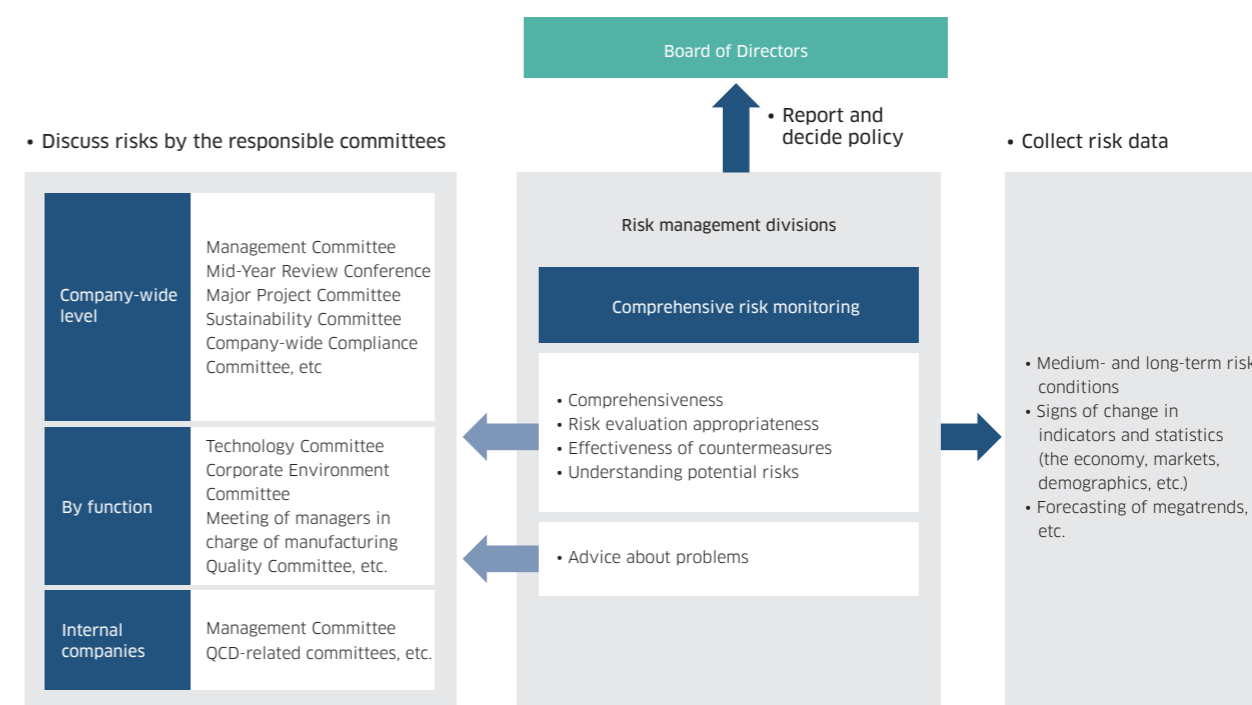
## / Risk Management System

The Kawasaki Group has established a risk management system to ensure a uniform level of risk management across the Group. Through this system, we identify and respond to major risks with the potential for serious impact on operations and work to enhance risk management as outlined in the Kawasaki Group Management Principles. In order to appropriately handle diverse risks, Kawasaki designates internal committees and divisions as responsible for specific risk types to establish and operate management methods and systems. In addition, Kawasaki have established a system for the centralized monitoring of the effectiveness and workability of such management systems to comprehensively manage and respond to

discrete risks, as well as a system for the reporting of urgent matters to the Board of Directors.

With regard to the risks associated with the execution of individual businesses, the relevant divisions carry out assessments and analyses and sufficiently examine countermeasures in advance in accordance with Kawasaki's Major Project Risk Management Regulations, and other related rules. The Company practices even more thorough risk management for major projects with significant impact on operations, including that at the time of bidding and concluding agreements for such projects as well as regular follow-up by the Head Office and internal companies as needed after such projects begin.

### Risk Management System





Roundtable Discussion with the Chairman and Outside Directors

# Dialogue

## Realizing Highly Effective Governance and Swifter Management Decisions

### Dialogue Members

**Yoshinori Kanehana**

Chairman of the Board

Extensive career in Kawasaki with positions as Managing Director, Executive Vice President, and President, becoming Chairman in 2020.

**Hideo Tsujimura**

Outside Director

Career included senior positions at a major corporation. Appointed Outside Director in 2020, serving on the Nomination Advisory Committee and Compensation Advisory Committee.

**Atsuko Ishii**

Outside Director  
(Audit & Supervisory Committee Member)

Career holding key positions at the Ministry of Health, Labor and Welfare. Appointed Outside Auditor in 2017, serving on the Audit & Supervisory Committee as an Outside Director since 2020.



Yoshinori Kanehana

Hideo Tsujimura

Atsuko Ishii

### Topic 1

#### Board of Directors effectiveness

### Views on the current status of corporate governance and the Board of Directors

**Ishii:** In the six years since I was appointed as outside director, my impression of the Company's Board of Directors meetings hasn't changed; it's always had an atmosphere that made it easy to share opinions. At the same time, I believe the structure we've been creating to make governance stronger has become even more robust in the past few years. Rather than confirming management discussions or dealing with specific issues, the Board is now more focused on substantive discussion of management topics. The meetings became even more active when the Company with an Audit & Supervisory Committee format was adopted in June 2020.

**Kanehana:** That's true. When I was appointed Chairman, we transitioned to a company with an Audit & Supervisory Committee and clarified the division of roles between the Board and the Management Committee. I think that delegating business execution authority to the executive side allows the Board ample time for concentrated discussion of important management policies, such as management strategy and future plans.

**Tsujimura:** The change in the organizational format was a significant improvement. There are many important issues to discuss, including, decarbonization, diversity, and corporate transformation, and we are focusing first on the high priority agenda items. We discuss

the topics openly and freely, and the input from outside directors is always given careful consideration.

**Kanehana:** The comments from the outside directors may not seem to be anything special, but they are hugely helpful because they bring perspective that would be impossible from someone inside the company. Over the past few years, we have increased the ratio of outside directors, and I'd like to see us continue increasing the Board's diversity by increasing the percentages of women and foreign nationals.

**Ishii:** If I were to point out an area that could be improved, it would be the preparation and follow-up for the meeting discussion agenda. Sometimes we receive preparatory materials without enough time to fully prepare, and conversely the follow-up to discussions is not always adequate. Receiving materials earlier would enable more thorough discussion, and follow-up information could be useful for future discussions.

**Kanehana:** We have received similar feedback in the Board effectiveness evaluation survey. Further raising the Board's effectiveness is part of our ongoing improvement efforts.

### Impressions and evaluations of the committees

**Tsujimura:** The Nomination Advisory Committee and Compensation Advisory Committee discuss a truly wide range of topics, including a new personnel system, executive compensation, development of executive candidates, and succession plans. For the succession plan, the president and Senior Corporate Executive Officers individually interviewed all of the executive officers and shared the videos and

transcripts with the outside directors. The secondary interviews for the president and Senior Corporate Executive Officers were conducted by outside directors, which I believe ensures a very high level of transparency.

**Kanehana:** The succession plan has several stages, each with different processes for a short-, medium-, and long-term plan. For a plan to work smoothly, the measures for each stage have to be conducted in parallel. In addition to interviewing executive officers, we also focus on educational programs and other preparations for the following groups of executive candidates.

**Tsujimura:** There are about 40 executive officers, and it would have taken a considerable time for the president and Senior Corporate Executive Officers to also interview them all. Seeing the transcripts helped us gain a good understand of each person's goals and how they are working toward them. I think the succession plan is functioning as it should, and a short list of successor candidates is ready.

**Ishii:** The audit function was maintained when the Company changed its organizational format from a company with Corporate Auditors structure to a company with an Audit & Supervisory Committee. To ensure the audits continued to be effective, full-time Audit & Supervisory Committee members were appointed and the practices of audits and on-site audits were retained. We are working even more closely with the Internal Audit Department, and I think the quality of the audits has improved.

**Kanehana:** I also think the internal audits have improved both on the organizational level and in terms of the competency of the auditors. The Audit Department members are taking a broader view, and the audit content is evolving in a positive way.



# Dialogue

**Ishii:** As we strengthen our Group governance, we will also need to give more attention to our overseas operations. The Covid-19 pandemic is making on-site audits problematic, but we are keenly aware that there are issues we need to address.

**/ Topic 2**  
**Group Vision 2030**

## Thoughts on the progress status for Group Vision 2030

**Tsujimura:** The most critical issues right now achieving carbon neutrality and a decarbonized society. These issues affect all of humanity, and I think it's vital that Kawasaki commercializes hydrogen-related technologies as quickly as possible.

**Ishii:** Decarbonization is a major issue right now worldwide. How well we can turn that into business will

be key, including applications of our technologies for carbon dioxide capture, storage, and effective use. While hydrogen has potential in many areas, I was impressed that the Board's discussions about how the Company should proceed regarding decarbonization they left open various possibilities.

**Tsujimura:** I would like to see Kawasaki become a leader in the decarbonized society. I believe we have the capacity to achieve that, and because of that I think we should put real effort into branding ourselves as a leading company in the hydrogen industry. We will need to create the market for hydrogen while getting the government involved and creating partnerships.

**Ishii:** Human resources will also be needed, and the newly created Hydrogen Strategy Division for the hydrogen business is actively hiring new personnel from outside the organization. I think that is creating huge potential for the business. Bringing in a large group of new talent could be a catalyst for major change throughout the entire Group.

**Kanehana:** We also reformed the Company when I was president, and bringing in outside people also had major implications for the corporate culture. I expect the Hydrogen Strategy Division is undergoing a substantial transformation right now.

**Ishii:** In addition to the hydrogen business, I would also like to see other businesses, like the Remote Robotics created with the Sony Group, be developed successfully. It's critical to quickly allocate resources to promising businesses and create examples of success. Group Vision 2030 presents many exciting technologies and businesses.

**Tsujimura:** Speed is essential because other companies can also be expected to introduce a steady flow

of new products. Being an early mover and then making improvements based on the market response will be key.

**Kanehana:** Changing the organization, including the employees, of a company with a long tradition is often a difficult task—but it's crucial. I think our biggest challenges are to create an organization that can move flexibly and to fortify our sales capabilities so we are ready when we commercialize new businesses.

**/ Topic 3**  
**Compliance**

## Thoughts on compliance, including the subsidiary fraud incident

**Ishii:** The inspection fraud at Kawasaki Thermal Engineering was extremely unfortunate, and it is essential to ensure that it does not happen again. Two problems must be addressed. The first is the problem of awareness and the second is the corporate culture that allowed the fraud to continue for decades. Wrongdoing must be able to be acknowledged and appropriate action must be able to be taken. As I said before, I believe we need to fortify Group governance and ensure compliance throughout the organization.

**Tsujimura:** The root cause of the misconduct must be identified. In addition to following compliance and the law, all employees must have a sense of integrity, which means sincerity and honesty. I would like us to have a system that will increase the sense of integrity.

**Kanehana:** I think it must be made clear that doing something that

society doesn't allow, even if it's not against the law, is a betrayal of society. We plan to change awareness through training and other measures and to reinforce throughout the Group the importance of not ignoring misconduct and to encourage reporting and confirming, without hesitation, anything that doesn't seem right. We will also seek employee input through regular questionnaires and other means and also create an environment where employees feel safe about speaking up.

**/ Topic 4**  
**Stakeholders**

## Messages for stakeholders

**Tsujimura:** Kawasaki practices what is called ambidextrous management, that is, simultaneously deepening our existing businesses and exploring new businesses, which must be done in a balanced manner without bias toward one or the other. Essential to its success is finding ways to motivate, maintain, and improve human resources, especially employees who work on site. That is why we are taking great care to ensure the fairness of employee performance.

**Ishii:** I have always thought that while machines cannot perform beyond predetermined

specifications, people have immense potential for growth. Kawasaki is currently reforming its personnel system and taking other steps so employees can grow and demonstrate their capabilities more fully. If these improvements are successful, the Company will make a great leap forward. For example, strengthening the sales force was mentioned as an issue, and having a clear idea what the problem is will enable us to fix the problem so we can steadily improve in that area.

**Tsujimura:** Creating future business will require technology in addition to human capital. We should never forget that Kawasaki is a technology company. Even when we are struggling with our business performance, I believe we should continue steadfastly investing for the future.

**Ishii:** Kawasaki is energetically working to fulfill the Group Vision 2030. I'm confident that as we communicate our progress to our stakeholders, the value that the market sees in the Company will grow.







**Kanehana:** Many companies are now asserting that their core businesses are addressing social issues. We have been advancing our Group mission of "Kawasaki, working as one for the good of the planet" since 2007. We can even go back further to our founder Shozo Kawasaki, who's management philosophy was to "contributing to the nation—to



society—through expertise." We celebrated our 125th anniversary in 2021, and our mission to solve social issues is the same now as it was at the very beginning. The Group Vision 2030 arose from the combination of technologies we have cultivated over past century, now we must contribute to society by adding our expertise. With our vision now before us, I firmly believe we need to work as quickly as we can to achieve it. The new personnel system was the first step, and I see a major change taking place in the organization and the awareness of our employees. We will continue strengthening our governance and driving our corporate transformation to meet the expectations of our stakeholders, and appreciate your continued support as we transform the Kawasaki Group.



Corporate Officers (As of June 24, 2022)

Directors															
Name Position Age	Years of service Kawasaki shares held	Reasons for appointment	Board of Directors meetings attended*1	Nomination Advisory Committee		Compensation Advisory Committee		Name Position Age	Years of service Kawasaki shares held	Reasons for appointment	Board of Directors meetings attended*1	Nomination Advisory Committee		Compensation Advisory Committee	
				Membership	Meetings attended*1	Membership	Meetings attended*1					Membership	Meetings attended*1		
 <p><b>Yoshinori Kanehana</b> Chairman of the Board 68 years old</p>	10 years 36,000 shares	Mr. Kanehana worked in technology and development in the Company's rolling stock and overseas businesses for many years. He assumed the office of Senior Vice President in 2012, Senior Corporate Executive Officer in April 2016, President in June 2016, and Chairman of the Board in 2020. Presently, as Chairman of the Board, he demonstrates outstanding leadership, contributing significantly to the Company's business growth and the enhancement of its enterprise value.	13/13	-	-	-	-	 <p><b>Jenifer Rogers</b> Outside Director 59 years old</p>	4 years 2,400 shares	Ms. Rogers served as in-house lawyer and counsel at financial institutions in Japan and overseas for many years and has, in her capacity as an Outside Director since 2018, provided practicable opinions and advice on important management decisions based on her extensive international experience and deep insights into legal affairs, compliance, and risk management, from a standpoint independent of the Company's business execution.	13/13	-	-	-	-
 <p><b>Yasuhiko Hashimoto</b> Representative Director 65 years old</p>	4 years 24,100 shares	Mr. Hashimoto worked in technology and development in the Company's industrial robots business unit for many years. He was appointed Director and Managing Executive Officer in 2018 and Director, Senior Corporate Executive Officer in April 2020. He has served as President and Chief Executive Officer since June 2020. In this role, he demonstrates outstanding leadership, contributing significantly to the Company's business growth and the enhancement of its enterprise value.	13/13	○	12/12	○	12/12	 <p><b>Hideo Tsujimura</b> Outside Director 68 years old</p>	2 years 500 shares	Mr. Tsujimura served as Senior Managing Director, in charge of the Intellectual Property Department and R&D Division of Suntory Holdings Limited; Representative Director, President and Chief Executive Officer of Suntory Business Expert Limited; Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division, and Senior General Manager, Research & Development Department of Suntory Beverage & Food Limited; and in other important positions. In his capacity as an Outside Director since 2020, he has provided practicable opinions and advice on important management decisions based on his wealth of management experience and deep insight into product development and intellectual property from a standpoint independent of the Company's business execution.	13/13	○	12/12	○	12/12
 <p><b>Katsuya Yamamoto</b> Representative Director 64 years old</p>	5 years 17,900 shares	Mr. Yamamoto worked in planning and finance and accounting in the Company's plant and infrastructure business as well as its precision machinery business for many years. He was appointed Senior Vice President in 2017 and Director, Senior Corporate Executive Officer in 2020. Presently, he is in charge of Company-wide finance and accounting and human resources in addition to sustainable development, compliance, and corporate communication in his capacity as Director, Senior Corporate Executive Officer, and is contributing significantly to the company's business growth and enhancement of its enterprise value.	13/13	○	12/12	○	12/12	 <p><b>Katsuhiko Yoshida</b> Outside Director 68 years old</p>	Newly-appointed	Mr. Yoshida served as Representative Director and Senior Managing Executive Officer; and President, Consumer Products Global, both at Kao Corporation. He provides practicable opinions and advice on important management decisions based on his wealth of management experience and deep insight into operations and marketing from a standpoint independent of the Company's business execution.	-	-	-	-	-
 <p><b>Hiroshi Nakatani</b> Representative Director 61 years old</p>	2 years 10,000 shares	Mr. Nakatani worked in technical development and planning at the Company for many years. He was appointed Director and Managing Executive Officer in 2020, and Director, Senior Corporate Executive Officer in 2022. Presently, he is in charge of Company-wide technology, production, and procurement, as well as TQM, general administration, digital transformation (DX) strategy, and the North America Project Management Task Force in his capacity as Director, Senior Corporate Executive Officer, and is contributing significantly to the Company's business growth and the enhancement of its enterprise value.	13/13	-	-	-	-								

\*1 Figures for fiscal 2021.



**Directors (Audit & Supervisory Committee Members)**

Name Position Age	Years of service*1 Kawasaki shares held	Reasons for appointment	Board of Directors meetings attended*2		Nomination Advisory Committee		Compensation Advisory Committee	
			Audit & Supervisory Committee meetings attended*2	Membership	Meetings attended*2	Membership	Meetings attended*2	
 <b>Akio Nekoshima</b> Director (Audit & Supervisory Committee Member) 63 years old	4 years 7,300 shares	Mr. Nekoshima worked in finance and accounting and sales promotion, in addition to marketing and overseas operations at the Company. He was appointed as an Executive Officer at the Company in 2014; an Audit & Supervisory Board Member in 2018; and as a Director (Audit & Supervisory Committee Member) in 2020. Presently, he contributes significantly to ensuring the soundness of the Company's management and enhancing its enterprise value, in his capacity as a full-time Audit & Supervisory Committee Member.	13/13	-	-	-	-	
			17/17	-	-	-	-	
 <b>Nobuhisa Kato</b> Director (Audit & Supervisory Committee Member) 62 years old	Newly-appointed 6,200 shares	Mr. Kato worked chiefly in the areas of finance and accounting and control at the Company for many years, and was appointed as an Executive Officer in 2017. As a full-time Audit & Supervisory Committee Member he contributes significantly to ensuring the soundness of the Company's management and enhancing its enterprise value owing to his refined knowledge of the Company's business from successive appointments as General Manager, Finance & Accounting Division and General Manager, Finance & Control Division, as well as his formidable finance and accounting expertise.	-	-	-	-	-	
			-	-	-	-	-	
 <b>Atsuko Ishii</b> Outside Director (Audit & Supervisory Committee Member) 64 years old	5 years 700 shares	Ms. Ishii served in important positions at the Ministry of Health, Labour and Welfare, including as Director-General of the Osaka Labor Bureau; Deputy Director-General, Director-General of the Equal Employment, Child and Family Policy Bureau; Director-General for General Policy and Evaluation, and Director-General of Social Welfare and War Victims' Relief Bureau. She contributes significantly to ensuring the soundness of the Company's management and enhancing its enterprise value, following appointment as an External Audit & Supervisory Board Member in 2017 and as an Outside Director (Audit & Supervisory Committee Member) in 2020, based on her abundant experience and deep insight into Japan's labor administration.	13/13	-	-	-	-	
			17/17	-	-	-	-	
 <b>Ryoichi Saito</b> Outside Director (Audit & Supervisory Committee Member) 72 years old	3 years 800 shares	Mr. Saito served in important positions at NSK Ltd., including Senior Vice President; Head of Corporate Planning Division HQ, Director; Representative; Executive Vice President; Head of Corporate Strategy Division HQ; and Crisis Management Committee Chairperson. He contributes significantly to ensuring the soundness of the Company's management and enhancing its enterprise value following appointment as an External Audit & Supervisory Board Member in 2019 and as an Outside Director (Audit & Supervisory Committee Member) in 2020, based on abundant management experience and deep insights into business planning, finance and accounting, and risk management.	13/13	○	12/12	○	12/12	
			17/17	-	-	-	-	
 <b>Susumu Tsukui</b> Outside Director (Audit & Supervisory Committee Member) 53 years old	Newly-appointed 300 shares	Mr. Tsukui served in positions including President of the Hyogo Bar Association, and is contributing significantly to ensuring the soundness of the Company's management and enhancing its enterprise value as an Outside Director (Audit & Supervisory Committee Member) based on his abundant experience as a lawyer and wealth of insights into judicial affairs.	-	-	-	-	-	
			-	-	-	-	-	

\*1 Years of service include years of service as Audit & Supervisory Board Members when Kawasaki was a company with an Audit & Supervisory Board.  
 \*2 Figures for fiscal 2021.

**Executive Officers (As of October 1, 2022)**

**President and Chief Executive Officer**

**Yasuhiko Hashimoto** Chief Executive Officer

**Senior Corporate Executive Officer**

**Katsuya Yamamoto** Assistant to the President, in charge of Finance & Accounting, Human Resources, Legal Affairs, Compliance and Corporate Communication, and General Manager, Human Resources Division

**Hiroshi Nakatani** 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

**Senior Managing Executive Officers**

**Hiroyoshi Shimokawa** President, Aerospace Systems Company, in charge of Kawasaki Railcar Manufacturing Co., Ltd.

**Hidehiko Shimamura** President, Precision Machinery & Robot Company, in charge of promoting automation, and Kawasaki Motors, Ltd.

**Tatsuya Watanabe** President, Energy Solution & Marine Engineering Company

**Managing Executive Officers**

**Eiichi Harada** General Manager, Hydrogen Strategy Division

**Keigo Imamura** Vice President, Energy Solution & Marine Engineering Company, and General Manager, Ship & Offshore Structure Business Division

**Mitsumasa Sato** Vice President, Aerospace Systems Company, and General Manager, Aerospace Business Division, in charge of Company-wide project promotion

**Hiroshi Ito** President and Chief Executive Officer, Kawasaki Motors, Ltd.

**Hiroshi Murao** President and Chief Executive Officer, Kawasaki Railcar Manufacturing Co., Ltd.

**Executive Officers**

**Takashi Torii** Group Manager, Corporate Communications Group, and Senior Manager, SR Department

**Yoshinari Tobinaga** Staff officer to the Aerospace Systems Company (on assignment at NIPPI Corporation)

**Takeshi Kaneko** General Manager, Corporate Planning Division

**Masataka Sudo** Deputy General Manager, Aerospace Systems Division, Aerospace Systems Company (in charge of commercial projects)

**Ichiro Imai** General Manager, Finance & Control Division

**Hisashi Sugitani** Deputy General Manager, Aerospace Systems Division, Aerospace Systems Company (in charge of defense projects)

**Atsuko Kakiyama** General Manager, Marketing Division

**Etsuro Mishima** General Manager, Aero Engine Business Division, Aerospace Systems Company, and Group Manager, Commercial Engine Project Group

**Katsunori Hosokawa** General Manager, General Administration Division

**Naoki Murakami** Vice President, Energy Solution & Marine Engineering Company

**Takumi Kawasaki** Deputy General Manager, Corporate Technology Division, and Director, Kawasaki Technical Institute

**Motohisa Amako** Senior Manager, Hydrogen Business Solutions Office, Energy Solution & Marine Engineering Company

**Hiroaki Kagaya** Deputy General Manager, Corporate Technology Division, and General Manager, System Technology Development Center, and Group Manager, Corporate Technology Planning Center

**Yasuo Akita** General Manager, Planning & Control Division, Energy Solution & Marine Engineering Company

**Yuji Horiuchi** Group Manager, Process Engineering Center, Corporate Technology Division

**Kenji Sanada** General Manager, Plant Engineering Business Division, Energy Solution & Marine Engineering Company

**Motohiko Nishimura** Deputy General Manager, Hydrogen Strategy Division, and staff officer to the Corporate Technology Division, on assignment at the CO<sub>2</sub>-free Hydrogen Energy Supply-chain Technology Research Association

**Yoshinori Kai** General Manager, Marine Machinery Business Division, Energy Solution & Marine Engineering Company

**Hironobu Urabe** General Manager, DX Strategy Division

**Tatsuya Motoi** Deputy General Manager, Ship & Offshore Structure Business Division, Energy Solution & Marine Engineering Company (in charge of commercial vessels), and Group Manager, Engineering Group

**Masatoshi Ishida** General Manager, Presidential Project Management Division, Group Manager, PCR Supervisory Department

**Kouji Ogata** General Manager, Precision Machinery Business Division, Precision Machinery & Robot Company

**Yu Koshiyama** In charge of Engine Business, Aerospace Systems Company

**Noboru Takagi** General Manager, Robot Business Division, Precision Machinery & Robot Company

**Executive Fellows**

**Akiyoshi Saiki** In charge of Software Technologies, Corporate Technology Division; on assignment at Mediaroid Corporation

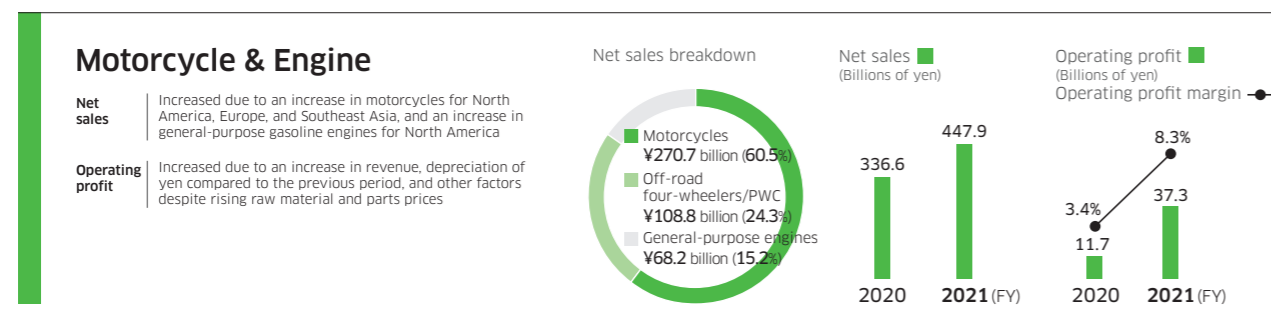
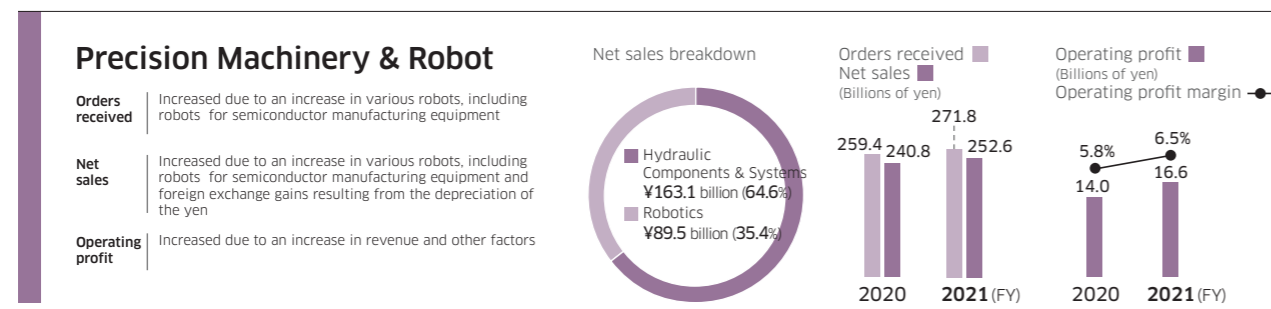
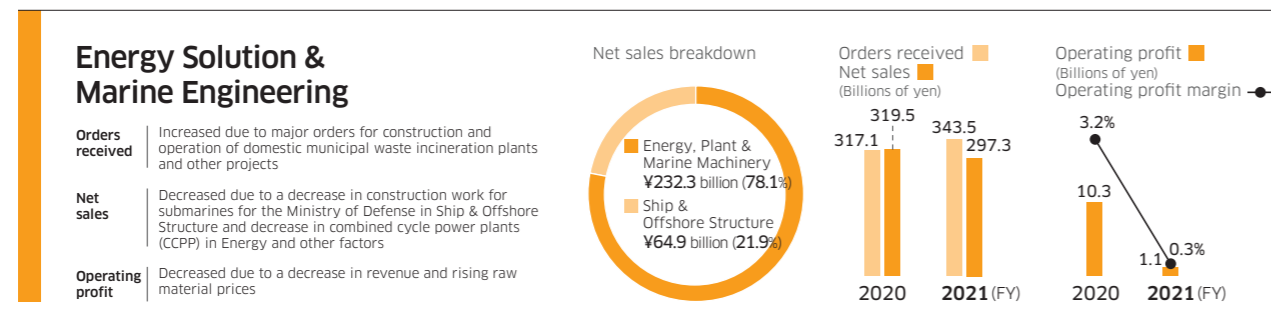
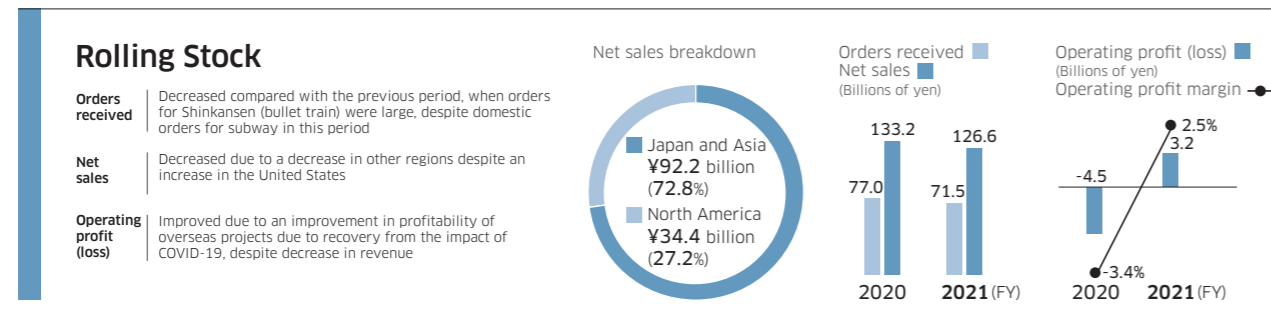
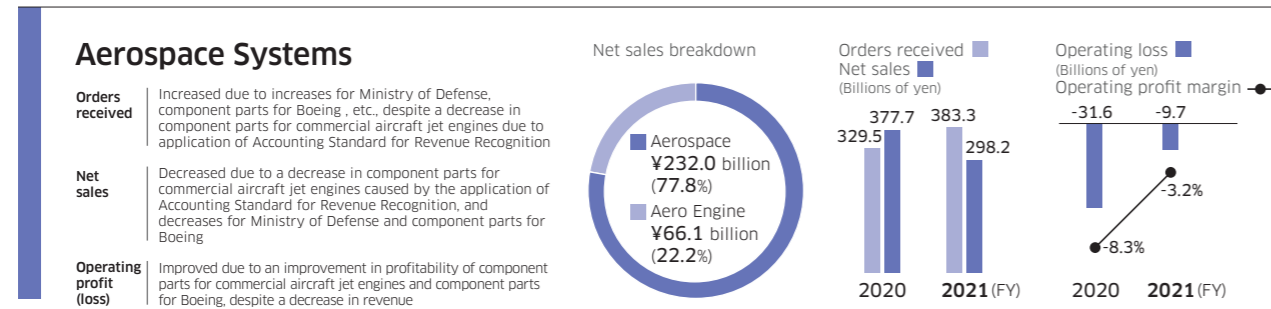
**Yasuhiro Kinoshita** In charge of hydrogen aircraft technology, Aerospace Systems Company

**Tatsuhiko Goi** In charge of Gear System Technology, Aerospace Systems Company

**Tetsuji Yuasa** In charge of Submarine & AUV Technology, Ship & Offshore Structure Business Division, Energy Solution & Marine Engineering Company

**Akihito Sakai** In charge of Composite Materials, Aerospace Systems Company

# At a Glance



## / Aerospace Systems

Reaching greater heights in the domains of aviation and space through the integration of cutting-edge technologies



Hiroyoshi Shimokawa  
President, Aerospace Systems Company

While this segment was seriously impacted by the spread of COVID-19, prospects are finally looking up, driven primarily by a full-fledged recovery in air travel demand and passenger footfall. We will endeavor to further enhance profitability by securing revenue in focal business fields, reviews of our technical strategies, and strengthening of our financial standing, while managing our full emergence from the COVID-19 pandemic.

### SWOT Analysis by Business

<b>Core Competence (Strengths)</b>	Aerospace	<ul style="list-style-type: none"> <li>Technological capabilities as a manufacturer of finished aircraft acquired through the defense aircraft business (system integration capabilities)</li> <li>Technological capabilities based on international joint development with Boeing, and sophisticated, large-scale production facilities</li> <li>High quality and productivity through the Kawasaki Production System (KPS)</li> </ul>
	Aero Engine	<ul style="list-style-type: none"> <li>Sophisticated technological capabilities built through international joint development projects and developing engines for defense aircraft</li> <li>High quality and productivity through leading-edge production technology</li> </ul>
<b>Challenges (Weaknesses)</b>		<ul style="list-style-type: none"> <li>High degree of reliance on specific customers (high-volatility revenue structure)</li> <li>Businesses that require large volumes of invested capital</li> </ul>
<b>Opportunities</b>	Defense Aircraft	<ul style="list-style-type: none"> <li>Increase in defense budget and ongoing development and production of domestically-manufactured defense equipment</li> <li>Prospects of defense equipment exports</li> </ul>
	Commercial Aircraft	<ul style="list-style-type: none"> <li>Medium- to long-term growth in air passenger and air freight volume in line with economic growth in emerging countries</li> </ul>
	Aero Engine Shared	<ul style="list-style-type: none"> <li>Increase in demand as a result of long-term growth in the commercial aircraft market</li> <li>Decarbonization of the aircraft industry</li> </ul>
<b>Risks (Threats)</b>	Defense Aircraft	<ul style="list-style-type: none"> <li>Reduced equipment prices due to defense budget streamlining</li> </ul>
	Commercial Aircraft	<ul style="list-style-type: none"> <li>Decrease or slow recovery in passenger demand due to the COVID-19 pandemic</li> <li>Fiercely competitive environment, reflecting competition for market share between Boeing and Airbus</li> <li>Rise of manufacturers in emerging countries</li> </ul>
	Aero Engine	<ul style="list-style-type: none"> <li>Decrease or slow recovery in passenger demand due to the COVID-19 pandemic</li> <li>Development risks related to introducing cutting-edge technologies</li> </ul>

### Initiatives to Achieve Group Vision 2030

<b>A safe and secure remotely connected society</b>	<ul style="list-style-type: none"> <li>Expanding the PCR testing business (network use with customers involved in international travel, mainly airlines)</li> </ul>	P.33
<b>Near-future mobility</b>	<ul style="list-style-type: none"> <li>Developing vertical take-off and landing (VTOL) aircraft to link logistics bases and cover the last mile</li> <li>Realizing urban transportation that seamlessly connects people and freight</li> </ul>	P.35
<b>Energy and environmental solutions</b>	<ul style="list-style-type: none"> <li>Studying CO<sub>2</sub>-powered (hydrogen-fueled) air transportation systems</li> </ul>	P.27

### Other Concrete Initiatives

<b>Securing stable revenue in core business</b>	<ul style="list-style-type: none"> <li>Reducing costs for existing orders for aircraft from Boeing and for Aero Engine for commercial aircraft to secure profit</li> <li>Steadily promoting existing developmental orders and mass production contracts for defense aircraft and helicopters</li> </ul>
<b>Revising technology strategy in accordance with market changes</b>	<ul style="list-style-type: none"> <li>Rebuilding R&amp;D in line with the future vision</li> <li>Initiating development of environmental technologies for a decarbonized society leveraging the NEDO Green Innovation Fund</li> </ul>
<b>Strengthening the financial base</b>	<ul style="list-style-type: none"> <li>Reviewing the fixed cost structure</li> <li>Reducing inventories through production innovation</li> </ul>



## Rolling Stock

A railway systems manufacturer that meets customer needs by delivering the highest standard of technology

Kawasaki successfully achieved a surplus for the first time in five years in fiscal 2021 as a result of reaping the rewards of structural reforms undertaken to date. We will continue to strive for improved profitability through efforts including a strengthening of our non-price competitive prowess leveraging our technological capacities and expanding our aftersales service business.



Hiroshi Murao  
Representative Director,  
President and Executive Officer,  
Kawasaki Railcar Manufacturing Co., Ltd.

### SWOT Analysis by Business

<b>Core Competence (Strengths)</b>		<ul style="list-style-type: none"> <li>High-tech expertise built on comprehensive heavy industry strengths leveraging synergies with other business areas</li> <li>Ability to fulfill contracts cultivated from extensive domestic and overseas track record</li> <li>Partnership capabilities with other companies in execution of overseas projects (Kawasaki Initiative)</li> </ul>
<b>Challenges (Weaknesses)</b>		<ul style="list-style-type: none"> <li>Small business scale in comparison with major overseas competitors</li> <li>Business model centered on rolling stock supply (fulfilling railway system needs through facility to engage in external partnerships)</li> </ul>
<b>Opportunities</b>	Domestic Market	<ul style="list-style-type: none"> <li>Replacement demand for rolling stock</li> </ul>
	Asian Emerging Nations Market	<ul style="list-style-type: none"> <li>Demand for urban transportation infrastructure</li> </ul>
	North American market	<ul style="list-style-type: none"> <li>Demand for subway and commuter train rolling stock</li> </ul>
	Common to all Markets	<ul style="list-style-type: none"> <li>Expanding stock demand across markets, including that for components, maintenance contracts, and repair and rebuild work for rolling stock</li> </ul>
<b>Risks (Threats)</b>		<ul style="list-style-type: none"> <li>Delays in construction timetables due to spread of viral infections; revisions in investment plans of railways operators, etc.</li> <li>Substantial increase in mechanical equipment and materials costs</li> <li>Country risk in new markets for Kawasaki</li> </ul>

### Initiatives to Achieve Group Vision 2030

<b>A safe and secure remotely connected society</b>	<ul style="list-style-type: none"> <li>Streamlining of rolling stock and rail track maintenance, promotion of condition monitoring projects aimed at automation and labor saving</li> </ul>	—
<b>Near-future mobility</b>	<ul style="list-style-type: none"> <li>Achieving railways mobility which seamlessly connects people and commodities</li> </ul>	➡ P.35
<b>Energy and environmental solutions</b>	<ul style="list-style-type: none"> <li>Catering to carbon-neutral needs for internal combustion rolling stock</li> </ul>	➡ P.27

### Other Concrete Initiatives

<b>Reforming manufacturing system for North America</b>	<ul style="list-style-type: none"> <li>Achieving clean manufacturing processes, productivity, and improvements in quality in the North American market, with the support of head office divisions and other companies</li> </ul>
<b>Achieving quality levels trusted by customers</b>	<ul style="list-style-type: none"> <li>Improving management quality using TQM</li> <li>Continuing use of Kawasaki Production System (KPS) with a view to management reform</li> </ul>
<b>Expansion of component and aftersales service sales and of maintenance businesses</b>	<ul style="list-style-type: none"> <li>Expansion of aftersales remote monitoring service for rail tracks in North America</li> <li>Expansion of sales of rolling stock condition monitoring equipment for domestic railways operators</li> </ul>

## Energy Solution & Marine Engineering

Responding to diverse needs with superior manufacturing and engineering expertise

With the world orienting itself toward achieving low/decarbonized societies, this segment, which specializes in energy and environmental solutions, is enjoying favorable prospects. Meanwhile, it has suffered significant impacts from the rise in steel material costs in ship building. While the environment business is being buffeted by turbulent waves of change, the achievement of appropriate risk management strategies is spearheading recovery in growth and profitability.



Tatsuya Watanabe  
President, Energy Solution &  
Marine Engineering Company

### SWOT Analysis by Business

<b>Core Competence (Strengths)</b>	Shared	<ul style="list-style-type: none"> <li>Hydrogen storage, transportation, and use (power generation) technology</li> <li>Ability to provide solutions leveraging synergy from combining Kawasaki-brand products</li> </ul>
	Energy Plant Marine machinery Ship & offshore structure	<ul style="list-style-type: none"> <li>Locally-aligned sales structure facilitated by the leveraging of overseas sites</li> <li>Integrated engineering prowess acquired and refined through projects</li> <li>Streamlining of capacities for business proposals for all optimal propulsion systems, centered on core components</li> <li>Energy-saving, environmental burden-reducing technologies, and ability to develop new ship designs</li> </ul>
<b>Challenges (Weaknesses)</b>	Energy Ship & offshore structure	<ul style="list-style-type: none"> <li>Recognition in overseas markets</li> <li>Cost competitiveness in commercial vessel building</li> </ul>
<b>Opportunities</b>	Shared	<ul style="list-style-type: none"> <li>Acceleration of trend to realize the goal of carbon neutrality, including strengthening of environmental regulations</li> </ul>
	Energy Plants Energy	<ul style="list-style-type: none"> <li>Growing demand for energy and infrastructure in emerging and resource-rich countries</li> <li>Growing demand for distributed high-efficiency natural gas-fueled power generation facilities prompted by the growing need for low-carbon solutions</li> <li>Demand for CO<sub>2</sub>-free power generation facilities for new installations and facility replacement</li> </ul>
<b>Risks (Threats)</b>	Shared	<ul style="list-style-type: none"> <li>Confusion in the material procurement network and logistics accompanying measures to prevent the spread of infections, including lockdowns</li> <li>Weakening investment appetite paralleling economic slowdowns in emerging countries and resource-rich countries</li> <li>Energy policy trends in respective countries (taxonomy regulations, amendments to subsidies systems, changes accompanying geopolitical risks, etc.)</li> <li>Global-level changes to steel materials prices, raw materials and materials costs, logistics costs, and energy prices</li> </ul>

### Initiatives to Achieve Group Vision 2030

<b>A safe and secure remotely connected society</b>	<ul style="list-style-type: none"> <li>Promoting the uptake of the Successor-G remotely-operated robotic system that enables diverse work styles</li> <li>Providing solutions for disaster response, such as stand-by gas turbines</li> <li>Promoting the automation of waste incinerator operation</li> <li>Developing AUVs<sup>*1</sup> (SPICE)</li> </ul>	—
<b>Near-future mobility</b>	<ul style="list-style-type: none"> <li>Promoting the uptake of electric and hybrid propulsion systems (gas engine hybrid-propelled/battery-propelled) for environmentally-friendly vessels</li> <li>Demonstration testing of advanced safety berthing support system</li> </ul>	➡ P.35
<b>Energy and environmental solutions</b>	<ul style="list-style-type: none"> <li>Quickly establishing a hydrogen supply chain (production, transportation, storage, utilization)</li> <li>Accelerating initiatives aimed at the realization of a hydrogen-based society by working with stakeholders</li> <li>Installing gas turbines and gas engines for supply-demand balancing and distributed power generation to support the use of renewable energy</li> <li>Undertaking development aimed at the practical application of carbon recycling technology</li> </ul>	➡ P.25

### Other Concrete Initiatives

<b>Developing solutions to contribute to the achievement of low/decarbonized society</b>	<ul style="list-style-type: none"> <li>Improving profitability by means of sales expansion for 7.8MW-class gas engines, which boast world-leading electrical efficiency in their class, as well as 5MW-class gas turbines</li> <li>Dealing with demand for municipal deteriorating waste disposal facilities and contributing to reducing CO<sub>2</sub> by means of prolonging their lifespans and energy conservation</li> </ul>	<ul style="list-style-type: none"> <li>Enabling zero emissions during service navigations by means of propulsion systems for the world's first pure battery tanker to operate completely on electricity</li> <li>Enhancing response to increased ammonia demand by means of continuous supply of new-model LPG vessels capable of carrying liquefied ammonia gas</li> </ul>
	<ul style="list-style-type: none"> <li>First Japanese manufacturer to develop 40%-hydrogen mixed-fuel technologies in DLE<sup>*2</sup> combustion gas turbines and 30%-hydrogen mixed-fuel technologies in large gas engines of 5MW-class and above</li> <li>Commencing talks with RWE Generation SE towards realizing demonstration tests for 100% hydrogen power generation using 30MW-class L30A gas turbines</li> <li>Proving liquefied hydrogen maritime transport by means of</li> </ul>	<ul style="list-style-type: none"> <li>completion of round trip between Japan and Australia by liquefied hydrogen carrier</li> <li>Start of development of marine hydrogen-fueled engines MHFS<sup>*3</sup>, by joint corporation "HyEng," which aims to promote widespread uptake of hydrogen-powered shipping under the "Large scale Hydrogen Supply Chain Establishment project" selected for the NEDO Green Innovation Fund</li> </ul>

## / Precision Machinery & Robot

Building the future for people and society through integrated solutions that use hydraulic systems and robots

Kawasaki continued to achieve high-level business performance in fiscal 2021, as was the case in the previous fiscal year. While unfavorable conditions such as stagnation in the Chinese market, substantial increases in material costs, and difficulties in procuring electronic components prevailed, our world-leading motion control technologies in this segment are furthering initiatives to inform the future of people and society. We thus intend to leverage these technologies to facilitate significant contributions to eliminating the societal challenge of manpower shortfalls and the promotion of a remotely-connected society.



Hidehiko Shimamura  
President,  
Precision Machinery & Robot Company

### SWOT Analysis by Business

Core Competence (Strengths)	Hydraulic Components & Systems	<ul style="list-style-type: none"> <li>Accumulated world-class, leading-edge technology, systemization capabilities, and brand power in the area of excavator hydraulic machinery</li> <li>Ability to respond to customer requests</li> </ul>
	Robotics	<ul style="list-style-type: none"> <li>Ability to develop applications and make system proposals closely matched to specific customer needs</li> <li>Diverse production sites within the Group as a comprehensive heavy industries enterprise</li> <li>Ability to create new technologies and new fields in such areas as medicine and remote control technology</li> </ul>
	Shared	<ul style="list-style-type: none"> <li>New product development capabilities in the field of motion control based on the integration of hydraulic technologies and robotics</li> </ul>
Challenges (Weaknesses)	Hydraulic Components & Systems	<ul style="list-style-type: none"> <li>Sales expansion for aftersales service business</li> </ul>
	Robotics	<ul style="list-style-type: none"> <li>Need to expand business to realize merits of scale</li> </ul>
Opportunities	Hydraulic Components & Systems	<ul style="list-style-type: none"> <li>Expanding demand due to worldwide infrastructure building, mainly in emerging countries</li> <li>Need to expand sales in such fields as agricultural machinery and forestry machinery</li> </ul>
	Robotics	<ul style="list-style-type: none"> <li>Increasing fields of application through the realization of collaboration between humans in work operations</li> <li>Rising demand aimed at preventing infection, eliminating labor shortages, and improving quality</li> <li>Progress in use of robots beyond industrial applications (such as medical treatment and nursing care)</li> </ul>
Risks (Threats)	Hydraulic Components & Systems	<ul style="list-style-type: none"> <li>Emergence of competing manufacturers and intensifying competition in the Chinese construction equipment market</li> </ul>
	Robotics	<ul style="list-style-type: none"> <li>Increasingly fierce competition with rival companies</li> </ul>
	Shared	<ul style="list-style-type: none"> <li>Weakening investment appetite due to viral pandemic</li> <li>Procurement issues reflecting substantial increases in materials and logistics costs and confusion in the supply chain</li> </ul>

### Initiatives to Achieve Group Vision 2030

A safe and secure remotely connected society	<ul style="list-style-type: none"> <li>Developing healthcare-related businesses, such as the <i>hinotarī</i>™ surgical robot system and fully automated PCR testing robot system</li> <li>Building the remote robot platform business connecting people who want to work with businesses seeking labor</li> </ul>	➡ P.33
Near-future mobility	<ul style="list-style-type: none"> <li>Creating delivery robots to link logistics bases and cover the last mile</li> </ul>	➡ P.35
Energy and environmental solutions	<ul style="list-style-type: none"> <li>Developing hydrogen fuel-related products</li> <li>Increasing the efficiency of hydraulic machinery and systems</li> </ul>	➡ P.27

### Other Concrete Initiatives

Developing electrification and automation technologies for construction machinery	<ul style="list-style-type: none"> <li>Developing and supplying the latest hydraulic machinery and systems for electrification and automation to support customers' development of future-oriented construction machinery</li> </ul>
Developing hydrogen-related products	<ul style="list-style-type: none"> <li>Developing high-pressure hydrogen valves for fuel cell vehicles, hydrogen supply systems, and hydrogen compressors</li> </ul>
Promotion of open innovation	<ul style="list-style-type: none"> <li>Developing markets and complementing strengths through collaboration with other companies in the same and other industries so as to reinforce competitiveness and promote differentiation</li> <li>Accelerating the development and launch of new products through collaboration with start-ups</li> <li>Strengthening elemental technologies and accelerating new product development through collaboration with academia and government</li> </ul>

## / Motorcycle & Engine

Let the good times roll Kawasaki delivers the ultimate in excitement

In fiscal 2021, this business made significant breakthroughs, including but not limited to recording its highest net sales and operating profit to date. In addition to the leisure boom occasioned by the COVID-19 pandemic, Kawasaki is now reaping the rewards of our sustained efforts to strengthen the brand power. Kawasaki will continue to pursue further growth oriented by our company mission to "Let the good times roll."



Hiroshi Ito  
Representative Director,  
President and Chief Executive Officer,  
Kawasaki Motors, Ltd.

### SWOT Analysis by Business

Core Competence (Strengths)		<ul style="list-style-type: none"> <li>Sales and marketing capabilities that realize unique, premium brands</li> <li>Development, production, procurement, and quality assurance capabilities that create products embodying both heritage and innovation</li> <li>Global production, sales, and service structure</li> <li>Advanced technology expertise built on comprehensive heavy industry strengths leveraging synergies with other companies in the Kawasaki Group</li> </ul>
Challenges (Weaknesses)		<ul style="list-style-type: none"> <li>Securing production capacity to respond to rapidly rising demand</li> <li>Building agile organizational structures that can respond to rapid change</li> </ul>
Opportunities	Motorcycles	<ul style="list-style-type: none"> <li>Stable demand in developed countries</li> <li>Medium- to long-term market expansion in emerging countries</li> <li>Market expansion in North America reflecting growing demand for outdoor leisure</li> </ul>
	Off-road four-wheelers/PWC General-purpose engines Shared	<ul style="list-style-type: none"> <li>Firm growth, reflecting U.S. housing market expansion</li> <li>Collaborations and alliances with other companies</li> <li>Shift toward electrification</li> </ul>
Risks (Threats)	Motorcycles	<ul style="list-style-type: none"> <li>Expansion into the leisure sector by brands from emerging markets, such as China and India</li> <li>Intensifying price competition due to aggressive measures by the North American manufacturers</li> <li>Intensifying price competition in the North American market</li> <li>Rising customs tariffs accompanying intensification of U.S.-China trade friction</li> </ul>
	Off-road four-wheelers/PWC	<ul style="list-style-type: none"> <li>Increasing geopolitical risks in Europe due to the Russian invasion of Ukraine</li> <li>Attenuating demand due to global inflation and tightened monetary policies, including increased interest rates in the United States</li> <li>Continuing confusion in the supply chain and substantial increases in logistics and materials costs</li> <li>Tightening environmental regulations</li> </ul>
	Shared	

### Initiatives to Achieve Group Vision 2030

A safe and secure remotely connected society	<ul style="list-style-type: none"> <li>Providing advanced rider and driver support</li> <li>Providing disaster response solutions</li> </ul>	—
Near-future mobility	<ul style="list-style-type: none"> <li>Realizing a society equipped to achieve the safe environmentally-friendly mobility of people and commodities</li> <li>Commercializing new modes of mobility towards the elimination of manpower shortages in the logistics field</li> </ul>	➡ P.35
Energy and environmental solutions	<ul style="list-style-type: none"> <li>Making use of hydrogen fuel</li> <li>Shifting to battery electric vehicles/hybrid electric vehicles</li> </ul>	➡ P.27

### Other Concrete Initiatives

Product supply to meet market demand as much as possible	<ul style="list-style-type: none"> <li>Bringing all hands-on deck to meet production plans</li> <li>Ensuring that if supply shortages like that in semiconductors or logistics disruptions impair production, production and sales plans can quickly adapt to the components available</li> </ul>
Expansion of the off-road four-wheeler business	<ul style="list-style-type: none"> <li>Investing in development toward the enhancement of product competitiveness</li> <li>Continuing to increase capacities of plants in the United States and preparations toward start of operations at new Mexican plant</li> </ul>
Decarbonization/electrification solutions	<ul style="list-style-type: none"> <li>Promoting development toward marketing electric power and hybrid models</li> <li>Beginning of joint research on hydrogen engines by Toyota, DENSO and the four two-wheeler companies</li> </ul>
Strict control of fixed costs to slim down management	<ul style="list-style-type: none"> <li>Mitigation of fixed costs backed up by specific policies</li> <li>Reinforcing R&amp;D</li> </ul>



Eleven-year Financial/Non-financial Summary

		(Billions of yen)										
(FY)		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating results	Net sales	1,303.7	1,288.8	1,385.4	1,486.1	1,541.0	1,518.8	1,574.2	1,594.7	1,641.3	1,488.4	1,500.8
	Aerospace Systems <sup>2</sup>	-	-	-	-	-	-	469.5	463.9	532.5	377.7	298.2
	Rolling Stock	132.6	129.9	147.9	121.5	146.6	137.1	141.7	124.6	136.5	133.2	126.6
	Energy Solution & Marine Engineering <sup>1</sup>	-	-	-	-	-	-	-	-	-	319.5	297.3
	Precision Machinery & Robot <sup>3</sup>	175.0	130.4	123.2	135.7	133.1	155.2	198.9	222.0	217.3	240.8	252.6
	Motorcycle & Engine	235.2	251.8	322.2	329.2	333.5	313.0	331.6	356.8	337.7	336.6	447.9
	Other	123.2	124.2	137.2	144.2	108.8	77.4	85.0	95.1	102.4	80.4	78.0
	Aerospace <sup>2</sup>	206.5	239.1	280.7	325.0	351.8	329.9	-	-	-	-	-
	Gas Turbine & Machinery <sup>2</sup>	194.6	207.0	189.2	218.7	236.4	241.9	-	-	-	-	-
	Energy System & Plant Engineering <sup>1, 2</sup>	-	-	-	-	-	-	251.6	253.0	242.9	-	-
	Plant & Infrastructure <sup>2</sup>	122.8	115.8	103.8	121.1	135.6	160.8	-	-	-	-	-
	Ship & Offshore Structure <sup>1</sup>	113.5	90.3	80.8	90.3	94.8	103.2	95.6	78.9	71.6	-	-
	Operating profit [operating profit margin]	57.4 [4.4%]	42.0 [3.2%]	72.3 [5.2%]	87.2 [5.8%]	95.9 [6.2%]	45.9 [3.0%]	55.9 [3.5%]	64.0 [4.0%]	62.0 [3.7%]	(5.3) [-]	45.8 [3.0%]
	Aerospace Systems <sup>2</sup>	-	-	-	-	-	-	30.8 [6.5%]	32.6 [7.0%]	42.7 [8.0%]	(31.6) [-]	(9.7) [-]
	Rolling Stock	5.1 [3.8%]	2.2 [1.7%]	7.5 [5.1%]	6.0 [4.9%]	9.2 [6.3%]	3.4 [2.5%]	(12.4) [-]	(13.7) [-]	(3.8) [-]	(4.5) [-]	3.2 [2.5%]
	Energy Solution & Marine Engineering <sup>1</sup>	-	-	-	-	-	-	-	-	-	10.3 [3.2%]	1.1 [0.3%]
	Precision Machinery & Robot <sup>3</sup>	26.6 [15.2%]	8.4 [6.4%]	10.4 [8.4%]	10.9 [8.0%]	8.5 [6.4%]	13.1 [8.4%]	21.6 [10.8%]	21.3 [9.6%]	12.2 [5.6%]	14.0 [5.8%]	16.6 [6.5%]
	Motorcycle & Engine	(2.9) [-]	2.3 [0.9%]	16.1 [4.9%]	14.9 [4.5%]	15.7 [4.7%]	11.7 [3.7%]	15.2 [4.5%]	14.3 [4.0%]	(1.9) [-]	11.7 [3.4%]	37.3 [8.3%]
	Other	3.8 [3.1%]	1.2 [1.0%]	4.4 [3.2%]	3.9 [2.7%]	2.8 [2.6%]	3.1 [4.0%]	2.9 [3.4%]	2.5 [2.6%]	1.2 [1.2%]	0.4 [0.5%]	2.8 [1.0%]
	Aerospace <sup>2</sup>	7.8 [3.7%]	14.8 [6.1%]	26.2 [9.3%]	36.3 [11.1%]	45.6 [12.9%]	25.0 [7.5%]	-	-	-	-	-
Gas Turbine & Machinery <sup>2</sup>	7.7 [3.9%]	7.0 [3.3%]	10.4 [5.5%]	11.2 [5.1%]	16.9 [7.1%]	15.2 [6.3%]	-	-	-	-	-	
Energy System & Plant Engineering <sup>1, 2</sup>	-	-	-	-	-	-	7.6 [3.0%]	11.6 [4.5%]	17.5 [7.2%]	-	-	
Plant & Infrastructure <sup>2</sup>	14.1 [11.4%]	9.7 [8.4%]	6.3 [6.0%]	6.5 [5.4%]	8.5 [6.2%]	2.6 [1.6%]	-	-	-	-	-	
Ship & Offshore Structure <sup>1</sup>	3.9 [3.4%]	4.1 [4.6%]	(2.0) [-]	2.6 [2.9%]	(7.9) [-]	(21.4) [-]	(3.8) [-]	1.0 [1.3%]	(0.6) [-]	-	-	
Recurring profit	63.6	39.3	60.6	84.2	93.2	36.6	43.2	37.8	40.4	(2.8)	29.9	
EBIT <sup>4</sup>	52.9	50.3	65.3	88.0	78.4	41.7	35.7	41.2	42.9	(11.1)	33.9	
Profit before income taxes	48.7	46.1	61.3	84.2	74.8	38.8	32.9	37.8	39.3	(14.6)	30.8	
Profit (loss) attributable to owners of parent	23.3	30.8	38.6	51.6	46.0	26.2	28.9	27.4	18.6	(19.3)	21.8	
Research and development expenses	39.9	41.7	40.3	41.6	43.6	43.6	45.4	48.7	52.6	44.9	47.0	
Capital expenditures	63.9	78.6	87.7	80.0	76.3	82.7	82.1	66.9	70.4	55.6	53.5	
Depreciation and amortization	48.9	48.3	37.8	44.5	49.0	51.5	56.1	59.0	61.2	61.2	60.8	
Financial position (at year-end)	Total assets	1,362.1	1,466.2	1,554.4	1,662.2	1,620.4	1,687.3	1,785.0	1,838.8	1,957.8	1,963.2	2,022.7
	Interest-bearing debt	407.1	484.6	444.6	414.3	398.4	400.6	446.6	439.4	567.4	593.3	501.4
	Net assets	315.9	349.8	376.6	447.9	445.6	451.3	481.3	492.2	471.5	482.7	498.5
	Invested capital <sup>5</sup>	713.2	822.8	807.6	846.3	829.7	837.9	912.7	915.8	1,023.0	1,058.6	980.6
Cash flows	Cash flows from operating activities	84.7	28.1	151.7	127.6	86.0	93.5	56.0	109.7	(15.4)	34.6	144.4
	Cash flows from investing activities	(65.9)	(81.1)	(77.5)	(67.3)	(74.1)	(64.8)	(80.5)	(85.3)	(69.4)	(37.3)	(52.5)
	Free cash flows	18.7	(53.0)	74.1	60.2	11.8	28.6	(24.5)	24.4	(84.8)	(2.7)	91.8
	Cash flows from financing activities	(26.8)	57.6	(62.5)	(57.1)	(23.4)	(15.8)	37.7	(19.7)	115.8	23.0	(102.3)
Key performance indicators	Before-tax ROIC (Return on invested capital) <sup>6</sup>	7.4%	6.1%	8.1%	10.4%	9.4%	5.0%	3.9%	4.5%	4.2%	(1.0%)	3.5%
	Return on equity (ROE)	7.8%	9.5%	11.0%	12.9%	10.6%	6.0%	6.4%	5.8%	4.0%	(4.2%)	4.6%
	Net D/E ratio	121.8%	131.9%	109.3%	83.9%	82.5%	78.9%	80.6%	76.6%	101.2%	100.2%	80.7%
	Net income (loss) per share <sup>7</sup> (Yen)	139.5	184.6	230.9	308.9	275.6	156.8	173.0	164.3	111.7	(115.7)	130.2
	Net assets per share <sup>7</sup> (Yen)	1,830.6	2,023.2	2,171.6	2,585.8	2,582.1	2,617.3	2,789.9	2,851.8	2,727.5	2,785.7	2,861.2
	Dividends per share <sup>7</sup> (Yen)	50.0	50.0	60.0	100.0	120.0	60.0	60.0	70.0	35.0	-	40.0
	Dividend payout ratio	35.8%	27.0%	25.9%	32.3%	43.5%	38.2%	34.6%	42.5%	31.3%	-	30.7%
Non-financial	Number of employees (at year end) (Consolidated)	33,267	34,010	34,620	35,471	34,605	35,127	35,805	35,691	36,332	36,691	36,587
	CO <sub>2</sub> emissions Scope1 (Consolidated)	-	-	-	-	176kt-CO <sub>2</sub>	179kt-CO <sub>2</sub>	176kt-CO <sub>2</sub>	162kt-CO <sub>2</sub>	169kt-CO <sub>2</sub>	140kt-CO <sub>2</sub>	135kt-CO <sub>2</sub>
	Scope2 (Consolidated)	-	-	-	-	324kt-CO <sub>2</sub>	313kt-CO <sub>2</sub>	326kt-CO <sub>2</sub>	311kt-CO <sub>2</sub>	290kt-CO <sub>2</sub>	255kt-CO <sub>2</sub>	267kt-CO <sub>2</sub>
	Scope3 (Non-Consolidated) <sup>8</sup>	-	-	-	-	54,323kt-CO <sub>2</sub>	58,122kt-CO <sub>2</sub>	93,366kt-CO <sub>2</sub>	133,417kt-CO <sub>2</sub>	121,280kt-CO <sub>2</sub>	123,616kt-CO <sub>2</sub>	24,664kt-CO <sub>2</sub>

1. In fiscal 2021, the reportable segment were reorganized: the Energy System & Plant Engineering segment and the Ship & Offshore Structure segment became the Energy Solution & Marine Engineering segment. Figures for fiscal 2020 onward are presented according to the reorganized segments.

2. In fiscal 2018, the reportable segments were reorganized: the Aerospace segment and the jet engine business of the Gas Turbine & Machinery segment became the Aerospace Systems segment and the Plant & Infrastructure segment and the energy and marine-related businesses of the Gas Turbine & Machinery segment became the Energy System & Plant Engineering segment. Figures for fiscal 2017 onward are presented according to the reorganized segments.

3. In fiscal 2018, the Precision Machinery segment was renamed the Precision Machinery & Robot segment.

4. EBIT = Profit before income taxes + interest expense

5. Invested capital = Interest-bearing debt + shareholders' equity

6. Before-tax ROIC = EBIT / Invested capital at year-end

7. Effective October 1, 2017, a 1-for-10 share consolidation was implemented for ordinary shares. Figures for fiscal 2016 and before are calculated based on the assumption that the share consolidation had already been implemented.

8. For Kawasaki Heavy Industries (non-consolidated), Kawasaki Motors, Kawasaki Railcar Manufacturing in fiscal 2021. The calculation method for category (xi) was changed from fiscal 2021 (refer to p. 29 for details). Scope 3 emissions for fiscal 2020 are 31,531 million t-CO<sub>2</sub> under the new calculation method.

## Consolidated Financial Statements

### Consolidated Balance Sheets

	(Millions of yen)	
	For the year ended March 31, 2021	For the year ended March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	126,702	<b>114,469</b>
Notes and accounts receivable - trade	460,436	–
Notes and accounts receivable - trade, and contract assets	–	<b>418,625</b>
Merchandise and finished goods	69,223	<b>78,616</b>
Work in process	452,848	<b>419,954</b>
Raw materials and supplies	136,471	<b>160,113</b>
Other	43,314	<b>109,911</b>
Allowance for doubtful accounts	(3,589)	<b>(3,908)</b>
Total current assets	1,285,407	<b>1,297,781</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	172,951	<b>168,409</b>
Machinery, equipment and vehicles, net	142,951	<b>137,217</b>
Land	57,743	<b>58,383</b>
Leased assets, net	10,564	<b>10,815</b>
Construction in progress	16,635	<b>20,224</b>
Other, net	50,413	<b>49,212</b>
Total property, plant and equipment	451,259	<b>444,262</b>
Intangible assets	22,427	<b>23,413</b>
Investments and other assets		
Investment securities	12,721	<b>14,539</b>
Retirement benefit asset	155	<b>200</b>
Deferred tax assets	70,452	<b>86,249</b>
Other	122,254	<b>157,668</b>
Allowance for doubtful accounts	(1,403)	<b>(1,366)</b>
Total investments and other assets	204,180	<b>257,291</b>
Total non-current assets	677,868	<b>724,967</b>
Total assets	1,963,276	<b>2,022,748</b>

	(Millions of yen)	
	For the year ended March 31, 2021	For the year ended March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	247,294	<b>239,976</b>
Electronically recorded obligations - operating	107,849	<b>104,336</b>
Short-term borrowings	141,579	<b>96,108</b>
Current portion of bonds payable	30,000	<b>20,000</b>
Lease liabilities	1,061	<b>1,175</b>
Income taxes payable	4,753	<b>8,506</b>
Provision for sales promotion expenses	7,380	–
Provision for bonuses	18,239	<b>23,938</b>
Provision for construction warranties	12,550	<b>14,797</b>
Provision for loss on construction contracts	14,263	<b>9,602</b>
Advances received	153,298	–
Contract liabilities	–	<b>256,189</b>
Other	179,283	<b>212,696</b>
Total current liabilities	917,555	<b>987,328</b>
Non-current liabilities		
Bonds payable	190,000	<b>180,000</b>
Long-term borrowings	199,177	<b>194,297</b>
Lease liabilities	9,532	<b>9,899</b>
Deferred tax liabilities	1,125	<b>1,593</b>
Retirement benefit liability	115,456	<b>106,803</b>
Provision for the in-service issues of commercial aircraft jet engines	5,984	<b>3,054</b>
Other	41,668	<b>41,249</b>
Total non-current liabilities	562,944	<b>536,896</b>
Total liabilities	1,480,500	<b>1,524,225</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	104,484	<b>104,484</b>
Capital surplus	54,542	<b>55,526</b>
Retained earnings	306,576	<b>285,381</b>
Treasury stock	(136)	<b>(1,129)</b>
Total shareholders' equity	465,467	<b>444,262</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,955	<b>1,424</b>
Deferred gains or losses on hedges	(179)	<b>(191)</b>
Foreign currency translation adjustment	(931)	<b>23,585</b>
Remeasurements of defined benefit plans	(979)	<b>10,098</b>
Total accumulated other comprehensive income	(134)	<b>34,917</b>
Non-controlling interests	17,442	<b>19,342</b>
Total net assets	482,775	<b>498,522</b>
<b>Total liabilities and net assets</b>	1,963,276	<b>2,022,748</b>

### Consolidated Statements of Operations

	(Millions of yen)	
	For the year ended March 31, 2021	For the year ended March 31, 2022
Net sales	1,488,486	<b>1,500,879</b>
Cost of sales	1,297,324	<b>1,244,300</b>
Gross profit	191,162	<b>256,578</b>
Selling, general and administrative expenses		
Salaries and allowances	56,970	<b>59,872</b>
Research and development expenses	44,949	<b>47,098</b>
Other	94,548	<b>103,800</b>
Total selling, general and administrative expenses	196,468	<b>210,772</b>
Operating profit (loss)	(5,305)	<b>45,805</b>
Non-operating income		
Interest income	677	<b>1,106</b>
Dividend income	2,161	<b>865</b>
Gain on sale of investment securities	771	<b>2,120</b>
Share of profit of entities accounted for using equity method	411	–
Foreign exchange gains	4,074	<b>569</b>
Reversal of provision for the in-service issues of commercial aircraft jet engines	3,306	–
Other	3,815	<b>4,680</b>
Total non-operating income	15,218	<b>9,342</b>
Non-operating expenses		
Interest expenses	3,790	<b>3,398</b>
Share of loss of entities accounted for using equity method	–	<b>14,412</b>
Loss on retirement of non-current assets	2,886	<b>951</b>
Other	6,091	<b>6,451</b>
Total non-operating expenses	12,768	<b>25,213</b>
Ordinary profit (loss)	(2,855)	<b>29,934</b>
Extraordinary income		
Gain on sale of non-current assets	3,236	<b>1,633</b>
Gain on sale of shares of subsidiaries and associates	1,581	–
Total extraordinary income	4,817	<b>1,633</b>
Extraordinary losses		
Impairment losses	15,205	<b>715</b>
Loss on valuation of shares of subsidiaries and associates	1,444	–
Total extraordinary losses	16,649	<b>715</b>
Profit (loss) before income taxes	(14,688)	<b>30,853</b>
Income taxes - current	10,506	<b>15,053</b>
Income taxes - deferred	(7,707)	<b>(8,185)</b>
Total income taxes	2,798	<b>6,867</b>
Profit (loss)	(17,486)	<b>23,985</b>
Profit attributable to non-controlling interests	1,846	<b>2,183</b>
Profit (loss) attributable to owners of parent	(19,332)	<b>21,801</b>

### Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	For the year ended March 31, 2021	For the year ended March 31, 2022
Profit (loss)	(17,486)	<b>23,985</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	426	<b>(524)</b>
Deferred gains or losses on hedges	(284)	<b>(337)</b>
Foreign currency translation adjustment	6,727	<b>16,407</b>
Remeasurements of defined benefit plans	18,969	<b>11,130</b>
Share of other comprehensive income of entities accounted for using equity method	4,496	<b>9,218</b>
Total other comprehensive income	30,335	<b>35,895</b>
Comprehensive income	12,848	<b>59,880</b>
Comprehensive income attributable to:		
Owners of parent	10,423	<b>56,854</b>
Non-controlling interests	2,425	<b>3,026</b>



### Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2021

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2020	104,484	54,542	326,626	(133)	485,520	1,636	(272)	(11,311)	(19,946)	(29,892)	15,934	471,562
Changes of items during period												
Issuance of new shares					–							–
Dividends of surplus					–							–
Profit (loss) attributable to owners of parent for the year			(19,332)		(19,332)							(19,332)
Purchase of treasury shares				(3)	(3)							(3)
Disposal of treasury shares		(0)		0	0							0
Transfer of loss on disposal of treasury shares		0	(0)		–							–
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)							(0)
Other			(716)		(716)							(716)
Net changes in items other than shareholders' equity						319	92	10,379	18,966	29,758	1,507	31,265
Total changes of items during period	–	(0)	(20,049)	(3)	(20,052)	319	92	10,379	18,966	29,758	1,507	11,213
Balance at March 31, 2021	104,484	54,542	306,576	(136)	465,467	1,955	(179)	(931)	(979)	(134)	17,442	482,775

For the year ended March 31, 2022

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2021	104,484	54,542	306,576	(136)	465,467	1,955	(179)	(931)	(979)	(134)	17,442	482,775
Cumulative effect of changes in accounting policies			(39,639)		(39,639)							(39,639)
Restated balance	104,484	54,542	266,937	(136)	425,827	1,955	(179)	(931)	(979)	(134)	17,442	443,135
Changes of items during period												
Issuance of new shares		1,916			1,916							1,916
Dividends of surplus			(3,357)		(3,357)							(3,357)
Profit (loss) attributable to owners of parent for the year			21,801		21,801							21,801
Purchase of treasury shares				(994)	(994)							(994)
Disposal of treasury shares		2		1	3							3
Transfer of loss on disposal of treasury shares		0	(0)		–							–
Change in ownership interest of parent due to transactions with non-controlling interests		(935)			(935)							(935)
Other					–							–
Net changes in items other than shareholders' equity						(530)	(11)	24,516	11,078	35,052	1,899	36,951
Total changes of items during period	–	983	18,444	(992)	18,435	(530)	(11)	24,516	11,078	35,052	1,899	55,386
Balance at March 31, 2022	104,484	55,526	285,381	(1,129)	444,262	1,424	(191)	23,585	10,098	34,917	19,342	498,522

### Consolidated Statements of Cash Flows

(Millions of yen)

For the year ended March 31, 2021 / For the year ended March 31, 2022

	For the year ended March 31, 2021	For the year ended March 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(14,688)	30,853
Depreciation	61,258	60,853
Impairment losses	15,205	715
Loss on valuation of shares of subsidiaries and associates	1,444	–
Increase (decrease) in allowance for doubtful accounts	(343)	(110)
Increase (decrease) in provision for sales promotion expenses	(5,085)	–
Increase (decrease) in provision for bonuses	(3,819)	5,566
Increase (decrease) in provision for construction warranties	(1,938)	2,083
Increase (decrease) in provision for loss on construction contracts	2,788	(4,838)
Increase (decrease) in retirement benefit liability	11,611	4,778
Increase (decrease) in provision for the in-service issues of commercial aircraft jet engines	(9,705)	(2,930)
Interest and dividend income	(2,839)	(1,972)
Interest expenses	3,790	3,398
Share of loss (profit) of entities accounted for using equity method	(411)	14,412
Loss (gain) on sale of non-current assets	(3,236)	(1,633)
Loss (gain) on sale of shares of subsidiaries and associates	(1,581)	–
Decrease (increase) in trade receivables	23,267	–
Decrease (increase) in trade receivables and contract assets	–	25,995
Decrease (increase) in inventories	(26,374)	(39,039)
Increase (decrease) in trade payables	(16,784)	(15,067)
Decrease (increase) in advance payments to suppliers	(132)	(31,724)
Increase (decrease) in advances received	4,209	–
Increase (decrease) in contract liabilities	–	92,098
Decrease (increase) in other current assets	8,900	(28,723)
Increase (decrease) in other current liabilities	2,988	43,354
Other, net	(5,570)	(470)
Subtotal	42,953	157,599
Interest and dividends received	6,370	2,629
Interest paid	(3,646)	(3,634)
Income taxes paid	(11,076)	(12,164)
Net cash provided by (used in) operating activities	34,601	144,430
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(51,692)	(62,399)
Proceeds from sale of property, plant and equipment and intangible assets	13,656	5,556
Purchase of investment securities	(1,042)	(2,114)
Proceeds from sale of investment securities	1,407	5,717
Purchase of shares of subsidiaries and associates	(97)	(11)
Proceeds from sale of shares of subsidiaries and associates	1,927	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	489
Other, net	(1,551)	224
Net cash provided by (used in) investing activities	(37,392)	(52,537)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(28,409)	(74,242)
Proceeds from long-term borrowings	27,310	15,500
Repayments of long-term borrowings	(22,297)	(17,001)
Proceeds from issuance of bonds	60,000	10,000
Redemption of bonds	(20,000)	(30,000)
Dividends paid	(59)	(3,384)
Dividends paid to non-controlling interests	(960)	(913)
Proceeds from sale and leaseback transactions	10,014	–
Other, net	(2,505)	(2,303)
Net cash provided by (used in) financing activities	23,093	(102,345)
Effect of exchange rate change on cash and cash equivalents	(682)	(3,202)
Net increase (decrease) in cash and cash equivalents	19,619	(13,654)
Cash and cash equivalents at beginning of period	102,546	122,166
Cash and cash equivalents at end of period	122,166	108,511

**Corporate Profile**

Trade Name	Kawasaki Heavy Industries, Ltd.
Head Offices	Tokyo Head Office: 14-5, Kaigan 1-chome, Minato-ku, Tokyo 105-8315, Japan Kobe Head Office: Kobe Crystal Tower, 1-3, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe, Hyogo 650-8680, Japan
Incorporated	October 15, 1896
President	Yasuhiko Hashimoto
Paid-in Capital	¥104,484 million
Net Sales	Consolidated: ¥1,500,879 million (fiscal 2021) Non-consolidated: ¥892,203 million (fiscal 2021)
Number of Employees	Consolidated: 36,587 Non-consolidated: 13,381

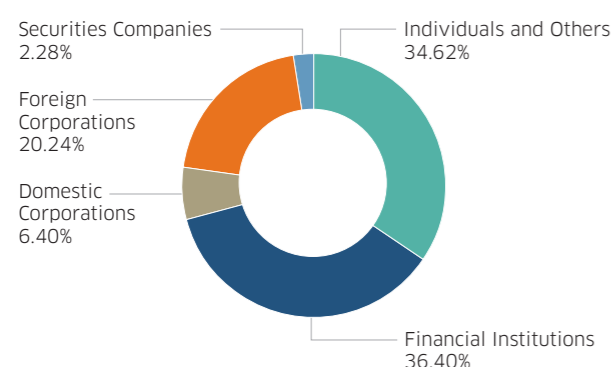
**Stock Information**

Securities Code	7012
Stock Listings	Tokyo Stock Exchanges (TSE Prime Market) Nagoya Stock Exchanges (NSE Premier Market)
Share Unit Number	100 shares
Total Number of Shares Authorized	336,000,000 shares
Total Number of Shares Issued	167,921,800 shares
Number of Shareholders	121,730 persons
Fiscal Year	From April 1 to March 31
Year-end Dividend Record Date	March 31
Interim Dividend Record Date	September 30
Annual General Meeting of Shareholders	June

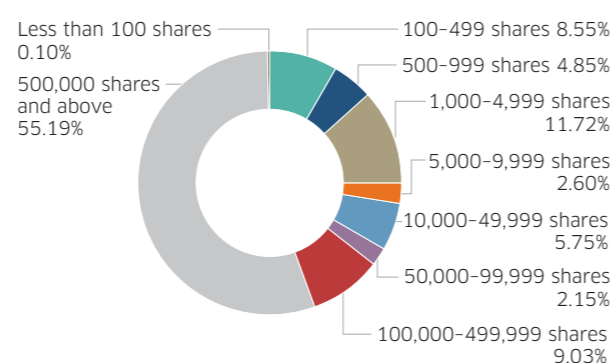
**Major Shareholders**

Shareholder	Number of Shares Owned	Percentage
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,362,100	15.70%
Custody Bank of Japan, Ltd. (Trust Account)	14,171,000	8.44%
Nippon Life Insurance Company	5,751,661	3.42%
Kawasaki Heavy Industries Employee Stock Ownership Association	4,934,251	2.93%
Mizuho Bank, Ltd.	4,176,412	2.48%
Kawasaki Heavy Industries, Ltd. Kyoueikai	3,957,319	2.35%
BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY1	3,092,700	1.84%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,783,858	1.65%
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A / C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	1,902,157	1.13%
JP MORGAN CHASE BANK 385781	1,861,441	1.10%

**Shareholdings by Type of Shareholder**



**Shareholders by Shareholding Volume**



**Aerospace Systems**

**Aerospace**  
NIPPI Corporation  
Nippi Skill Corporation  
Kawaju Gifu Engineering Co., Ltd.  
Kawaju Gifu Service Co., Ltd.  
KGM Co., Ltd.

**Jet Engines**  
Kawaju Akashi Engineering Co., Ltd.

**Rolling Stock**

Kawasaki Railcar Manufacturing Co., Ltd.  
Alna Yusoki-Yohin Co., Ltd.  
Kawasaki Rolling Stock Component Co., Ltd.  
Kawasaki Rolling Stock Technology Co., Ltd.  
Sapporo Kawasaki Rolling Stock Engineering Co., Ltd.  
NICHIGO CORPORATION  
Kawasaki Rail Car, Inc.  
\* Qingdao Sifang Kawasaki Rolling Stock Technology Co., Ltd.

**Energy Solution & Marine Engineering**

**Plant**  
EarthTechnica Co., Ltd.  
Kawasaki Engineering Co., Ltd.  
KEE Environmental Construction Co., Ltd.  
Kawasaki Environmental Plant Engineering Co., Ltd.  
Kawaju Facilitate Co., Ltd.  
EarthTechnica M&S Co., Ltd.  
Kawasaki Green Energy, Ltd.  
Shinki Co. Ltd.  
KHI Design & Technical Service, Inc.  
Kawasaki Heavy Industries Machinery Trading (Shanghai) Co., Ltd.  
\* Underground Infrastructure Technologies Co. Ltd.  
\* KH FACILITECH Co. Ltd.  
\* JP Steel Plantech Co.  
\* Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.  
\* Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.  
\* Anhui Conch Kawasaki Engineering Co., Ltd.  
\* Shanghai Conch Kawasaki Engineering Co., Ltd.

**Energy / Marine machinery**  
Kawasaki Thermal Engineering Co., Ltd.  
Kawasaki Machine Systems, Ltd.  
KMS Engineering Co., Ltd.  
Kawasaki Prime Mover Engineering Co., Ltd.  
Kawasaki Naval Engine Service, Ltd.  
Kawasaki Gas Turbine Europe GmbH  
Kawasaki Gas Turbine Asia Sdn. Bhd.  
Kawasaki Gas Turbine Service RUS LLC  
Kawasaki Energy System Solutions (Shandong), Ltd.  
Kawasaki Machinery do Brasil Máquinas e Equipamentos Ltda.  
Kawasaki Heavy Industries (Europe) B.V.  
Kawasaki Heavy Industries (H.K.) Ltd.  
Wuhan Kawasaki Marine Machinery Co., Ltd.

**Ship & Offshore Structure**

Kawaju Support Co., Ltd.  
Kawasaki Marine Engineering Co., Ltd.  
KHI JPS Co., Ltd.  
Kawasaki Subsea (UK) Limited  
\* Nantong COSCO KHI Ship Engineering Co., Ltd.  
\* Dalian COSCO KHI Ship Engineering Co., Ltd.

**Precision Machinery & Robot**

**Precision Machinery**  
Kawasaki Hydromechanics Corporation  
Kawasaki Precision Machinery (U.S.A.), Inc.  
Kawasaki Precision Machinery (UK) Ltd.  
Wipro Kawasaki Precision Machinery Private Limited  
Flutek, Ltd.  
\*Kawasaki Precision Machinery (Suzhou) Ltd.  
Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd.  
\* Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd.

**Robot**

Kawasaki Robot Service, Ltd.  
Kawasaki Robotics (U.S.A.) Inc.  
Kawasaki Robotics (UK) Ltd.  
Kawasaki Robotics GmbH  
Kawasaki Robotics Korea, Ltd.  
Kawasaki Robotics (Tianjin) Co., Ltd.  
Kawasaki Robotics (Kunshan) Co., Ltd.  
Kawasaki Robotics India Private Limited  
Kawasaki (Chongqing) Robotics Engineering Co., Ltd.  
\* Mediaroid Corporation  
\* Mediaroid Europe GmbH  
\* Mediaroid, Inc.

**Motorcycle & Engine**

Kawasaki Motors, Ltd.  
Kawasaki Motors Corporation Japan  
K-Tec Corporation  
Technica Corp.  
Autopolis  
Union Precision Die Co., Ltd.  
Shin Nippon Wheel Industries Co., Ltd.  
○Kawasaki Motors Manufacturing Corp., U.S.A.  
Kawasaki Motors Corp., U.S.A.  
Canadian Kawasaki Motors Inc.  
Kawasaki Motores de Mexico S.A. de C.V.  
Kawasaki Motores do Brasil Ltda.  
Kawasaki Motors Europe N.V.  
Kawasaki Motors Pty. Ltd.  
India Kawasaki Motors Pvt. Ltd.  
PT. Kawasaki Motor Indonesia  
Kawasaki Motors (Phils.) Corporation  
\*Kawasaki Motors Enterprise (Thailand)Co., Ltd.  
Kawasaki Motors Vietnam Co., Ltd.  
Changzhou Kawasaki Engine Co., Ltd.  
Kawasaki Motors (Shanghai), Ltd.  
\* Bimota S.p.A.

**Others**

Kawasaki Trading Co., Ltd.  
Kawaju Service Co., Ltd.  
Kawasaki Technology Co., Ltd.  
Kawasaki Heartfelt Service Co., Ltd.  
K Career Partners Corp.  
Benic Solution Corporation  
Kawasaki Life Corporation  
Nippi Kosan Co., Ltd.  
Japan Suiso Energy, Ltd.  
Kawasaki Heavy Industries (U.S.A.) Inc.  
Kawasaki do Brasil Industria e Comercio Ltda.  
Kawasaki Heavy Industries (U.K.) Ltd.  
▲Kawasaki Heavy Industries Middle East FZE  
◆Kawasaki Heavy Industries (Singapore) Pte. Ltd.  
Kawasaki Heavy Industries (Thailand) Co., Ltd.  
Kawasaki Heavy Industries Management (Shanghai) Ltd.  
Kawasaki Trading (Shanghai) Co., Ltd.  
KHI (Dalian) Computer Technology Co., Ltd.  
Hydrogen Engineering Australia Pty Ltd.  
Kawasaki Heavy Industries Russia LLC  
Kawasaki Trading (Thailand) Co., Ltd.  
\* Remote Robotics Inc.

\* Equity-method associates  
★ Includes operations belonging to the Robot segment  
○ Includes operations belonging to the Rolling Stock and Aerospace Systems segments  
▲ Includes operations belonging to the Motorcycle & Engine segment  
◆ Includes operations belonging to the Rolling Stock and Robot segments

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