

Corporate Governance Policy

Guided by the Group Mission, “Kawasaki, working as one for the good of the planet,” 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.

Focus Activities and Medium-term Targets

The Kawasaki Group continues its various efforts to establish a corporate governance system suitable for the Kawasaki Group. Specifically, we identify issues that need to be addressed to further strengthen the corporate governance system based on annual Board of Directors efficacy evaluations and the advice of external experts. After sharing these issues and measures to address them among all the Directors, we implement said measures.

● Goal for the Medium-Term Business Plan, MTBP 2019 (FY2019-2021)

- Constantly assess governance systems using such sources as Board of Directors efficacy evaluations currently being carried out and the insights of external experts.

Progress, Results and Challenges

Aiming to further enhance the Board of Directors’ discussions of management strategy and other matters, accelerate management decision making, and reinforce the oversight function of the Board of Directors, Kawasaki transitioned to a company with an Audit & Supervisory Committee as of June 25, 2020. This transition has helped to make progress with regard to refining the topics that the Board of Directors should discuss and, in turn, advancing delegation from the Board to executives, as well as improving the system of reporting to the Board. By steadily implementing initiatives in these areas going forward, we will work to further reinforce the oversight function of the Board of Directors.

● Goal for Fiscal 2019

- Continue shifting authority from the Board of Directors to executive divisions, continue considering ways to reduce the time spent by the Board of Directors on resolutions related to business execution.

● Fiscal 2019 Results

- The Board of Directors approved the decision to move forward with preparations to transition from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee in order to further separate management oversight from business execution and reduce the time spent by the Board of Directors on resolutions related to business execution.
- Began preparations for the transition, to take effect upon the June 2020 General Meeting of Shareholders.

● Goals for Fiscal 2020

- Receive approval to transition to a company with an Audit & Supervisory Committee at the June 2020 General Meeting of Shareholders.
- More actively discuss such topics as management strategy and future vision at the Board of Directors.
- Formulate and disclose Corporate Governance Guidelines.

Structure

Following approval at the 197th Ordinary General Meeting of Shareholders on June 25, 2020, Kawasaki transitioned to a company with an Audit & Supervisory Committee. Kawasaki’s main deliberative bodies, their composition and roles are as follows.

● Board of Directors

The Board of Directors comprises 13 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), the Company seeks to enhance the separation of management oversight and business execution and thereby further reinforce the Board of Director’s oversight functions.

Furthermore, the Nomination Advisory Committee and Compensation Advisory Committee have been established as advisory bodies to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. A majority of the members of both committees are Outside Directors, as are the presiding officers of each. The Nomination Advisory Committee discusses such matters as policies regarding the appointment of Directors and other officers and the appropriateness of candidates for such positions. The Compensation Advisory Committee discusses such matters as Director compensation policy and the appropriateness of the Director compensation system. These committees provide reports and advice to the Board of Directors.

● **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.

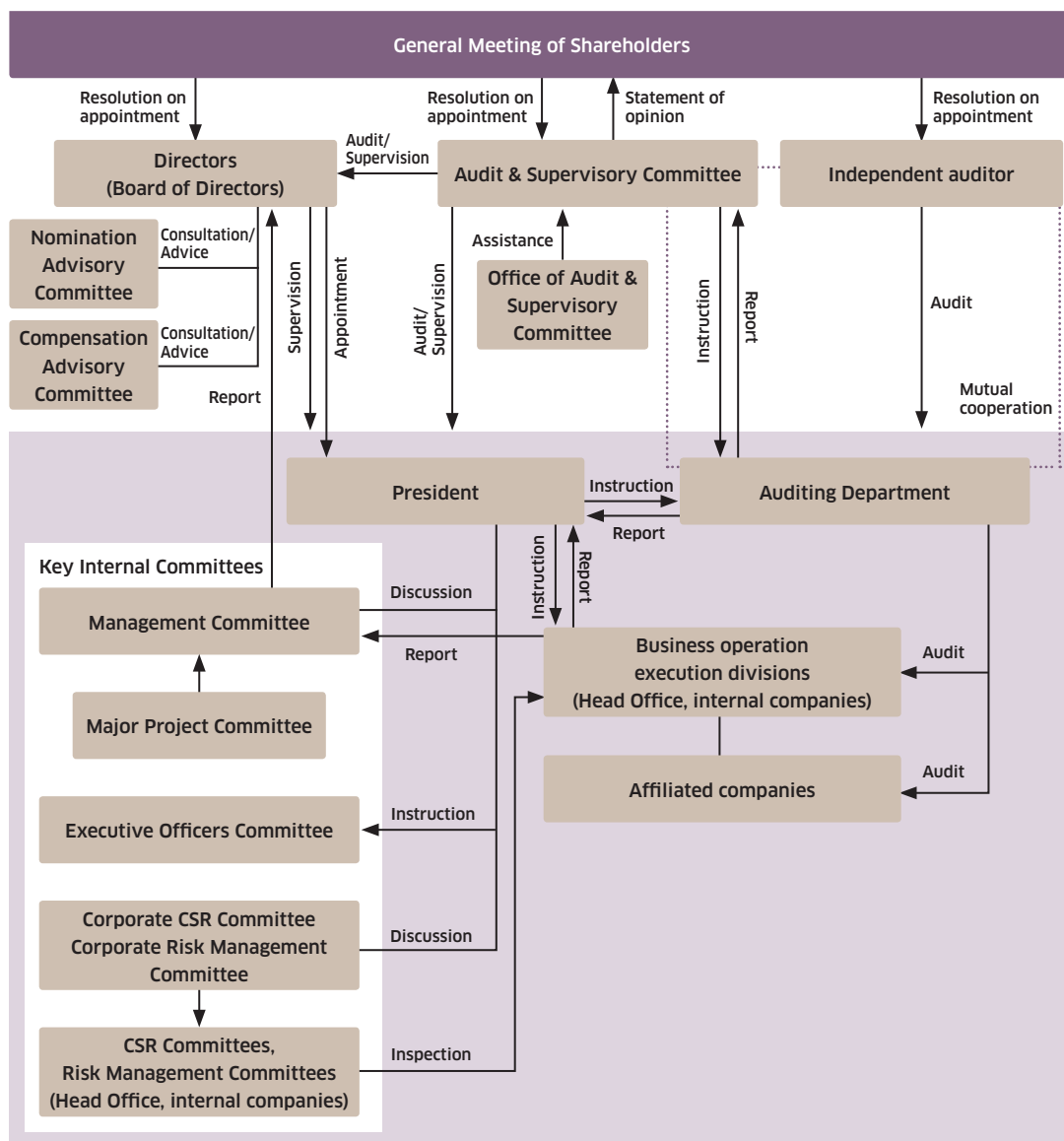
● **Business Execution Framework**

Kawasaki has adopted an executive officer system in order to facilitate response to rapid changes in the business environment. 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, thereby realizing more agile decision making.

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 Group management, including management policy, strategy and challenges.

Furthermore, the Company maintains an Executive Officers Committee, comprising all executive officers. This committee issues business execution policy based on management policy and plans determined mainly by the Board of Directors and Management Committee. It also discusses management issues, striving to build unified consensus in Group management.

The Kawasaki Group's Governance Structure (As of July 1, 2020)



Corporate Governance Report (Japanese language only)
<https://www.khi.co.jp/ir/library/governance.html>

Corporate Officers¹

	Name (Age)	Position	Executive	Outside	Inde- pendent	Years of Service ²	Nomination Advisory Committee	Compensation Advisory Committee	Diversity		Board of Directors Meetings Attended ³	Audit & Supervisory Board Meetings Attended ³
									Woman	Non-Japanese National		
Directors not Serving as Audit & Supervisory Committee Members	Yoshinori Kanehana (66)	Representative Director Chairman of the Board	✓			8					17/17	–
	Yasuhiko Hashimoto (63)	Representative Director	✓			2	✓	✓			17/17	–
	Sukeyuki Namiki (65)	Representative Director	✓			2					17/17	–
	Katsuya Yamamoto (62)	Representative Director	✓			3	✓	✓			17/17	–
	Hiroshi Nakatani (60)	Director	✓			Newly appointed					–	–
	Yoshiaki Tamura (65)	Outside Director		✓	✓	2	✓ (Presiding officer)	✓ (Presiding officer)			17/17	–
	Jenifer Rogers (57)	Outside Director		✓	✓	2			✓	✓	16/17	–
	Hideo Tsujimura (66)	Outside Director		✓	✓	Newly appointed	✓	✓			–	–
Directors Serving as Audit & Supervisory Committee Members	Katsuyoshi Fukuma (62)	Director Audit & Supervisory Committee Member				4					17/17	17/17
	Akio Nekoshima (61)	Director Audit & Supervisory Committee Member				2					17/17	17/17
	Satoru Kohdera (61)	Outside Director Audit & Supervisory Committee Member		✓	✓	3					17/17	17/17
	Atsuko Ishii (62)	Outside Director Audit & Supervisory Committee Member		✓	✓	3			✓		17/17	17/17
	Ryoichi Saito (70)	Outside Director Audit & Supervisory Committee Member		✓	✓	1	✓	✓			14/14	13/13
Total	Persons		5	6	6				2	1		
	% of total		38.5%	46.2%	46.2%				15.4%	7.7%		

1. As of September 1, 2020.

2. Years of service figures for Audit & Supervisory Committee Members include years of service as Audit & Supervisory Board Members when Kawasaki was a company with an Audit & Supervisory Board.

3. Figures for fiscal 2019.

● **Presiding Officer of the Board of Directors**

The Chairman of the Board of Directors serves as the presiding officer of the Board of Directors.



Executives

<https://global.kawasaki.com/en/corp/profile/executives/index.html>

Corporate Governance Functions (organizations, committees, etc.)

Organization Pertaining to Nomination and Appointment

Nomination Advisory Committee	
Role	An advisory body on policy and standards for the appointment and dismissal of corporate officers and such appointment and dismissal
Members	Two Directors and three Outside Directors, the latter of which includes one Audit & Supervisory Committee Member (an Outside Director serves as presiding officer)
Meeting frequency	Roughly ten times a year (11 times in fiscal 2019)

Organization Pertaining to Compensation

Compensation Advisory Committee	
Role	An advisory body on the policy for and systems of corporate officer compensation as well as individual compensation
Members	Two Directors and three Outside Directors, the latter of which includes one Audit & Supervisory Committee Member (an Outside Director serves as presiding officer)
Meeting frequency	Six times in fiscal 2019

Organization Pertaining to Management Strategy

Management Committee	
Role	Assists the president as an advisory body with regard to Group management Discusses important Group management policy, management strategy and management issues
Member	Includes executive Directors and internal company presidents. Also, the full-time Audit & Supervisory Committee Members participate in the committee as part of their auditing of the execution of business.
Meeting frequency	Roughly three times a month (33 times in fiscal 2019)

Organization Pertaining to Business Execution

Executive Officers Committee	
Role	Conveys business execution policy based on management policy and management plans determined mainly by the Board of Directors and the Management Committee Serves as a venue for communicating necessary and important information regarding business execution and exchanging opinions
Member	Comprises all executive officers appointed by the Board of Directors.
Meeting frequency	Twice a year (twice in fiscal 2019)

Organization Pertaining to Sustainability

Corporate CSR Committee	
Role	Discusses and decides on basic policy and important matters related to CSR for the Group as a whole and monitors implementation
Member	With the president as the chair, the committee is composed of Directors, internal company presidents, Director in charge of CSR and Head Office division heads. The attendance of Outside Directors is requested so that the committee can glean the benefits of their external expertise and opinions and reflect them in its decision-making process. Also, Audit & Supervisory Committee Members participate in the committee as part of their auditing of the execution of business.
Meeting frequency	At least twice a year (three times in fiscal 2019)

Organizations Pertaining to Risk Management

Corporate Risk Management Committee	
Role	Discusses and identifies important issues pertaining to risk management for the Group as a whole and monitors implementation
Member	Headed by the president with members comprising Directors (excluding Outside Directors), internal company presidents, the executive officer in charge of risk management, Head Office division heads and other persons designated by the president. Also, the full-time Audit & Supervisory Committee Members participate in the committee as part of their auditing of the execution of business.
Meeting frequency	At least twice a year (twice in fiscal 2019)

Major Project Committee	
Role	Assesses risk and considers appropriate responses before the acceptance of major projects
Member	Headed by the general manager of the Corporate Planning Division, and convening representatives of relevant Head Office divisions and internal companies.
Meeting frequency	Held as needed

Director Appointment

Director Appointment Process

Director candidates are decided by resolution of the Board of Directors based on the qualities required of a Director as defined by the Board of Directors through a comprehensive assessment of the knowledge, experience and capabilities that are needed to appropriately carry out the responsibilities required of the positions as well as the performance of the Company and the individual. The professional history and reasons for the nomination of each Director are disclosed in such documents as the notice of general meeting of shareholders. The Director appointment policy and nomination proposals are decided by resolution of the Board of Directors after receiving the results of deliberations by the Nomination Advisory Committee. Furthermore, Audit & Supervisory Committee Member nomination proposals must be approved by the Audit & Supervisory Committee before resolution by the Board of Directors.

● Director Appointment Criteria

Qualities Required of a Director

1. Possessing an in-depth understanding of and support for the Kawasaki Group's corporate philosophy and visions.
2. Being able to make positive contributions towards sustainable growth and improving medium- and long-term enterprise value.
3. Having a Company-wide perspective and a wealth and breadth of experience, resourcefulness and specialized expertise to this end.
4. Being able to oversee corporate management and business execution from an independent and objective position as a member of the Board of Directors.
5. Being able to execute their authority in a proactive and positive manner, and appropriately voice opinions at Board of Directors meetings or to top management.

* To ensure the effectiveness of audits, Directors serving as Audit & Supervisory Committee Members must be highly knowledgeable about the Company's business or have deep insight and expertise in corporate management, legal affairs, finance and accounting, government or other fields. At least one Director serving as an Audit & Supervisory Committee Member must have substantial knowledge of finance and accounting.

Independence Criteria for Outside Directors

An Outside Director is deemed to be independent if none of the following apply:

- (1) The Outside Director is currently employed by the Company as an executive Director, executive officer, manager or other key employee, or if any company at which said Director was employed over the past ten years (including key subsidiaries as defined by said company) (hereafter the "former employer") has had business dealings with the Kawasaki Group, and the average transaction amount over the last five fiscal years exceeds 2% of the average sales amount of the Kawasaki Group and that of the former employer over the last five fiscal years.

- (2) The average compensation that the Outside Director (or legal entity if set up as a legal entity) receives directly from the Kawasaki Group in their capacity as a specialist or consultant of legal, accounting, or tax matters (excluding compensation as an officer of Kawasaki) over the last five fiscal years exceeds 10 million yen.
- (3) The average amount of donations and other contributions over the last five fiscal years to an NPO at which said Outside Director serves as an executive officer exceeds 10 million yen and exceeds 2% of total revenues or the current account balance of said organization.
- (4) Said Outside Director's former employer is a major shareholder of Kawasaki, holding 10% or more of the issued shares.
- (5) Said Outside Director has a first-degree or second-degree relative to which bulleted item (4) applies, or is an executive Director, executive officer, manager or other key employee at the Kawasaki Group.

Reasons for Appointment of Outside Directors

Yoshiaki Tamura

Mr. Tamura has served as Representative Director and Executive Vice President of Asahi Glass Co., Ltd. (now AGC Inc.), Deputy Leader of Overall Business Management, General Manager of Technology General Division, Deputy Leader of AGC Group Improvement Activities, and Executive Vice President, President of Glass Company, and in other important positions. Since 2018, as an Outside Director of the Company, he has provided helpful opinions and advice on important management decisions based on his abundant management experience and deep insight into manufacturing cultivated in those positions from a standpoint independent from the Company's business execution. In consideration of these points, the Company has determined that he is suitable as an Outside Director.

Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Jenifer Rogers

Ms. Rogers has served as an in-house lawyer and counsel at a technology services company and financial institutions in Japan and overseas for many years. Since 2018, as an Outside Director of the Company, she has provided helpful opinions and advice on important management decisions based on her extensive international experience and deep insights into legal affairs, compliance, and risk management cultivated in those positions from a standpoint independent from the Company's business execution. In consideration of these points, the Company has determined that she is suitable as an Outside Director.

Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Hideo Tsujimura

Mr. Tsujimura has served as Senior Managing Director, in charge of Intellectual Property Department and R&D Division of Suntory Holdings Limited, Representative Director, President & 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 addition to extensive management experience, he possesses deep insights into product development and intellectual property. In consideration of these points, the Company has determined that he will be able to fully perform his roles as an Outside Director in supervising the execution of business of the Company and increasing its enterprise value.

Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Reasons for Appointment of Outside Directors Serving as Audit & Supervisory Committee Members

Satoru Kohdera

Mr. Kohdera has served as President of the Hyogo-ken Bar Association, Vice President of the Japan Federation of Bar Associations, and in other important positions. Since 2017, as an Outside Audit & Supervisory Board Member of the Company, he has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value based on his abundant experience as an attorney and deep insight into legal affairs. In consideration of these points, the Company has determined that he is suitable as an Outside Director serving as an Audit & Supervisory Committee Member.

Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Atsuko Ishii

Ms. Ishii has served in important positions at the Ministry of Health, Labour and Welfare, including as Director-General of the Osaka Labour 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. Since 2017, as an Outside Audit & Supervisory Board Member of the Company, Ms. Ishii has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value based on her abundant experience in and deep insight into Japan's labor administration. In consideration of these points, the Company has determined that she is suitable as an Outside Director serving as an Audit & Supervisory Committee Member.

Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Ryoichi Saito

Mr. Saito has 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 and possesses abundant management experience and deep insights into business planning, finance and accounting, and risk management. Since 2019, as an Outside Audit & Supervisory Board Member of the Company, he has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value. In consideration of these points, the Company has determined that he is suitable as an Outside Director serving as an Audit & Supervisory Committee Member.

Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

The Effectiveness of the Board of Directors

Board of Directors Meeting Attendance Rates (Includes Extraordinary Meetings)

	(FY)	2015	2016	2017	2018	2019
Board meetings held	Number of times	16	14	15	17	17
Attendance rate of all Directors	%	96.9	99.4	99.4	99.0	99.0
Attendance rate of Outside Directors	%	96.7	100	100	100	96.1
Attendance rate of all Audit & Supervisory Board Members	%	98.4	100	98.6	100	100
Attendance rate of all Outside Audit & Supervisory Board Members	%	100	100	97.7	100	100

Note: On June 25 2020, Kawasaki transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

Directors' Terms of Office/Restrictions

Directors' terms of office	Directors not serving as Audit & Supervisory Committee Members	1 year
	Directors serving as Audit & Supervisory Committee Members	2 years
Average years in office	Directors not serving as Audit & Supervisory Committee Members	2.4 years
	Directors serving as Audit & Supervisory Committee Members	2.6 years*
Criteria regarding restrictions on concurrent service as Director	If a Kawasaki Director is to concurrently serve as an officer at other listed companies, the number of companies at which the officer may concurrently serve in addition to Kawasaki is restricted to three.	

* Years in office for Audit & Supervisory Committee Members include years in office as Audit & Supervisory Board Members when Kawasaki was a company with an Audit & Supervisory Board.

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 at meetings of Kawasaki's Board of Directors and reach appropriate management decisions. As part of these efforts, since fiscal 2015, the Board of Directors annually evaluates and analyzes its effectiveness.

● **Evaluation Method**

To carry out the fiscal 2019 effectiveness evaluation, as in previous years, an anonymous survey was made of all Directors and Audit & Supervisory Board Members based on advice from outside experts. The survey results were then aggregated and analyzed by outside experts, and the results were discussed at a Board of Directors meeting.

The survey comprised questions mainly about the overall operation of the Board of Directors and its discussions, designed with regard to the Company's particular characteristics.

● Evaluation Results and Response

The Board of Directors' discussion found that the Board's effectiveness was appropriately ensured, based on such factors as its resolutions having been reached after active discussion among both the internal and outside members.

Issues raised included clarifying the division of roles between the Board of Directors and Management Committee and quickly reporting information about risks to the Board of Directors. However, the June 2020 transition to a company with an Audit & Supervisory Committee has helped to make progress with regard to refining the topics that the Board of Directors should discuss and, in turn, advancing delegation from the Board to executives, as well as improving the system of reporting to the Board. By steadily implementing initiatives in these areas going forward, we will work to further reinforce the oversight function of the Board of Directors.

Furthermore, the Directors shared information about other tasks the Board needs to undertake, such as further enhancing succession planning, determining Director compensation, and reinforcing coordination with the committees run by executives. The Board will continue to engage in discussion and considerations from various viewpoints, working to increase its effectiveness.

● Initiatives to Address Issues Identified in Previous Years

The main initiatives we have implemented to address issues identified by previous evaluations of a Board of Directors' effectiveness are as follows.

- Aiming to further enhance discussions of management strategy and other matters at the Board of Directors, accelerate management decision making and reinforce the oversight function of the Board of Directors, Kawasaki transitioned to a company with an Audit & Supervisory Committee in June 2020, thereby enabling significant delegation of authority from the Board of Directors to executives. In addition, we revised the composition of the Board of Directors to avoid having directors serve concurrently as officers responsible for specific businesses (the internal company presidents) and thereby better separate management oversight and business execution while increasing the proportion of Outside Directors. By doing so, we clarified that oversight is the primary role of the Board of Directors.
- We set up a system in which items that could significantly affect management plans or management performance are reported to the Board of Directors following their discussion at monthly meetings of the Management Committee to ensure that the Board maintains a broad-ranging and up-to-date grasp of risks and signs of change in the business environment. Through such efforts, we continue working to reinforce the Board of Directors' monitoring functions.

Attendance Rate at Audit & Supervisory Board Meetings for Audit & Supervisory Board Members

	(FY)	2015	2016	2017	2018	2019
Audit & Supervisory Board meetings held	Number of times	17	17	17	17	17
Audit & Supervisory Board Members' attendance rates	%	100	100	100	100	100
Outside Audit & Supervisory Board Members' attendance rate	%	100	100	100	100	100

Note: On June 25 2020, Kawasaki transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

Audit Status

Internal Audits

The Auditing Department, which is an internal audit division and consists of 15 persons, works to improve the internal control function by, for example, conducting regular audits to confirm that the Group's execution of general business activities is properly conducted in accordance with laws and internal rules. Furthermore, the Audit & Supervisory Committee and the Auditing Department exchange information regarding their respective audit results and findings.

Audits Conducted by the Audit & Supervisory Committee

In accordance with the basic audit policy, audit system, and division of duties decided by the Audit & Supervisory Committee, the Audit & Supervisory Committee Members carry out mainly the following activities.

- Meet with Directors and executive officers (all Audit & Supervisory Committee Members)
- Attend meetings of the Board of Directors (all Audit & Supervisory Committee Members)
- Attend meetings of the Management Committee and other important meetings (full-time Audit & Supervisory Committee Members and, as needed, Outside Directors serving as Audit & Supervisory Committee Members)
- Coordinate with Outside Directors not serving as Audit & Supervisory Committee Members (all Audit & Supervisory Committee Members)
- Conduct operational audits of the Head Office and operating divisions and survey subsidiaries (all Audit & Supervisory Committee Members)
- Coordinate with the full-time Audit & Supervisory Board Members of Group companies (all Audit & Supervisory Committee Members)
- Coordinate with internal audit divisions (all Audit & Supervisory Committee Members)
- Coordinate with the independent auditor (all Audit & Supervisory Committee Members)
- Inspect important documents (full-time Audit & Supervisory Committee Members)

The full-time Audit & Supervisory Committee Members attend important meetings, such as those of the Board of Directors and Management Committee, voicing their opinions as needed. Through the above activities, they work to maintain the auditing environment, gather information within the Company, and build and regularly monitor the operation of internal control systems. The full-time members also share the information they collect internally with the Outside Directors serving as Audit & Supervisory Committee Members on a regular basis.

The Outside Directors serving as Audit & Supervisory Committee Members attend meetings of the Board of Directors and, when necessary, other important meetings, such as those of the Management Committee, voicing their opinions as needed based on their respective expert knowledge. They strive to obtain the information necessary for auditing through the above activities and to maintain the auditing environment in cooperation with the other Audit & Supervisory Committee Members. They also share information with the full-time Audit & Supervisory Committee Members by such means as attending meetings of the Audit & Supervisory Committee.

Independent Audits

With regard to independent auditing, we undergo audits of our financial statements by the independent auditor KPMG AZSA LLC. The Audit & Supervisory Committee receives an outline of the audit plan and a report on important audit items from the independent auditor, and the Audit & Supervisory Committee explains its auditing plan to the independent auditor. The Audit & Supervisory Committee periodically receives reports on the results of audits by the independent auditor, and conversely, the independent auditor receives reports on the results of audits by Audit & Supervisory Committee, which strives to keep lines of communication open with the independent auditor by also exchanging information and opinions. When necessary, Audit & Supervisory Committee Members take part in the audits performed by the independent auditor, and may also receive reports from the independent auditor concerning audits when appropriate.

● Independent Auditor Compensation

	(FY)	2015	2016	2017	2018	2019
Compensation based on audit certification services	Millions of yen	226	232	231	238	239
Kawasaki Heavy Industries Ltd.	Millions of yen	180	186	185	190	190
Consolidated subsidiaries	Millions of yen	46	46	46	47	48
Compensation based on non-audit services	Millions of yen	9	9	8	74	306
Kawasaki Heavy Industries Ltd.	Millions of yen	9	9	5	71	303
Consolidated subsidiaries	Millions of yen	0	0	2	2	2

Corporate Officer Compensation

Corporate Officer Compensation Policy

The compensation system for Kawasaki Directors is designed to promote sustained improvement in corporate performance and enterprise value, align the interests of Directors with those of shareholders, secure outstanding human resources, and ensure a level of compensation commensurate with the duties of the individual officer.

Compensation for Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)

Compensation for Directors (excluding Outside Directors and Directors serving as Audit & Supervisory Committee Members) consists of basic compensation, performance-based compensation and stock purchase funds.

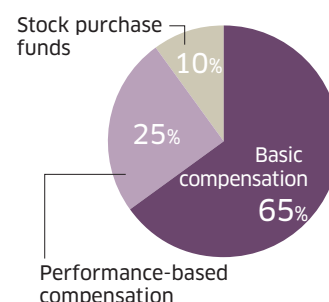
Compensation for Outside Directors (excluding Directors serving as Audit & Supervisory Committee Members) is set at a fixed level not tied to corporate performance to ensure professional independence.

Compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members) is set within the maximum total compensation for Directors (¥800 million per year), as resolved at the 197th Ordinary General Meeting of Shareholders (held on June 25, 2020). After receiving the results of deliberations by the Compensation Advisory Committee, the Representative Director, President and Chief Executive Officer, as delegated by the Board of Directors, decides Director compensation in line with the Company's internal rules. A majority of the members and the presiding officer of the Compensation Advisory Committee are Outside Directors.

● Composition of Director Compensation (Excluding Outside Directors)

Basic compensation	Based on position and responsibilities.
Performance-based compensation	Linked mainly to net income attributable to owners of the parent ("net income"), consolidated ROIC and the ROIC of internal companies.
Stock purchase funds	Each month, a fixed monthly amount is paid to the Directors for contribution to a stock ownership plan for the purpose of aligning Directors' interests with those of shareholders and incentivizing Directors to enhance medium- to long-term enterprise value. This entire amount is contributed to the officers' stock ownership plan in order to purchase shares of the Company on a continuous basis.

Compensation Composition (assuming 8% Before-tax ROIC)



Performance-Based Compensation Indicators

Indicator	Reason for Selection
Net income	Net income, which funds dividends, was selected as an indicator to incentivize Directors to increase shareholder value.
Consolidated ROIC	Consolidated ROIC was selected as an indicator because Kawasaki has made ROIC management a part of its basic management policy and aims to achieve ROIC of 8% or above.
Internal Company ROIC	Internal company ROIC was selected as an indicator because Kawasaki aims to achieve ROIC of 8% or above at each internal company.

Note: The above ROIC figures are before-tax ROIC.

Before-tax ROIC = EBIT (Income before income taxes + interest expense) / Invested capital (Interest-bearing debt + Shareholders' equity)

Compensation of Directors Serving as Audit & Supervisory Committee Members

The compensation of Audit & Supervisory Committee Members is set at a fixed level notified to corporate performance to ensure professional independence. This compensation is determined by the Audit & Supervisory Committee. The total maximum compensation for Audit & Supervisory Committee Members is ¥120 million per year (as resolved at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020).

Activities of the Board of Directors and Compensation Advisory Committee

Policy and systems related to the compensation of Directors (excluding Directors serving as Audit & Supervisory Committee Members) are decided by resolution of the Board of Directors based on the deliberations of the Compensation Advisory Committee. A majority of the members and the presiding officer of the Compensation Advisory Committee are Outside Directors. The Compensation Advisory Committee met six times in fiscal 2019. In addition the matters described above, the committee discussed the form of the corporate officer compensation system going forward.

Fiscal 2019 Compensation Breakdown

	Applicable persons (Persons) ¹		Total	Basic compensation	Performance-based compensation	Stock purchase funds
Total amount of compensation	19	Millions of yen	678	533	85	58
(outside officer)	7	Millions of yen	76	76	–	–
Directors²	13	Millions of yen	570	425	85	58
Directors	10	Millions of yen	530	385	85	58
Outside Directors	3	Millions of yen	39	39	–	–
Audit & Supervisory Board Members ³	6	Millions of yen	108	108	–	–
Audit & Supervisory Board Members	2	Millions of yen	70	70	–	–
Outside Audit & Supervisory Board Members	4	Millions of yen	37	37	–	–

Notes: 1. On June 25 2020, Kawasaki transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

2. Performance-based compensation paid in fiscal 2019 is based on fiscal 2018 performance.

1. The number of officers includes two Directors and one Audit & Supervisory Board Member who retired upon the conclusion of the General Meeting of Shareholders held in June 2019.

2. The maximum amount of compensation of Directors is ¥1,200 million per year (as resolved at the 189th Ordinary General Meeting of Shareholders held on June 27, 2012).

3. The maximum amount of compensation of Audit & Supervisory Board Members is ¥120 million per year (as resolved at the 194th Ordinary General Meeting of Shareholders held on June 28, 2017).

Stock Ownership by Top Management

Rules Regarding Company Stock Ownership by Top Management

A portion of the compensation of Directors (excluding Outside Directors and Directors serving as Audit & Supervisory Committee Members) is to be distributed in fixed amounts as stock purchase funds each month for the purpose of aligning the interests of Directors with those of shareholders and incentivizing Directors to enhance medium- to long-term enterprise value, with the entire amount to be contributed to the officers' stock ownership plan in order to purchase shares of the Company on an ongoing basis.