



Kawasaki

ESG Data Book / 2020

Kawasaki Group Mission Statement

Kawasaki formulated the Kawasaki Group Mission Statement as a compass directing the activities of the Kawasaki Group. The statement incorporates the Group's social mission and, to increase the Kawasaki brand value, shared values, the underlying principles of management activities, and guidelines for the daily conduct of each and every member of the organization.

Group Mission

Kawasaki, working as one for the good of the planet

- 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 Value

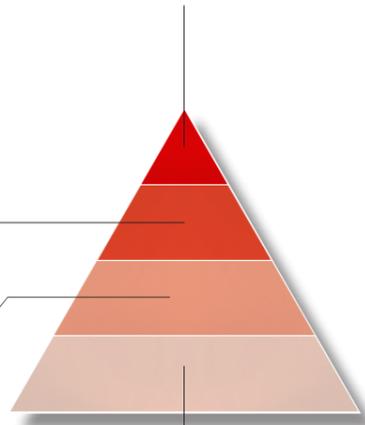
- We respond to our customers' requirements
- We constantly achieve new heights in technology
- We pursue originality and innovation

The Kawasaki Group Management Principles

- 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.
- 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.
- 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.
- 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

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.



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M: Sections marked with this icon include information about the Kawasaki Group's material issues.

Editorial Policy

Purpose of the ESG Data Book

The Kawasaki Group has published the *ESG Data Book* annually since fiscal 2018. The *ESG Data Book* primarily provides disclosure of detailed non-financial information related to the Kawasaki Group's environmental (E), social (S) and governance (G) initiatives. The Kawasaki Group positions the *ESG Data Book* as a tool for providing information and communicating with stakeholders. Note that, while the *ESG Data Book* contains environmental data, more detailed information about the Kawasaki Group's environmental initiatives is available in the *Kawasaki Environmental Report*.

The Kawasaki Group's Information Disclosure



Kawasaki Report
<https://global.kawasaki.com/en/corp/sustainability/report/index.html>

Kawasaki ESG Data Book
<https://global.kawasaki.com/en/corp/sustainability/esgdatabook.html>

Kawasaki Environmental Report
<https://global.kawasaki.com/en/corp/sustainability/environment/report/index.html>

Securities Report and quarterly reports (Japanese language only)
<https://www.khi.co.jp/ir/library/financial.html>

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

Kawasaki Technical Review
<https://global.kawasaki.com/en/corp/rd/magazine/index.html>

Scope of Reports

As a general rule, the reports cover the Kawasaki Group (Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries). Some parts of the reports may cover only Kawasaki Heavy Industries, Ltd. (non-consolidated) or another specific scope, in which case the specific scope of the report is stated explicitly.

Reporting Period

The report primarily includes information on activities carried out during fiscal 2019 (April 1, 2019 to March 31, 2020). It also includes information on past activities and activities carried out on or after April 1, 2020, as well as activities planned for the future.

Third-Party Verification

Third-party verification of greenhouse gas emissions data was provided by SGS Japan Inc.

Within Material Balance of Business Activities: Third-Party Verification
<https://global.kawasaki.com/en/corp/sustainability/environment/accounting.html>

Guidelines Referenced

- Sustainability Reporting Standards, Global Reporting Initiative (GRI)
- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Environmental Reporting Guidelines (2018 Edition), Ministry of the Environment
- UN Guiding Principles Reporting Framework, United Nations
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry

GRI Standards Comparison Table
<https://global.kawasaki.com/en/corp/sustainability/library/gri.html>

Contact Us

Please make inquiries through the inquiry form on our website
<https://global.kawasaki.com/en/corp/profile/contact/https://www.khi.co.jp/corporate/contacts/>

CSR Framework

Basic Policy on CSR

We believe the Kawasaki Group's highest CSR priority is realizing the Group Mission, "Kawasaki, working as one for the good of the planet." Accordingly, we actively identify global social issues and aim to solve them by providing products and services driven by innovation and the pursuit of synergies within the Group. In addition, to earn and maintain the trust of society, we have made it the Kawasaki Group's basic policy on CSR activities to promote constructive dialogue with stakeholders and reinforce initiatives in such areas as ensuring fair business practices, preventing corruption, and promoting consideration of the environment and human rights.

Based on this policy, we have identified material issues that define the scope of our CSR activities, informing Group-wide CSR management. We will continue CSR-related efforts based on stakeholder expectations and demands and thereby reinforce our foundation for value creation.

Medium-term CSR Policy, Targets, and Performance

In fiscal 2017, management defined CSR-related material issues for the Kawasaki Group to address and reviewed the CSR activity framework, positioning material issues related to the creation of social value through business as top priorities to be achieved over the long term and all other material issues as CSR issues that underpin the management foundation. Under the new framework, we have clarified the divisions and individuals responsible for as well as our ideals and key performance indicators for key items related to the creation of social value through business and environmental, societal and governance (ESG) issues. We monitor accomplishments related to these key items every year. We implement a plan-do-check-act (PDCA) cycle while working to enhance our CSR activities.

For details, please refer to [Material Issues](#) (page 8).

CSR Promotion System

The Corporate CSR Committee is charged with deliberating and determining Group-wide CSR policy and material issues concerning CSR and compliance. With the president of Kawasaki 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.

The Corporate CSR Committee meets at least twice a year in principle. In fiscal 2019, it met three times.

CSR Promotion System



Responsible Officers

Chair of Corporate CSR Committee: Yasuhiko Hashimoto, Representative Director, President and Chief Executive Officer
 Katsuya Yamamoto, Representative Director, Vice President and Senior Executive Officer (in charge of CSR)

CSR Education and Awareness Building throughout the Company

Utilizing a variety of tools, such as educational seminars and its Company intranet, the Kawasaki Group carries out education and awareness-building programs related to CSR and compliance for its officers and employees.

CSR and compliance education and awareness building are provided through grade-specific seminars and training for such groups as new employees; newly appointed assistant managers, managerial staff, associate officers and executive officers; persons in charge of overseas businesses; and mid-career hires. In addition, to ensure that all Group employees are fully informed with regard to CSR, we regularly provide CSR- and compliance-related information via our Japanese-language Group newsletter *Kawasaki* and our Group-wide English- and Chinese-language newsletter *Kawasaki On The Move!*

Participation in Third-Party Initiatives and Organizations

Participation in Third-Party Organizations

The following is a list of organizations and advisory institutions in Japan where Kawasaki representatives hold official positions (as of September 1, 2020).

- Shipbuilders' Association of Japan, vice-chairman and chairman of Technical Affairs Committee
- Society of Japanese Aerospace Companies, chairperson
- Japan Aircraft Development Corporation, chairman (representative director) and councilor
- Japan Robot Association, director
- Japan Association of Rolling Stock Industries, chairman and director
- Japan Overseas Railway System Association, chairman and director
- Japan Machinery Federation, general director
- Japan Coal Energy Center, vice-chairperson
- Japan Association for Trade with Russia & NIS, president
- New Industry Research Organization, chairman and president
- Kansai Economic Federation, councilor

Kawasaki representatives also hold membership positions in the Japan Business Federation (Keidanren), Japan Automobile Manufacturers Association and Japan Electrical Manufacturers Association.

Participation in International Initiatives

United Nations Global Compact

Kawasaki has signed the United Nations Global Compact and participated in related activities since January 2020. In addition, we take part in the Global Compact Network Japan, the local network in Japan.

As a signatory company to the United Nations Global Compact, Kawasaki supports the Compact's 10 principles in the four areas of human rights, labor, environment and anti-corruption and is advancing initiatives accordingly.



Task Force on Climate-related Financial Disclosures

In September 2019, Kawasaki officially endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



Going forward, we will strive to communicate our initiatives aimed at realizing a sustainable society to stakeholders while further enhancing disclosure.

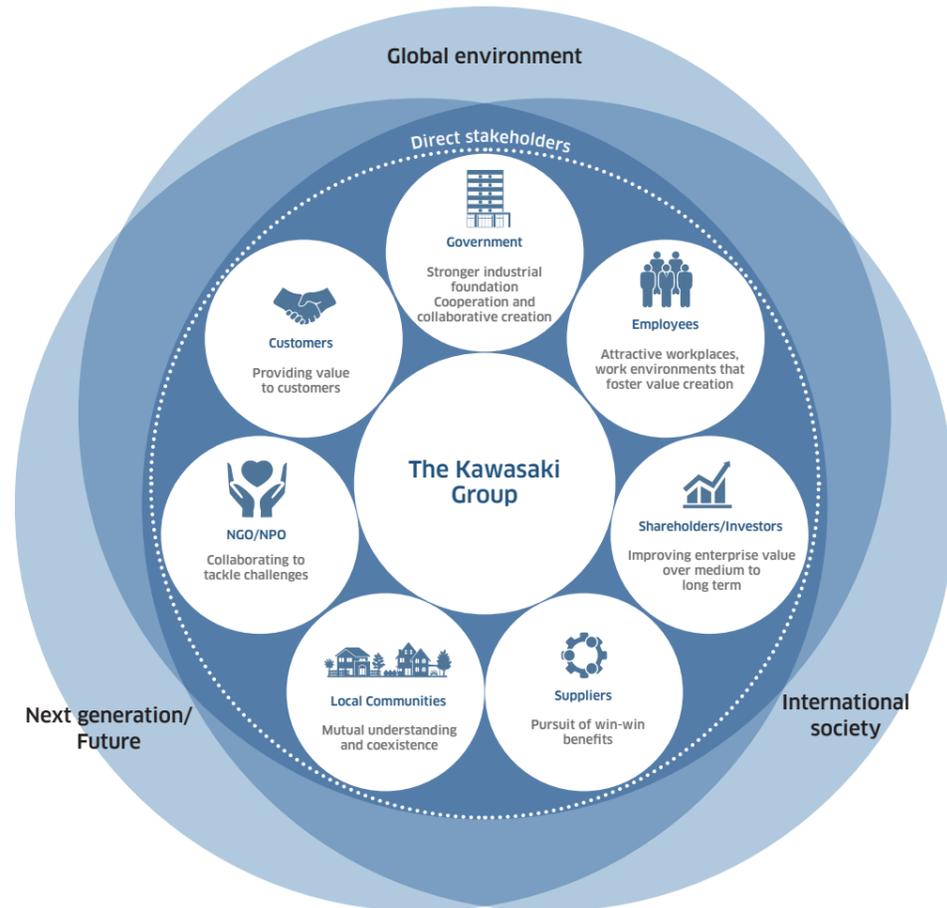
- Participation in International Initiatives**
<https://global.kawasaki.com/en/corp/sustainability/initiatives.html>
- United Nations Global Compact**
<https://www.unglobalcompact.org/>
- The Ten Principles of the UN Global Compact**
<https://www.unglobalcompact.org/what-is-gc/mission/principles>
- Global Compact Network Japan (Japanese language only)**
<https://www.ungcnj.org/>
- Task Force on Climate-related Financial Disclosures**
<https://www.fsb-tcf.org/>

Stakeholder Engagement

State of Stakeholder Engagement

The Kawasaki Group Stakeholders

The Kawasaki Group actively acknowledges the expectations and requests of stakeholders and aims to create social value by meeting those expectations and requests through its business activities while working to raise enterprise value. Through stakeholder dialogue, we strive to enhance information disclosure and deepen communication and thus strengthen bonds of mutual trust.



Communication with Stakeholders

The Kawasaki Group works to gain a good understanding of and make improvements to issues by communicating with stakeholders through a variety of means in its daily business activities. Furthermore, in addition to day-to-day dialogues, we promote communication with experts and international institutions—positioning the views that these individuals and entities offer as representative of society at large—and reflect these exchanges in our activities.

Communication with Customers

Through our day-to-day sales activities, we carry out ongoing communication with our customers regarding their demands and desires. We have also set up customer inquiry contact points for different product types and sales formats, and we conduct annual customer satisfaction surveys.

Through sales companies in and outside Japan, the Motorcycle & Engine Company conducts surveys of customers who have bought new Kawasaki motorcycles regarding their opinions of their vehicles. It has also set up customer contact points to respond to inquiries about products. In the event of a vehicle recall, the relevant information is quickly posted on the company's website.

In addition, to support customers' enjoyment of motorcycling, the Motorcycle & Engine Company operates the motorcycle user social group Motorcycle KAZE, regularly organizes new product announcements and social events, and holds safe riding classes in various regions as part of its contribution to traffic accident reduction efforts.

Expectations and Demands for the Kawasaki Group	Creation of products and services that meet customer expectations and address issues they face; response to customer complaints and inquiries; appropriate disclosure of product and service information
Response to Expectations and Demands	For details, please refer to Customer Relationship Management (page 67).

Communication with Shareholders and Investors

The Kawasaki Group works to ensure fair, timely and appropriate disclosure based on its Disclosure Policy (published on the corporate website) and actively communicates with shareholders and investors through a broad range of IR activities in Japan and overseas.

Furthermore, through proactive communication with shareholders and investors, we aim to foster understanding of the Group's principles, corporate policy, business strategy, and ESG initiatives to secure greater trust.

- Fiscal 2019 Communication Activities
IR meetings with institutional investors: 213
- Participants in Factory Tours for Shareholders
November 2019 (Gifu Works): 126

Expectations and Demands for the Kawasaki Group	Timely and appropriate information disclosure; reflection of shareholder and investor perspectives in management
Response to Expectations and Demands	So that requests received at IR meetings and the General Meeting of Shareholders are reflected in management, we pass them on in the form of feedback to the relevant divisions.

- **Investors**
<https://global.kawasaki.com/en/corp/ir/index.html>
- **Disclosure Policy**
https://global.kawasaki.com/en/corp/ir/policies/disclosure_policy.html

Communication with Suppliers

Kawasaki's purchasing departments communicate with suppliers in the course of day-to-day procurement. In addition, to ensure adequate communications outside of procurement activities, we organize training programs, liaison meetings and other events with suppliers in Japan.

Since fiscal 2016 we have been implementing CSR procurement questionnaire survey of our suppliers in and outside Japan as part of CSR procurement efforts implemented together with our suppliers.

Expectations and Demands for the Kawasaki Group	Solid partnerships with our suppliers based on relationships of mutual trust; enhancement of supply chain risk management and enterprise value through CSR procurement
Response to Expectations and Demands	For details, please refer to Working with Suppliers (page 60).

Communication with Employees

The Kawasaki Group issues the monthly Group newsletter *Kawasaki* in Japanese and the English and Chinese language Group newsletter *Kawasaki On The Move!* to provide information on our corporate activities and performance in an easy to understand format. We also provide a broad range of information and updates via our Company intranet. Furthermore, we hold grade-specific training programs where participants learn about our corporate systems and setup, management policy, business strategy, and other knowledge necessary to complete their duties.

With regard to employee career advancement, we help employees create future career roadmaps through dialogue with their supervisors that are held every six months to provide feedback regarding their performance.

To ensure that employee input is appropriately reflected in how the Company functions, we hold regular talks with the labor union, which represents employees and with which we have signed a labor agreement. In addition, we have set up a suggestion box on the Company intranet through which employees can directly request improvements to operations. We regularly post examples of improvements based on requests received through the suggestion box on the Company intranet for employees to review.

We also conduct periodic employee satisfaction surveys to gauge employee satisfaction and better understand and respond to their needs. In fiscal 2014 and 2018, we conducted employee satisfaction surveys of all employees and temporary staff of the domestic Group. In fiscal 2016, we carried out satisfaction surveys of certain executives and managers at Group companies outside Japan.

Expectations and Demands for the Kawasaki Group	Employee-friendly workplaces; effective use of human resources; appropriate treatment of human resources; promotion of occupational safety and health
Response to Expectations and Demands	For details, please refer to Diversity (page 72), Securing and Retaining Human Resources (page 84), and Occupational Safety and Health (page 91).

Communication with NGOs and NPOs

In addition to disclosing information, we engage in dialogue as needed when being assessed or surveyed by international environmental, social, and governance (ESG) assessment organizations or international non-government organizations (NGOs), such as Transparency International. Based on the results of such assessments and surveys, we work to improve disclosure and revise initiatives.

Furthermore, we work with local non-profit organizations (NPOs) as part of our social contribution activities.

Expectations and Demands for the Kawasaki Group	Incorporation of a broad range of social opinions; contribution to society through not-for-profit activities.
Response to Expectations and Demands	For details, please refer to Social Contribution Activities (page 107), and Third-party Evaluations (page 111).

Communication with Local Communities

Personnel at our business sites and the Head Office communicate with local residents in the course of business operations. In addition to pursuing thorough noise and waste management, we strive to raise awareness among employees to prevent rude or inappropriate behavior and quickly respond to any complaints received from residents.

We also organize events and activities that help maintain and develop local communities, seeking to ensure harmonious coexistence with them.

Expectations and Demands for the Kawasaki Group	Fulfillment of our responsibilities as a corporate citizen; participation in communities
Response to Expectations and Demands	For details, please refer to Social Contribution Activities (page 107).

Communication with the Government

The Kawasaki Group makes policy proposals to the government through its participation in business and industry organizations.

In addition, we communicate with the government through active participation in industry/government/academia projects via open innovation efforts, such as joint research.

Expectations and Demands for the Kawasaki Group	Compliance with laws and regulations; policy proposals; participation in industry/government/academia projects
Response to Expectations and Demands	For more information about open innovation please refer to Research and Development (page 45).

Working with Stakeholders

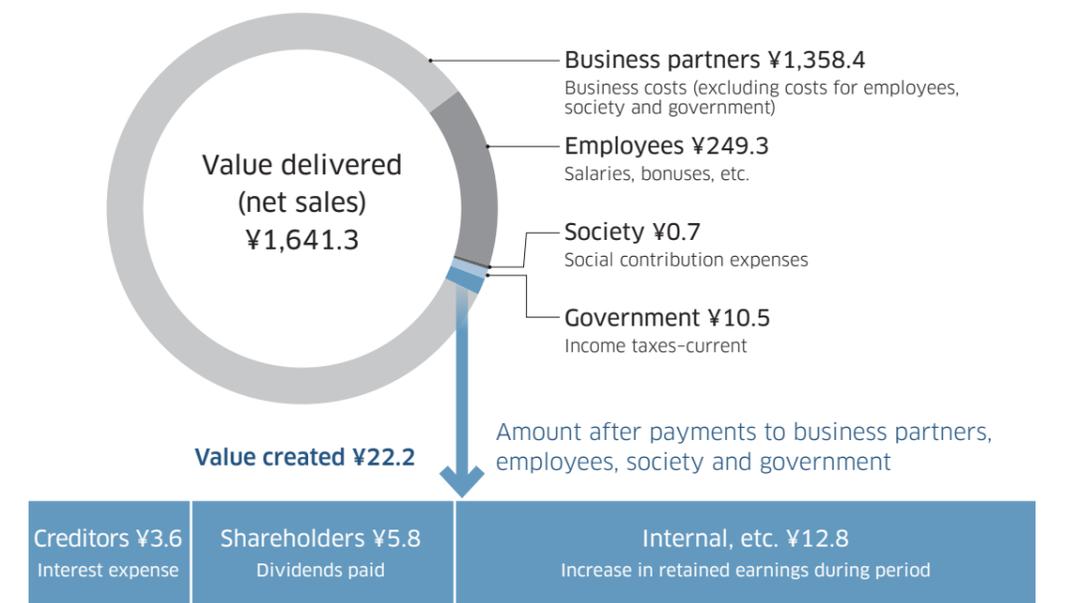
Since 2014, Kawasaki's Fukuoka Office has worked with the Fukuoka City NPO/Volunteer Center 'Asumin,' mainly to hold annual handicraft and experiment courses for children in Fukuoka City. Kawasaki supports the activities of this organization, which promotes citizen-led community building, and is working with it to contribute to the development of young people in the area.

 **Fukuoka City NPO/Volunteer Center 'Asumin' (Japanese language only)**
<https://www.fnvc.jp/>

Creation and Distribution of Value for Stakeholders

(Billions of yen)

Value Created and Distribution of Value to Stakeholders



(Fiscal 2019 figures)

Material Issues M

Material Issues

The Kawasaki Group evaluated the relations between social issues and our business activities, and the importance (impact) to our stakeholders, and identified material issues—that is, materiality. Based on the identified materiality, we defined key CSR issues and the framework of our CSR activities for Business, Governance (G), Environment (E) and Society (S), which we then apply in our CSR management.

Materiality Matrix of Items Identified



Framework of Our CSR Activities

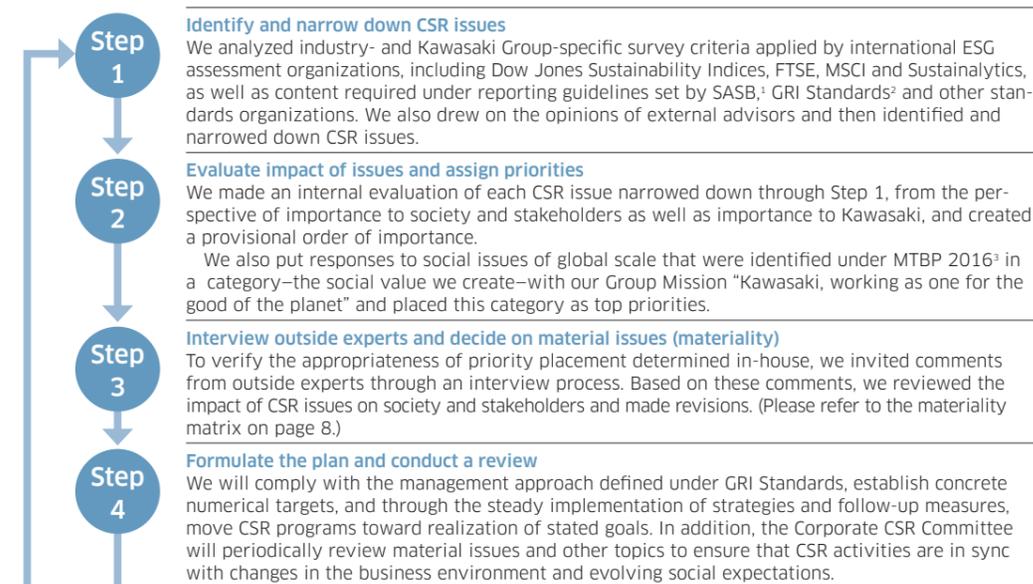
Business	<ul style="list-style-type: none"> ● Providing safe and secure, clean, and comfortable movement of people and goods ● Creating clean energy 	<ul style="list-style-type: none"> ● Improving social infrastructure, especially in emerging countries ● Responding to the needs of an aging society and shortage of labor through automation 	
Governance (G)	<ul style="list-style-type: none"> ● Corporate governance ● Compliance ● Anti-corruption measures ● Product liability/safety 	<ul style="list-style-type: none"> ● Risk management ● Crisis management ● Export control ● Information security 	<ul style="list-style-type: none"> ● Political involvement ● Research and development
Environment (E)	<ul style="list-style-type: none"> ● Low-carbon society (product-based contributions) ● Low-carbon society (business activities) 	<ul style="list-style-type: none"> ● Recycling-oriented society ● Society coexisting with nature 	<ul style="list-style-type: none"> ● Environmental management ● Heightened awareness as an environmentally friendly brand
Society (S)	<ul style="list-style-type: none"> ● Customer relationship management ● Business and human rights ● Supply chain management ● Employee recruitment and retention 	<ul style="list-style-type: none"> ● Health and safety ● Diversity ● Human resource development ● Social contribution activities 	

KPIs for Material Issues

Social value created through our businesses	<ul style="list-style-type: none"> ● Providing safe and secure, clean, and comfortable movement of people and goods ● Creating clean energy ● Improving social infrastructure, especially in emerging countries ● Responding to the needs of an aging society and shortage of labor through automation 	<ul style="list-style-type: none"> Ⓞ Social Value Created through Our Businesses, page 10
Governance	<ul style="list-style-type: none"> ● Product liability/safety ● Corporate governance ● Compliance ● Anti-corruption measures 	<ul style="list-style-type: none"> Ⓞ Product Liability, page 64 Ⓞ Corporate Governance, page 11 Ⓞ Compliance, page 23 Ⓞ Anti-Corruption under Compliance, page 28
Environment	<ul style="list-style-type: none"> ● Low-carbon society 	<ul style="list-style-type: none"> Ⓞ Environmental Management, page 51
Society	<ul style="list-style-type: none"> ● Supply chain management ● Employee recruitment and retention ● Business and human rights 	<ul style="list-style-type: none"> Ⓞ Working with Suppliers, page 60 Ⓞ Securing and Retaining Human Resources, page 84 Ⓞ Business and Human Rights, page 100

Process for Identifying Materiality

Given diversifying stakeholder expectations and requests and a changing business environment, management took a fresh look at Group activities that impact society and then identified material issues—that is, materiality.



Step 1: Identify and narrow down CSR issues

We analyzed industry- and Kawasaki Group-specific survey criteria applied by international ESG assessment organizations, including Dow Jones Sustainability Indices, FTSE, MSCI and Sustainalytics, as well as content required under reporting guidelines set by SASB,¹ GRI Standards² and other standards organizations. We also drew on the opinions of external advisors and then identified and narrowed down CSR issues.

Step 2: Evaluate impact of issues and assign priorities

We made an internal evaluation of each CSR issue narrowed down through Step 1, from the perspective of importance to society and stakeholders as well as importance to Kawasaki, and created a provisional order of importance.

We also put responses to social issues of global scale that were identified under MTBP 2016³ in a category—the social value we create—with our Group Mission “Kawasaki, working as one for the good of the planet” and placed this category as top priorities.

Step 3: Interview outside experts and decide on material issues (materiality)

To verify the appropriateness of priority placement determined in-house, we invited comments from outside experts through an interview process. Based on these comments, we reviewed the impact of CSR issues on society and stakeholders and made revisions. (Please refer to the materiality matrix on page 8.)

Step 4: Formulate the plan and conduct a review

We will comply with the management approach defined under GRI Standards, establish concrete numerical targets, and through the steady implementation of strategies and follow-up measures, move CSR programs toward realization of stated goals. In addition, the Corporate CSR Committee will periodically review material issues and other topics to ensure that CSR activities are in sync with changes in the business environment and evolving social expectations.

1. SASB: Sustainability Accounting Standards Board
 2. GRI Standards: Global Reporting Initiative Standards
 3. MTBP 2016: Kawasaki’s Medium-Term Business Plan 2016

Solving Social Issues through Business

Initiatives to Achieve the SDGs

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs), comprising 17 goals for 2030 related to such issues as reducing and eliminating poverty, inequality and injustice and addressing climate change. The SDGs constitute a specific action plan, requiring the partnership of corporations, governments and communities around the world, to achieve the well-being of humanity and the planet. Companies are asked to contribute by helping solve social issues throughout their business activities.

We believe the Kawasaki Group Mission—“Kawasaki, working as one for the good of the planet”—is extremely compatible with the SDGs. Furthermore, we believe that our efforts to provide solutions to social issues through our business activities will contribute significantly to the achievement of the SDGs.

In fiscal 2017, in the process of identifying material issues, the Kawasaki Group clarified the social issues that it is called to address and designated maximizing four ways of creating social value through its businesses as its greatest priorities over the long term. These are providing safe and secure, clean comfortable movement of people and goods by land, sea and air; creating clean energy; improving social infrastructure, especially in emerging countries; and responding to the needs of an aging society and shortage of labor through automation. We determined how we would contribute to the successful attainment of the SDGs through careful internal examination of the relationships between the social value we create and the 17 goals and 169 targets of the universal agenda laid out by the SDGs as well as through discussion within the Corporate CSR Committee and the Management Committee, which are both chaired by the president. We set non-financial targets to achieve by 2030 for each type of created social value, and will regularly disclose the status of progress toward these targets.

Kawasaki’s Approach to the SDGs
<https://global.kawasaki.com/en/corp/sustainability/overview/sdgs.html>

Social Value Created through Our Businesses
<https://global.kawasaki.com/en/corp/sustainability/solving/index.html>

Social Value Created through Our Businesses **M**

Social Value	Division	2030 Target/KPI	Fiscal 2019 Results	Relevant SDGs
Providing safe and secure, clean, comfortable movement of people and goods by land, sea, and air	Ship & Offshore Structure Company	<ul style="list-style-type: none"> LNG-fueled ships/large hydrogen-fueled liquefied hydrogen carriers built annually: 1 Orders received for fuel gas supply systems annually: Multiple 	<ul style="list-style-type: none"> December 2019: Developed LNG dual-fuel system for medium-sized tankers and for a tanker built by another company using this system received approval in principle (AiP) December 2019: Launched a small liquefied hydrogen carrier March 2020: Installed a liquefied hydrogen storage tank for marine transport on the small liquefied hydrogen carrier 	
	Rolling Stock Company	<ul style="list-style-type: none"> Rolling stock units delivered: 1,000 Improve efficiency and reduce need for specialized skills in maintenance, maintain and improve safe, reliable transport, and contribute to the enhancement of services and added value provided by railway operators 	<ul style="list-style-type: none"> Rolling stock units delivered: 528 Conducted tests with railway companies aimed at launching sales of components that leverage sensing and image analysis technologies Developed products and services aimed at expanding into peripheral rolling stock businesses, including maintenance 	
	Aerospace Systems Company	<ul style="list-style-type: none"> Provide environmentally friendly aircraft, helicopters and engines to the market and expand the scope of participation in the development of these products 	<ul style="list-style-type: none"> Components for Boeing 787: 167 units sold Sales of BK117 units: One finished unit and 83 components Produced components for Trent 1000, Trent XWB and PW1100G-JM low fuel consumption engines 	
	Motorcycle & Engine Company	<ul style="list-style-type: none"> Provide motorcycles with advanced rider-support features, such as Cooperative Intelligent Transport Systems (C-ITS), as well as motorcycles powered by clean energy, including electric motorcycles and hybrid motorcycles 	<ul style="list-style-type: none"> Implemented smartphone connectivity for the Ninja 1000SX, Z900, Ninja 650, and Z650 in 2020, expanding the lineup of models with this feature to seven. "RIDEOLGY THE APP," an official smartphone application, enables users to set their riding mode and confirm the status of their motorcycle using their smartphone, thereby improving riding comfort and convenience. Achieved an average increase in WMTC* fuel economy of 1.4% across the seven models that began production in fiscal 2019 (the Z H2, Ninja 1000SX, Z900, W800, Ninja 650 and Z650, and KLX230) Launched the Z H2 with a super-charged engine for large motorcycles achieving high power and high fuel economy <p>* WMTC: Worldwide-harmonized Motorcycle Test Cycle</p>	
Creating clean energy	Corporate Technology Division	<ul style="list-style-type: none"> CO₂ reduction through use of hydrogen energy: 3 million tons Hydrogen transport volume: 225,000 tons per year 	<ul style="list-style-type: none"> Launched a small liquefied hydrogen carrier, built a liquefied hydrogen receiving terminal in Kobe, and built liquefaction and loading facilities in Australia, aiming to implement supply chain demonstration Began demonstration testing aimed at increasing the efficiency and convenience of heat and power supply from the mixed combustion of natural gas and the combustion of pure hydrogen in urban areas of Kobe 	
Improving social infrastructure, especially in emerging countries	Energy System & Plant Engineering Company	<ul style="list-style-type: none"> Expand share of distributed power generation market with the industry's most efficient, environmentally friendly devices Constantly provide highly efficient, energy-saving, clean energy power generation facilities and devices, infrastructure-related facilities, and environment-related facilities 	<ul style="list-style-type: none"> Deliveries of standard power generation facilities to overseas customers: 14 units Deliveries of gas-to-gasoline (GTG) plants: 1 unit 	
	Precision Machinery Business Division	<ul style="list-style-type: none"> Hydraulic machinery production and delivery volume: 1.4 million units 	<ul style="list-style-type: none"> Hydraulic machinery production and delivery volume: 700,000 units 	
Responding to needs of an aging society and shortage of labor through automation	Robot Business Division	<ul style="list-style-type: none"> Robots delivered: 100,000 	<ul style="list-style-type: none"> Robots delivered: 20,000 	

Corporate Governance **M**
Management Approach

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.



Kawasaki's Approach to the SDGs

<https://global.kawasaki.com/en/corp/sustainability/overview/sdgs.html>

Social Value Created through Our Businesses

<https://global.kawasaki.com/en/corp/sustainability/solving/index.html>

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.

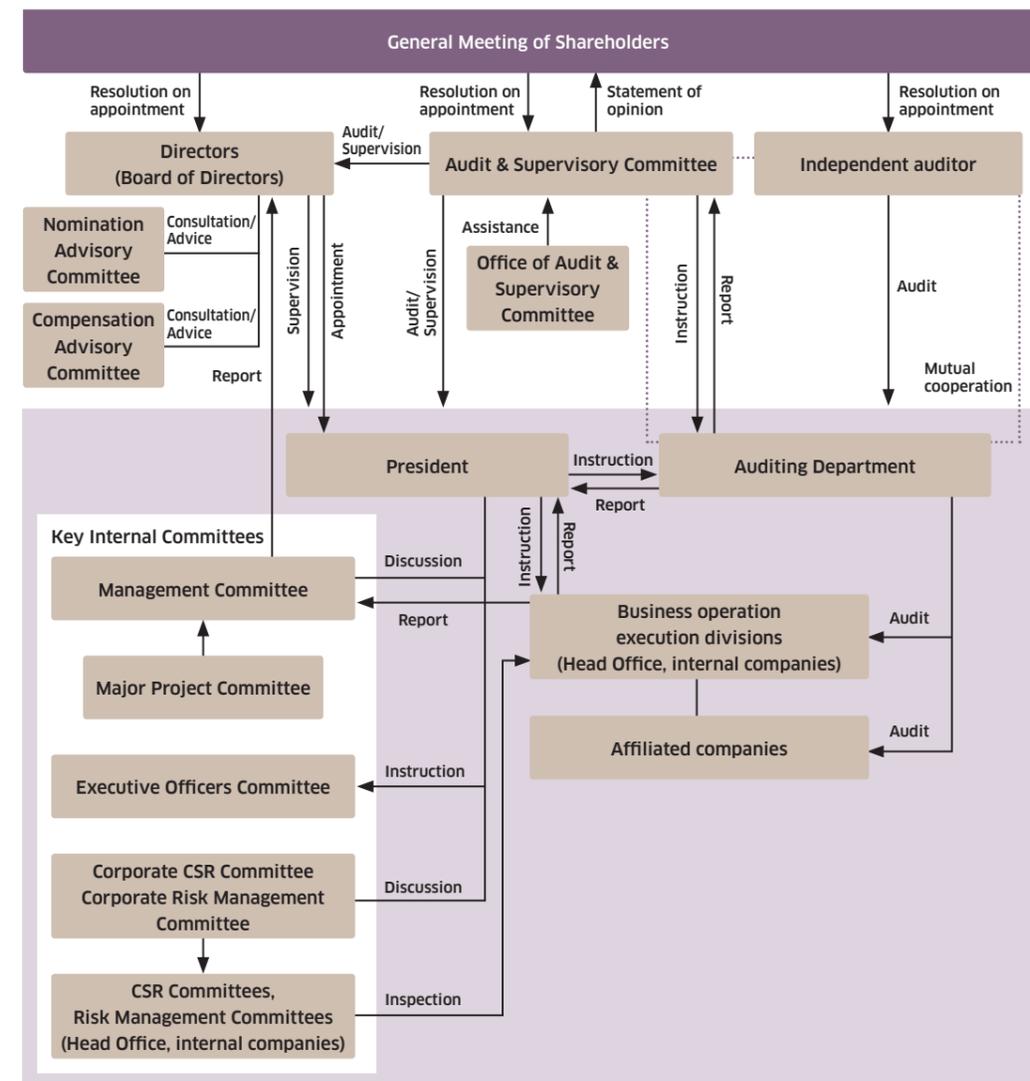
● **Business Execution Framework**

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)



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

Corporate Officers¹

	Name (Age)	Position	Executive	Outside	Independent	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.

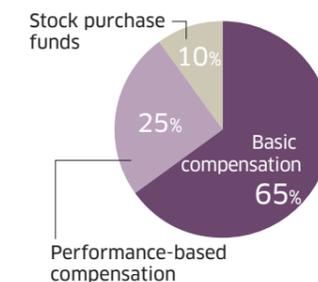
Compensation for Outside Directors (excluding Directors serving as Audit & Supervisory Committee Members) is set at a fixed level not tied to corporate performance to ensure professional independence.

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 (outside officer)	19	Millions of yen	678	533	85	58
	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.

3. 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.

4. 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).

5. 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.

Compliance M

Management Approach

Material Issues and Our Approach

The Kawasaki Group Management Principles, part of the Kawasaki Group Mission Statement, extol the corporate virtue of recognizing social responsibility and coexisting harmoniously with the environment, society as a whole, local communities and individuals, and in the Kawasaki Group Action Guidelines, we ask each and every member of the Group to “earn the trust of the community through high ethical standards and the example you set for others.”

We have established the Kawasaki Group Code of Conduct and set ethical standards to be the basis of decisions.

In accordance with the Code, the Kawasaki Group is committed to further strengthening its corporate culture of not tolerating compliance violations.

Furthermore, because a large portion of our business comes from the sale of made-to-order products for such customers as national governments, municipalities, government ministries and publicly run corporations, we put great emphasis on preventing corruption and maintaining fair business practices.

Focus Activities and Medium-term Targets

Our aim is to establish a state where the risks of compliance violations are checked as accurately as possible, and where comprehensive and effective compliance structures for addressing applicable risks have been put in place, are implemented on an ongoing basis and are regularly updated.

Furthermore, we aim to establish a state where all officers and employees have an in-depth understanding of the corruption issue and the need for its prevention. A sufficiently effective structure for keeping the Group from becoming involved in corruption in its business activities has also been established and is being updated regularly.

● Goals for the MTBP 2019

- Zero serious violations and incidents.
- Expand the use of internal reporting systems at overseas subsidiaries.
- Carry out employee compliance awareness survey (in and outside Japan).
- Carry out e-learning on the Code of Conduct (in and outside Japan).

Progress, Results and Challenges

● Goals for Fiscal 2019

- Zero serious violations and incidents.
- Begin operating internal reporting systems at overseas subsidiaries.
- Distribute Code of Conduct booklets (second version) and hold awareness-building activities in workplaces.
- Hold compliance liaison meetings at overseas sites.

● Fiscal 2019 Results

- Zero serious violations and incidents
- Advanced preparations for operating internal reporting systems at overseas subsidiaries
- Distributed Code of Conduct booklets (second version) in Japan and overseas in local languages
- Held awareness-building activities on the Code of Conduct in workplaces (in Japan)
- Held compliance liaison meetings at overseas sites

● Goals for Fiscal 2020

- Zero serious violations and incidents.
- Begin operating internal reporting systems at overseas subsidiaries.
- Amend the *Compliance Guidebook*.
- Hold awareness-building activities on the Code of Conduct in workplaces (in Japan and overseas).
- Hold compliance liaison meetings at overseas sites.
- Implement the employee compliance awareness survey (parent company).

KPI

● Frequency of Serious Compliance Violations per Year

- Target: Zero serious compliance violations
- Progress

	(FY)	2015	2016	2017	2018	2019
Number of cases	0	0	0	0	0	0

Compliance Policy

In July 2017, we established the Kawasaki Group Code of Conduct as a set of ethical standards to guide the decision making of Kawasaki Group officers and employees. The code was amended in January 2019, and a second version was established in April.

In the statement by the president at the beginning of the Code, he implores all Group officers and employees to work as one and uphold the Code, stating, “the Kawasaki Group Code of Conduct shall serve to help all Group officers and employees in each country and region come together in unity, with a deep awareness that the Code will serve as the foundation for ensuring the highest standards of conduct in our business activities at all times and that we shall maintain steadfast compliance, engage in dialogue with stakeholders and adhere to the Code in making decisions and taking action, even in difficult circumstances.”

● Scope of Policy Application

All Kawasaki Group officers and employees

 **The Kawasaki Group Code of Conduct**
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

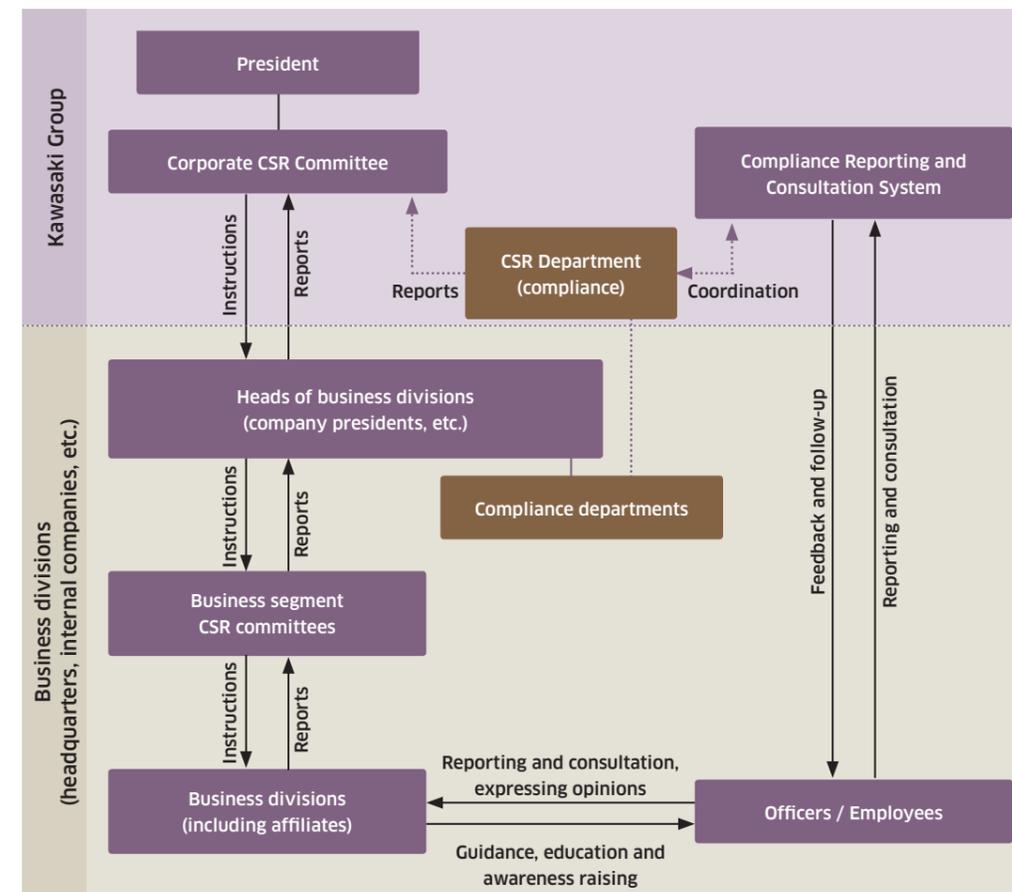
Structure

The Corporate CSR Committee is chaired by the Kawasaki president. The committee meets at least twice a year (three meetings in fiscal 2019). Its functions are to discuss and determine measures to ensure that the Kawasaki Group fulfills its corporate social responsibilities and maintains thorough compliance, and to monitor compliance efforts. To ensure that the objectives of the Corporate CSR Committee extend to all corporate structures, business segment CSR committee meetings are held at the Head Office, internal companies and business divisions at least twice a year to promote compliance throughout the Group.

Because of the diversity of the Group’s businesses, some of the compliance activities required in the business divisions are specific to their respective forms of business and may vary from those of other divisions. At the same time, many measures are best implemented across the entire Company in a unified manner.

For this reason, the Kawasaki Group formulates annual Group-wide compliance activity plans that, following the approval of the Corporate CSR Committee, it carries out. In addition, the internal companies and business divisions each formulate annual activity themes that they use to carry out compliance-related initiatives.

Compliance Promotion Structure



● Responsible Officer

Chair of Corporate CSR Committee: Yasuhiko Hashimoto, Representative Director, President and Chief Executive Officer

● Responsible Executive Organ and/or Committee

The Corporate CSR Committee is the executive organ responsible for compliance. With the president of Kawasaki 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.

● Audits and Third-Party Certification of the Compliance System by Third Parties

The state of compliance is audited by Audit & Supervisory Committee Members and independent auditors.

Compliance M
Performance Data

State of Affairs Regarding Compliance

Efforts to Promote Compliance

● President's Declaration of Compliance

Soon after taking office, each of our presidents announces the Presidents Declaration of Compliance to Group employees.

● Declaration to Observe Laws and Regulations

Each officer and managerial staff of the Company, at his or her appointment, is required to prepare and submit to the Company a completely handwritten Declaration to Observe Laws and Regulations to reconfirm the awareness that he or she will never commit a violation and will cause other employees to ensure compliance. This Declaration includes the representation that they understand that they may be subject to a penalty or punishment if they commit a violation.

● Compliance Guidebook

The *Compliance Guidebook* provides information that is necessary and useful for ensuring thorough compliance within the Company in an easy-to-understand way. The guidebook is distributed to all officers, employees and temporary staff at all Group companies in Japan. The *Compliance Guidebook* outlines the Group's compliance system and activities as well as the Compliance Reporting and Consultation System, which serves as the Group's internal whistle-blower system. The guidebook uses illustrations to present easy-to-understand examples of important compliance-related matters. It is divided into 20 sub-sections within six sections: "Securing the Trust of Customers and Business Partners," "Matters to Be Observed as a Corporate Citizen," "Data Protection," "Handling Financial Transactions," "The Workplace" and "Responsibilities of Managers." The guidebook also contains an index of the corresponding sections of the Kawasaki Group Code of Conduct and serves as a text for increasing compliance awareness. The *Compliance Guidebook* is used in internal compliance training and educational activities. Since the first edition was issued in 2003, its content has been constantly updated in light of evolving compliance requirements around the world.

 The President's Statement on Compliance
https://global.kawasaki.com/en/corp/sustainability/bcg_eng_202008.pdf

● Kawasaki Group Code of Conduct

In fiscal 2019, we revised the Kawasaki Group Code of Conduct and took steps to ensure awareness of the Code and increase compliance awareness. Specifically, we held group readings and discussions of the Code within departments for domestic Group employees and temporary staff. During the period of these activities, 97.3% of targeted employees took part.

Employee Awareness Surveys

The Kawasaki Group implements periodic employee awareness surveys to monitor internal compliance violation risks. Surveys aimed at measuring compliance awareness among employees were implemented in fiscal 2011, 2014 and 2018. Survey results are analyzed and reflected in subsequent initiatives.

In fiscal 2016, we carried out compliance awareness surveys of certain executives and managers at Group companies outside Japan and made the results available to employees, including those in Japan. These results will also be reflected in subsequent initiatives.

● Compliance Awareness Survey Results (consolidated domestic)

	(FY)	2015	2016	2017	2018	2019
Survey response rate	%	-	-	-	93.8	-
The percentage of respondents who replied that their company was being managed in a compliant manner	%	-	-	-	78.6	-

Whistle-Blowing System and Consultation Points

Kawasaki and Domestic Consolidated Subsidiaries

We have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact, so that officers and employees (including contract employees and temporary staff) of the Company and domestic consolidated subsidiaries can report or seek consultation regarding suspected violations of compliance practices relating to their operations. The system has been easier to use since October 2019, when the capability to accept anonymous reports and consultations was added with the aim of fostering a corporate culture and mechanisms that effectively self-correct.

Under the Compliance Reporting and Consultation System, employees report to or consult with an outside lawyer directly. For anonymous reports, as the lawyer cannot follow up with the individual, responses are determined based solely on the content of the reports themselves. The lawyer investigates to determine whether or not there is in fact a compliance problem, and if a problem is found, advises the Company on how to remedy it. During investigations based on reports that are not made anonymously, the employee's name is not disclosed to the Company without his or her permission.

The lawyer contacts the person who made the report or sought consultation directly to explain the results of the investigation. For anonymous reports, summaries of the reported issues and progress in addressing them are posted on the Company intranet.

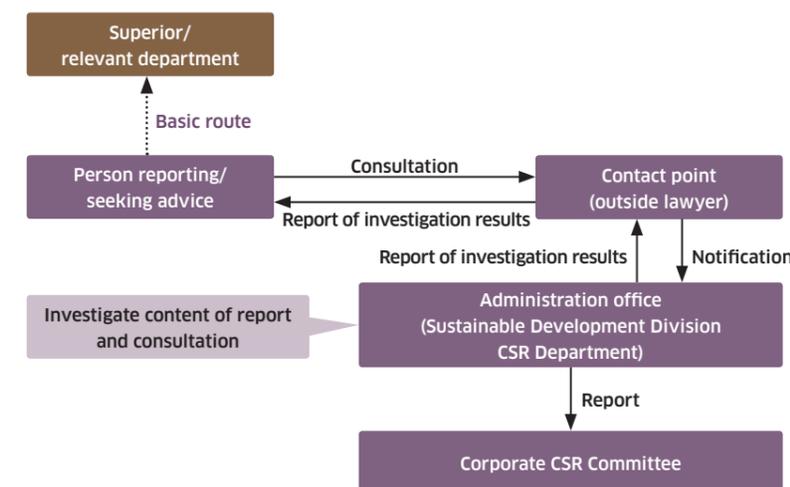
The Group works to ensure that employees know how to use this system by providing information on it via such means as the Company intranet, leaflet inserts in Kawasaki Group Code of Conduct pamphlets, Compliance guidebooks and Group newsletters.

To enhance the efficacy and reliability of this system, we revise it as needed, working to make it easier for employees to use.

Overseas Consolidated Subsidiaries

Beginning in 2020, we are advancing preparations to introduce a Global Internal Reporting System for some overseas consolidated subsidiaries. Under the Global Internal Reporting System, external law firms and internal administrative offices will function jointly as contact points, accepting both anonymous and non-anonymous reports.

Compliance Reporting and Consultation System Flow Chart (domestic)



● Number of Reports or Consultations (Domestic Kawasaki Group)

	(FY)	2015	2016	2017	2018	2019
Number of reports or consultations*		19	20	27	29	47
Abuse of authority		8	5	7	13	12
Labor issues		6	4	10	5	14
Financial fraud		–	2	1	4	–
Sexual harassment		1	2	3	1	1
Threats and harassment		–	–	1	3	–
Bribery and corruption		–	–	–	–	–
Others		4	7	5	3	20

* The numbers of cases listed above refer to reports and consultations received, not those identified as actual compliance violations.

Handling Reports Made outside the Whistle-Blowing System

When reports are delivered in writing, by email or by other means to persons or offices other than the Compliance Reporting and Consultation System contact points, if a compliance violation is suspected, the matter is investigated and corrective measures taken as needed.

Number of Compliance Violations, Details of Violations and Actions Taken

Over the most recent five years, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

Anti-Corruption 

To prevent corruption, the Kawasaki Group maintains compliance systems, conducts business activities in line with related policies and provides education for employees.

In fiscal 2019, the Corporate CSR Committee invited an outside attorney as a guest speaker to give a lecture to corporate officers about the nature of the compliance required of global companies, with a focus on anti-corruption. The chairman of the committee (the President), as well as all the Directors and internal company presidents, attended this lecture, engaging in a question and answer session with the lecturer and deepening their understanding of the compliance risks faced by global companies and the challenges associated with addressing such risks.

Bribery Prevention

Bribery Prevention Policy

The Kawasaki Group Code of Conduct defines “Actions to Be Taken by Individuals” to ensure that each individual officer and employee acts correctly to prevent bribery.

Taking an even tougher stand against bribery, we established the Bribery Prevention Regulations in August 2013, the basic policy of which states that the Kawasaki Group will uphold laws in the execution of business activities and that bribes to public officials in Japan or overseas will not be tolerated. In May 2020, to further reinforce anti-bribery initiatives, we revised our internal regulations as follows.

● Newly Established Rules on Entertainment and Gifts to Public Officials in Japan

In line with Japan’s laws and regulations concerning public official ethics (including the National Public Service Ethics Act and the National Public Service Ethics Code), these rules establish application procedures, approval guidelines, and record keeping for entertainment and gifts.

● Newly Established Rules on Preventing Bribery of Foreign Public Officials

These rules establish check list items for the application procedures for entertainment, gifts and other expenses, the approval guidelines and the record keeping as well as for the selection and maintenance of intermediaries, such as retail outlets and consultants.

In fiscal 2020, we established and published the Kawasaki Group Anti-Bribery Policy, which lays out the Group’s systems and initiatives to prevent bribery.

● Scope of Policy Application

All Kawasaki Group officers and employees

 **The Kawasaki Group Code of Conduct**
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

The Kawasaki Group Anti-Bribery Policy
<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/anti-bribery.pdf>

Focus Activities and Medium-term Targets

● Goals for the MTBP 2019

- Zero bribery violations.
- Revise internal rules on entertainment and gifts (Group-wide reinforcement).
- Implement ongoing overseas bribery prevention training (group training and e-learning).

Progress, Results and Challenges

● Goals for Fiscal 2019

- Zero bribery violations.
- Revise internal rules on entertainment and gifts.
- Implement overseas bribery prevention training (group training and e-learning).

● Fiscal 2019 Results

- Zero bribery violations.
- Advanced considerations of proposed revisions to internal rules on entertainment and gifts.
- Implemented overseas bribery prevention training (group training for 178 participants and e-learning for 303 employees stationed overseas).

● Goals for Fiscal 2020

- Zero bribery violations.
- Establish internal rules on entertainment and gifts as internal regulations at the Head Office and domestic subsidiaries.
- Implement overseas bribery prevention training (group training and e-learning).

Anti-Bribery Training for Employees

We provide overseas bribery prevention training for employees involved in overseas businesses every year in Japan. In fiscal 2019, 178 employees took part in overseas bribery prevention training, and 303 took part in e-learning for employees stationed overseas. We conduct surveys of participants in this training and e-learning to gauge their understanding of the material. Furthermore, compliance training with a focus on bribery prevention is included in training programs for employees in charge of overseas businesses.

Number of Anti-Bribery Violations, Details of Violations, and Actions Taken

Over the most recent five years, there have been no cases of bribery that were subject to administrative disciplinary action or sanction.

Expenditures to External Organizations

Political Contributions

	(FY)	2015	2016	2017	2018	2019
Total political contributions	Millions of yen	3.0	3.0	3.0	3.0	3.0

Expenditures to Industry Organizations

	(FY)	2015	2016	2017	2018	2019
Total expenditures to industry organizations	Millions of yen	50	50	50	50	50

Other Expenditures for Donations, Support Funding, etc.

	(FY)	2015	2016	2017	2018	2019
Total expenditures for donation support funding, etc.	Millions of yen	211	255	208	173	145

Compliance with Antimonopoly (Competition) Laws

Policy Regarding Compliance with the Antimonopoly Act

The Kawasaki Group is focusing efforts on compliance with the Antimonopoly Act. Since 2006, the Board of Directors has adopted a resolution to comply with the Antimonopoly Act and strive to maintain and improve the Company's enterprise value in society at the first Board of Directors meeting held immediately following each year's general meeting of shareholders. The Kawasaki Group Code of Conduct also states that the Group will not obstruct free and fair competition and will work to maintain a healthy market.

● Scope of Policy Application

All Kawasaki Group officers and employees



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

Employee Training on Compliance with Antimonopoly (Competition) Laws

The Company publishes a variety of guidebooks on the Antimonopoly Act for employees to ensure a broader awareness of situations at the Kawasaki Group that could become problematic and conducts regular training on the Antimonopoly Act. In fiscal 2019, 85 employees took part in Antimonopoly Act compliance training. Furthermore, regarding overseas antimonopoly (competition) laws, in addition to overseas bribery prevention training, we carry out overseas antimonopoly (competition) law training, which 178 employees took part in fiscal 2019.

Number of Violations Relating to the Antimonopoly Act, Details of Violations, and Actions Taken

Since 2010, there have been no serious violations that were subject to administrative disciplinary action by the Fair Trade Commission. Since 2006, there have been no serious violations that were subject to criminal penalties.

Tax Compliance

Tax Policy

The Kawasaki Group has established the Kawasaki Group Policy on Tax Affairs and works to promote awareness of the policy internally as part of efforts to manage tax risk related to business globalization.

● Scope of Policy Application

The Kawasaki Group



Kawasaki Group Policy on Tax Affairs

<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/tax.pdf>

Export Control

Export Control Policy

In fiscal 2020, we established and published the Kawasaki Group Policy on Export Control, laying out basic principles of conduct regarding export control.

The Kawasaki Group recognizes that compliance with laws and regulations on export control is an integral part of its corporate social responsibilities (CSR) and essential to maintaining peace and security in the international community and supporting humanity's harmonious coexistence with the global environment. In line with this recognition, the Group shall establish and maintain a strict export control system and implement appropriate security trade control so as to ensure that its products and services are not provided for transactions aimed at such purposes as the development of weapons of mass destruction or the excessive accumulation of conventional arms.

To ensure legal compliance, we carry out export control with consideration given not only to Japan's Foreign Exchange and Foreign Trade Act, but, because our businesses have significant ties with the United States, also to U.S. reexport regulations and economic sanctions. By doing so, we work to reduce the risks of violations of these laws and of government sanctions.



Kawasaki Group Policy on Export Control

<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/export.pdf>

Focus Activities and Medium-term Targets

● Goal for the MTBP 2019

Consider implementing export management systems aimed at improving the quality of classification,* making transaction screening more efficient, and better maintaining export control information and making it more accessible.

* Classification refers to the process of determining or confirming whether a particular cargo or technology is a specified important cargo requiring export approval.

Progress, Results and Challenges

● Goals for Fiscal 2019

● Zero serious legal violations.

● Provide training:

Executive training, Group-wide training, level-specific education (newly appointed managerial staff and assistant managers), practical training (key departments, key departments of internal companies, staff), training for employees working in overseas businesses and e-learning for managerial staff and others

● Fiscal 2019 Results

● Zero serious legal violations.

● Provided training:

Executive training (on August 6), Group-wide training (500 participants), level-specific education (newly appointed managerial staff and assistant managers; 553 participants), practical training (601 participants, including those at internal companies), training for employees working in overseas businesses (16 participants), e-learning (6,030 participants), and support for obtaining CISTEC certification (83 successfully certificated)

● Goals for Fiscal 2020

● Zero serious legal violations.

● Provide training:

Executive training, Group-wide training, level-specific education (newly appointed managerial staff and assistant managers), practical training (key departments, key departments of internal companies, staff), training for employees working in overseas businesses, and e-learning

Structure

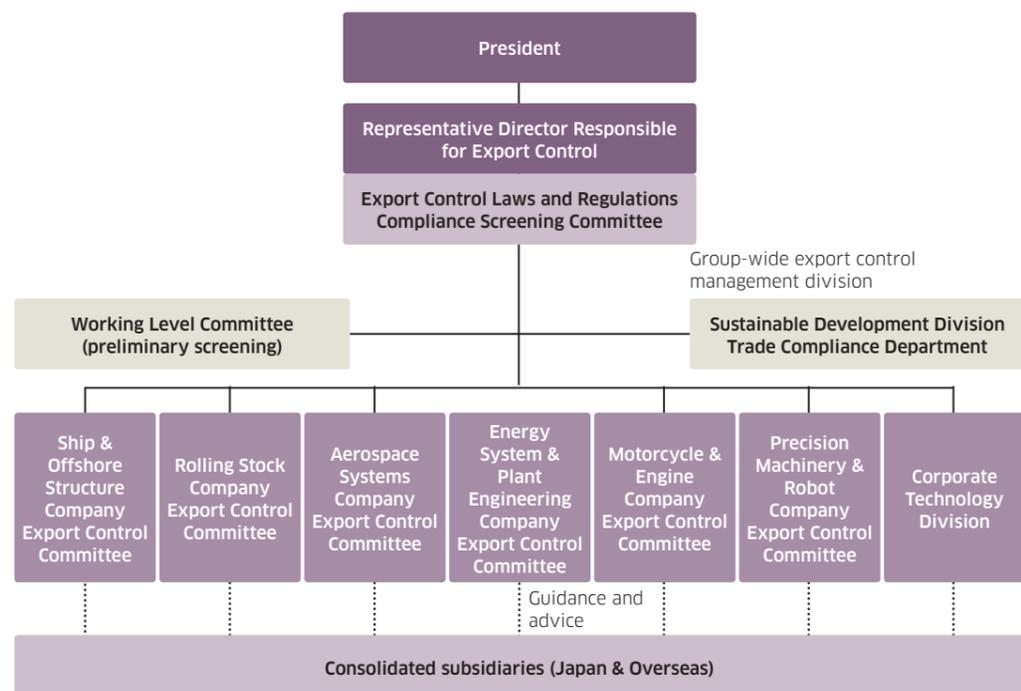
To ensure Group-wide compliance with export control laws and regulations, we have formulated a set of corporate export control regulations for goods and technologies relevant to security maintenance and have put in place an export control system in which a Representative Director acts as Chief Export Control Officer.

As a first measure, we set up the Export Control Laws and Regulations Compliance Screening Committee ("Screening Committee"), chaired by the Chief Export Control Officer, at the Head Office. The Screening Committee undertakes the final assessment of export transactions across the Group to confirm compliance with export control laws and regulations and provides guidance and supervision regarding the export control systems of the internal companies and business divisions. In addition, the Trade Compliance Department was set up within the Head Office Sustainable Development Division to provide secretariat services to the Screening Committee and to coordinate export control at the Group-wide level. In addition, we have established the Working Level Committee, comprising the departments responsible for export control of the internal companies and business divisions, under the control of the Screening Committee. The Working Level Committee undertakes preliminary screening ahead of final assessments by the Screening Committee, discusses matters delegated to it by the Screening Committee, reports to the Screening Committee and undertakes the horizontal rollout of export control-related information.

Next, each internal company and business division operates an export control committee that screens all the export transactions of the company or division and refers the screening results to the Screening Committee for discussion.

Furthermore, to promote legal compliance, we have set up export control systems at consolidated subsidiaries in and outside Japan that engage in exporting through their respective overseeing internal companies or business divisions.

Export Control Structure



- **Responsible Officer**
Sukeyuki Namiki, Representative Director, Vice President and Senior Executive Officer
- **Responsible Executive Organ and/or Committee**
The Export Control Laws and Regulations Compliance Screening Committee undertakes the final assessment of export management matters across the Group. The Export Control Laws and Regulations Compliance Screening Committee meets once a month, in principle.

Export Control Training and Guidance

We provide export control training tailored to different personnel and objectives for the entire Group, including consolidated subsidiaries. To build awareness of export control compliance, we organize Group-Wide Export Control Training Meetings each year at the Akashi Works and other Group locations, with external lecturers invited from the Center for Information on Security Trade Control (CISTEC). In addition, to enhance the coverage and efficiency of export control, we began using e-learning in this area in fiscal 2018. In fiscal 2019, 6,030 employees took part in such e-learning. Concurrently, each internal company and business division offers export control training as part of its grade-specific training to impart the knowledge required by managers and other personnel to execute their operations. Furthermore, practical training on classification and transaction screening is provided for export control administrators and persons in charge of export control at each internal company and business division.

With regard to export control audits, the Auditing Department and the Trade Compliance Department work together to perform individual audits of and provide guidance to all the internal companies, business divisions and major consolidated subsidiaries in Japan once a year.

Moreover, overseas consolidated subsidiaries are subject to an annual questionnaire-based survey of their export control systems, export records and related matters. Based on the survey results, the Trade Compliance Department works with the relevant internal company or business division to provide appropriate guidance and support on export control.

Other Important Compliance Risks

Prevention of Insider Trading

For the purpose of preventing insider trading, Kawasaki has established company regulations titled the Insider Trading Control Rules that it uses to implement and regulate related actions. In addition, to further ensure the prevention of insider trading, the Company established a new system in fiscal 2013 that obligates Company officers and employees who intend to trade Company shares to notify the Company by a prescribed date (the Treasury Stock Trading Prior Notification System). Also, the Kawasaki Group Code of Conduct forbids insider trading.

● **Number of Violations, Details of Violations and Actions Taken**

Since 1989, when the amended Securities and Exchange Act which regulates insider trading was enacted, there have been no serious violations by the Group or Group employees that were subject to penalties or administrative monetary penalties.

The Kawasaki Group Code of Conduct
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

Elimination of Antisocial Forces

The Company resolutely rejects inappropriate requests from antisocial forces and undertakes various measures to break off any relationship with such forces.

Specifically, in addition to what is described in the Kawasaki Group Code of Conduct and the *Compliance Guidebook*, we publish the Manual of Responses to Antisocial Forces and strive to promote awareness and full compliance with established internal practices and systems as well as with prescribed procedures of response. In addition, we have established a unit at the Head Office to supervise responses associated with the elimination of antisocial forces. This unit works closely with the police and other external specialist organizations to establish an internal structure to systematically deal with inappropriate requests from antisocial forces.

● **Number of Violations, Details of Violations and Actions Taken**

According to our survey of the period from 1997 to present, all inappropriate requests and requests for meeting appointments from antisocial forces and other similar organizations have been denied and eliminated during this period, and there have been no violations.

The Kawasaki Group Code of Conduct
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

Measures to Prevent Money Handling Risks at Small-Scale Operating Sites

Certain situations are unique to small-scale operating sites, such as regional offices and satellite branches. These organizations may be ill-equipped to perform sufficient checks or may have particular individuals within the organization who have become fixed to a particular position due to difficulties in implementing personnel rotation. Based on such circumstances, the Company has carried out reviews, improved the manuals for checking procedures and enhanced audits in order to reduce risks, particularly as they relate to the handling of money.

● **Number of Violations, Details of Violations and Actions Taken**

Over the five years in the immediate past, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

Risk Management
Management Approach

Material Issues and Our Approach

As a Group that operates global business across a wide range of fields, Kawasaki regards the management of serious risks that could impede its business activities as important and conducts integrated risk management.

Focus Activities and Medium-term Targets

Kawasaki's corporate risk management system entails the integrated execution of business segment-level risk management and Group-wide risk management. Based on the results of the business segments' risk monitoring (activities to identify, evaluate and reduce risks and assessments of such activities), every year, we identify major risks that may have a serious impact on operations (Group-level risks), monitor how these risks are being addressed by the Head Office and, from among such risks, identify three to five items that particularly require Group-wide countermeasures (risks requiring Group-wide action). The results of risk reduction activities are then reported to and discussed by top management.

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 Board of Directors Regulations, Management Meeting Regulations, Approval Regulations and other related rules. The Company practices even more thorough risk management for major projects with significant impact on operations in accordance with such company regulations as the Major Project Risk Management Regulations. This includes management at the time of bidding and concluding agreements for such projects as well as regular follow-up by the Head Office, internal companies and business divisions as needed after a project begins.

● **Goal for the MTBP 2019**

- Detect risks globally and manage risks appropriately through avoidance, reduction, and transfer.

Progress, Results and Challenges

● **Goal for Fiscal 2019**

- Set up a globally integrated risk management system to accurately understand material risks that could impact operations and implement rational controls.

● **Fiscal 2019 Results**

- Carried out risk-reduction activities for risks related to product quality, human resources, safety and health, project management and country risk, which are specified as risks requiring Group-wide action

● **Goal for Fiscal 2020**

- Enhance the globally integrated risk management system to accurately understand material risks that could impact operations and implement rational controls.

Risk Management Policy

In accordance with the Companies Act, the Kawasaki Board of Directors has adopted a basic policy for internal control systems. The policy makes it clear that risk management should be addressed in accordance with the Risk Management Regulations by seeking to anticipate and avoid loss caused by risks, and to minimize risks through appropriate preparation and operation of the risk management system.

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

Based on the aforementioned, the Risk Management Regulations lay down the following basic policy for the Kawasaki Group in the field of risk management.

● **Basic Policy**

1. Aiming to realize its Group Mission, "Kawasaki, working as one for the good of the planet," Kawasaki and the Kawasaki Group will facilitate global and sustained business execution by continuously implementing risk management.
2. Each individual corporate officer and employee will engage actively with risk management and will work to maintain the risk management system and improve the response capabilities of risk management.
3. In the event that a risk materializes, Kawasaki and the Kawasaki Group will implement a response focused on the following perspectives, working to minimize loss to customers, employees, local communities and other stakeholders and to prevent recurrence.
 - (1) Protecting the lives and property of employees and their families (including non-employees working on site and visitors)

- (2) Performing duties essential to the fulfillment of our social responsibilities (requests from customers, suppliers and government offices, and maintenance and restoration of critical systems, such as public infrastructure and civil defense)
- (3) Normalizing the business operations of the Kawasaki Group
- (4) Fulfilling responsibilities and contributing to local communities

Structure

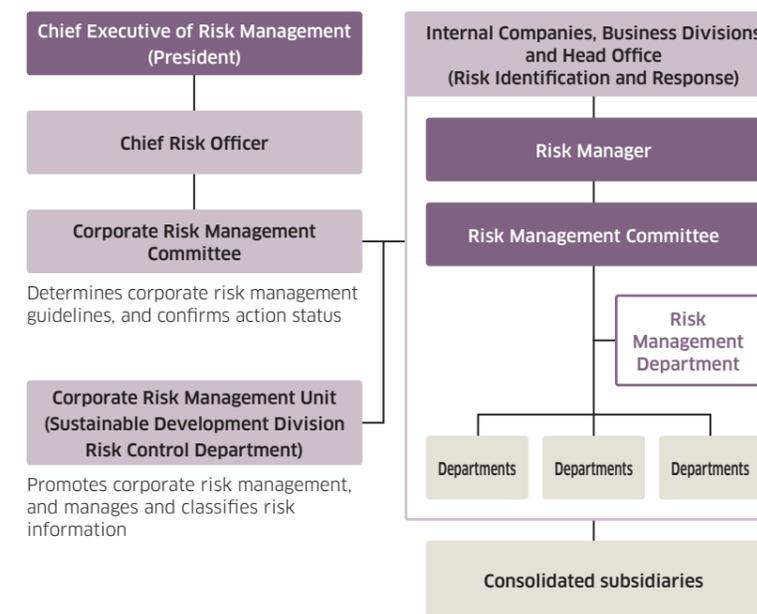
The Kawasaki Group has established a Corporate Risk Management System to ensure a uniform level of risk management across the Group. Through this system, we identify and respond to major risks with the potential for serious impact on operations and work to enhance risk management as outlined in the Kawasaki Group Management Principles.

Through the Corporate Risk Management System, we carry out continuous risk management initiatives. Specifically, in this system, the president is designated the Chief Executive of Risk Management, and an executive officer is designated the Chief Risk Officer, responsible for the overall control of risk management operations. Under their leadership, a Corporate Risk Management Committee, charged with deliberating important matters related to risk management and monitoring implementation, works to reinforce the risk management system.

In addition, a secretariat within the Risk Control Department of the Head Office Sustainable Development Division promotes and supports Group-wide risk management based on cooperation between the Head Office divisions and ensures that each internal company and business division operates a similar system, for which the general managers of business divisions are responsible. These measures are designed to reinforce Group-wide risk management.

We have also created a system that incorporates domestic Group companies and implement risk management activities at key overseas consolidated subsidiaries (model companies).

Corporate Risk Management System



● **Responsible Officers**

Chief Executive of Risk Management: Yasuhiko Hashimoto, Representative Director, President and Chief Executive Officer
Chief Risk Officer: Atsuko Kakihara, Executive Officer

● **Responsible Executive Organ and/or Committee**

Corporate Risk Management Committee

● **Independence of Risk Management Functions and the Involvement of the Board of Directors**

The Corporate Risk Management Committee comprises 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.

Risk Management
Performance Data

Risk Assessment

Risks Covered and Risk Assessment Methods

The Kawasaki Group defines risks as “factors or phenomena that hinder the execution of business operations or the achievement of organizational goals” and works to manage all risks classified as either external risks or internal risks (with the latter further classified as strategic risk or business risk), while giving due consideration to the potential beneficial effects associated with strategic and other risks.

The Company’s risk management process consists of a version of the COSO framework customized for the Company’s environment and circumstances.

● Risk Factors Currently Covered in the Scope of Risk Management

WEB Within Risk Management: List of Risks Covered
<https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html>

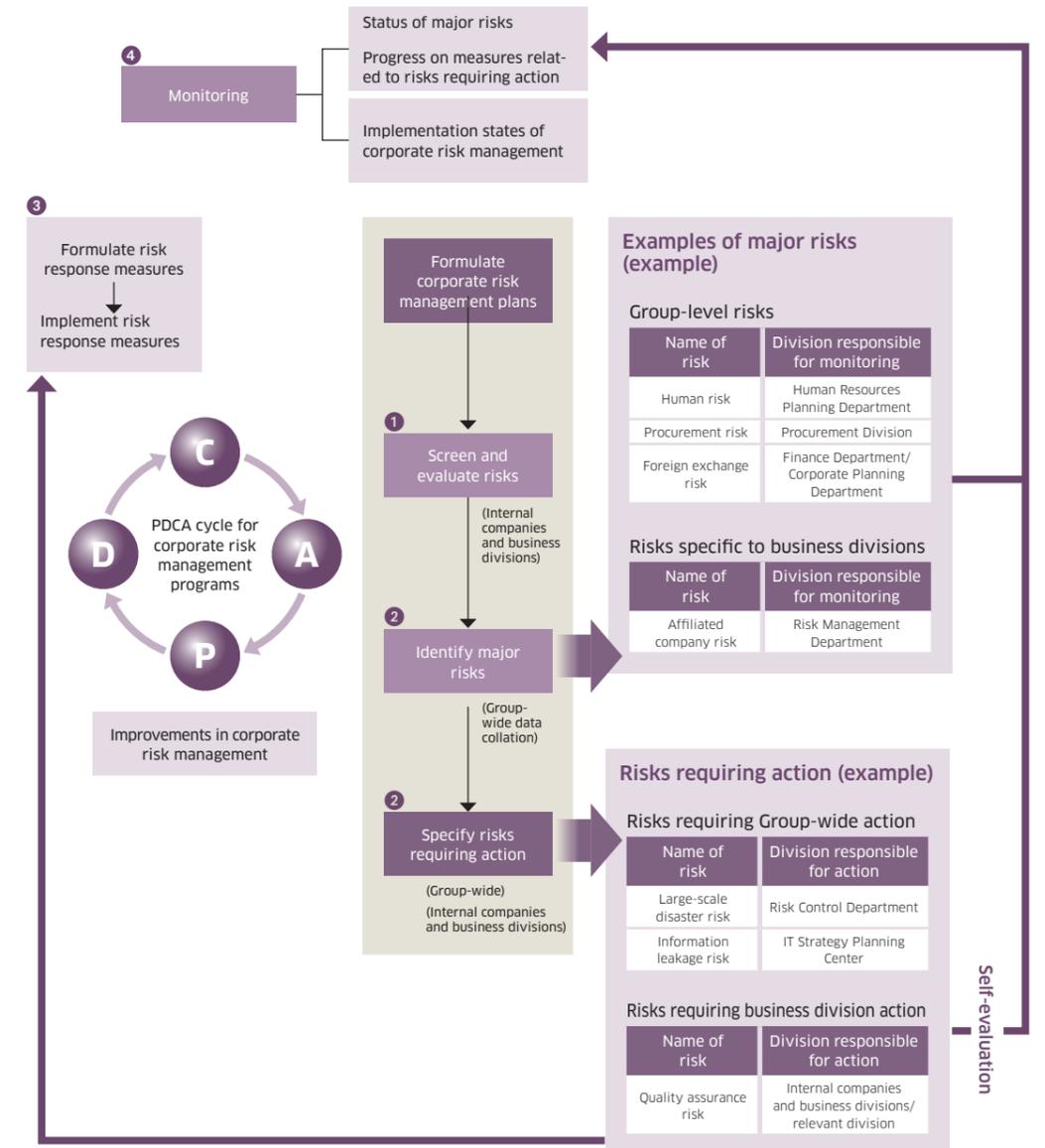
Responding to Significant Risks

Under the Corporate Risk Management System, major risks that could have a potentially serious impact on Group-wide operations are identified on an annual basis using uniform metrics and managed using methods that are deemed efficient and optimal from a Group-wide perspective.

In concrete terms, this means that management of major risks at the Group-wide level is carried out by applying the following Plan-Do-Check-Act (PDCA) cycle in Group-wide risk management:

1. Screening and evaluation of risks
2. Identification of major risks and specification of risks requiring action
3. Formulation and implementation of risk response measures
4. Monitoring

Corporate Risk Management Programs



1 Screening and Evaluation of Risks

Risk reviews are undertaken every fiscal year by each division and major risks are then pinpointed by the risk management committees of the internal companies and business divisions.

2 Identification of Major Risks and Specification of Risks Requiring Action

Identification of Major Risks

Major risks identified by the internal companies and business divisions are compiled and examined by the Corporate Risk Management Committee, which identifies around 13 categories of risk that could significantly affect Group operations (Group-level risks).

Risk factors other than Group-level risks are categorized as risks specific to the internal company or business division and to be monitored and addressed by said company or division. For Group-level risks, a division at the Head Office responsible for monitoring risk is assigned to regularly monitor risks.

Specification of Risks Requiring Action

Among the Group-level risks, those deemed to be inadequately addressed and urgently requiring Group-wide action are specified as risks requiring Group-wide action. At the same time, each internal company and business division specifies risk factors that require a response at the company or division level (risks requiring business segment action).

3 Formulation and Implementation of Risk Response Measures

For risks requiring Group-wide action, a division at the Head Office responsible for risk response formulates response measures and, following discussion and approval by the Corporate Risk Management Committee, implements them. Similarly, for risks requiring business segment action, the internal companies and business divisions formulate and execute risk response measures.

4 Monitoring

Monitoring Major Risks

At the end of each fiscal year, the risk management department of each internal company and business division undertakes a review of major risks for the following fiscal year. This process includes monitoring each risk factors with regard to significance, level of action required and urgency. Of note, with regard to Group-level risks, the division at the Head Office responsible for risk monitoring checks at the beginning of each fiscal year to see if the measures and structures introduced to reduce relevant risks affecting internal company and business divisions are functioning effectively, from a Group-wide perspective, based on the monitoring results compiled by each business segment.

Monitoring of Risks Requiring Action

Risks requiring action—both Group-level risks and business segment risks—are subject to a twice yearly self-evaluation by the division responsible for executing relevant measures, at the end of the first half and at the end of the second half of the fiscal year. Results of these assessments are tracked by the Risk Management Office and risk management department of each internal company and business division.

Reporting Monitoring Results to Risk Management Committees

The results of the monitoring of major risks and risks requiring action carried out by the internal companies and business divisions are reported to their respective risk management committees. The results of the monitoring of Group-level risks and risks requiring Group-wide action are reported to the Corporate Risk Management Committee.

Group-level Risks

In fiscal 2020, data on major risks identified by the internal companies and business divisions were collated, and the Corporate Risk Management Committee then identified 13 categories of major risks that could have a serious impact on operations. These risks are subject to monitoring in March of every year by the Head Office division responsible for monitoring. The risk categories are reviewed every year.

Risks Requiring Group-wide Action

In fiscal 2020, within Group-level risks, we specified three items as risks requiring Group-wide action (large-scale disaster risk, cyberattack risk, and environment and climate change risk). To deal with these risks, each division at the Head Office responsible for action is designated to take the main role in formulating and implementing response measures in their area of responsibility.



Within Risk Management: Risks Identified as Group-Level Risk for Fiscal 2020

Within Risk Management: Risks Specified as Risk Requiring Group-wide Action for Fiscal 2020
<https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html>

Long-term Risks

Long-term Risk 1

Large-scale disaster risks: Risks from large-scale disasters, including earthquakes, floods and pandemics, that can cause long-term impediments to corporate activities.

● Potential Impact on Operations

Our business operations can be severely affected by natural disasters, which can threaten the safety of our employees or destroy our works and facilities, as well as pandemics, which can have a long-term impact on business activities. These risks can cause harm to our human resources, facilities, offices, works and facilities, and data, as well as delays in the provision of products and services, posing a serious threat to business continuity. This could lead to the inability to provide products necessary

to the maintenance and operation of public infrastructure, such as airplanes and rolling stock, causing a loss of social trust, or to dramatic declines in our performance and share prices. Ultimately, we may be rendered unable to fulfill our social responsibilities.

● Risk Mitigation Measures

In preparation for crisis events, we have improved the crisis management system and laterally integrated the system in the overall Group structure. The president is the Chief Crisis Management Officer. The heads of operating sites or organizational divisions function as Crisis Management Officers who oversee the setting up of their crisis management offices. In the event of an accident or natural disaster, all necessary information is sent to where it is needed through predefined reporting routes that have been set up for use in times of emergency. These routes are made known clearly to employees and officers through the Crisis Management Organization, which in normal circumstances underpins the Group's crisis management structure.

Long-term Risk 2

Information Leakage Risks

● Potential Impact on Operations

Information safety-related risks, such as system problems, blocking by or attacks from external perpetrators, and accidents caused by intentional or negligent insider actions or omissions can have a direct or indirect impact on our business activities and result in situations such as those described below.

1. The leak of customer information or important internal information due to the infection of systems with malware
2. The theft and illicit use of technical information or illicit interference in the Group's finances or business transactions due to unauthorized access from outside
3. The improper removal or abuse of information due to intentional or negligent actions
If such circumstances arise and escalate, they may lead to a loss of confidence, damage liabilities, a loss of business opportunities or damage to the Group's technological competitiveness.

● Risk Mitigation Measures

We have established a risk management system to handle information security management for the Group. We promote a management cycle (with an emphasis on rules, training, and technology measures) to address rapidly changing information security risks, and we systematically implement, maintain and enhance information security measures.

Risk Culture

Risk Management Training and Awareness Building

Kawasaki explains the importance of risk management in its grade-specific training programs for employees. In addition, our commitment to improving our enterprise value based on the guiding principles of "selective focusing of resources," "emphasis on quality over quantity," and "risk management" is clearly stated in the Kawasaki Group Management Principles, part of the Kawasaki Group Mission Statement. We also post the Mission Statement at work areas and distribute Mission Statement cards to employees to build awareness of these principles.

HR Evaluation and Financial Incentives

The practicing of Group Management Principles, including risk management, is examined as part of the performance evaluation of managerial staff.

Checking and Reporting of Potential Risks Caused by Employees

We have established and operate the Compliance Reporting and Consultation System for the domestic Kawasaki Group to identify any potential risks that may exist at the employee level.

Internal Feedback Process on Potential Risks

The incidents reported under the compliance reporting and consultation system are regularly compiled and reported to management. Risk assessment is performed based on these reports.

Crisis Management

The Kawasaki Group's Risk Management Regulations contain crisis management provisions set out in readiness for the emergence of a risk. These regulations set forth behavioral guidelines and response systems that serve to protect lives and preserve assets, minimize damage and loss, and expedite the resumption of business activities in the event of unplanned interruption.

Basic Policy

Paragraph 3 of the basic policy of the Risk Management Regulations lays out the Kawasaki Group's policy for responding to crises.

In addition to, of course, putting human lives first, the policy also clearly lays out the Company's priority of fulfilling its social responsibility as a company involved in infrastructure-related industries. Specifically, in the event of a major earthquake, we will help operate equipment used for disaster relief (such as aircraft and ships), work to quickly restore and maintain the operation of infrastructure (such as rolling stock, power generation facilities and waste processing facilities) and support our customers and suppliers.

For details on the basic policy, please refer to Risk Management Policy (page 34).

● **Crisis Management Structure (at Times of Crisis and Non-Crisis)**

In readiness for risks, including large-scale disasters, we maintain a Group-wide horizontally integrated Crisis Management Organization at all times.

The president is the Group's Chief Crisis Management Officer, while the head of each operating site or organizational unit acts as its crisis management officer. Crisis management offices are set up under the crisis management officers to assist them and are charged with the practical work of putting in place and maintaining a first response system for mobilization in the event of an emergency. Meanwhile, the heads of the various Head Office divisions and other staff members whom they designate form a dedicated support team for the crisis management offices.

● **In Times of Disaster or Accident**

The disaster management system sets out in advance emergency reporting routes and organizations charged with responding when emergencies occur. Complementary to the emergency reporting routes, we have set up contact networks covering each internal company, business division and operating site to ensure quick internal reporting and information promulgation.

In Times of Disaster or Accident

Type of Command Center	Key Role	Location
Corporate Command Center	Set up in the event of a crisis that requires a Group-wide response; determines measures to be implemented throughout the Group and basic policy on action plans	Office that has not sustained any damage In principle, either the Kobe Head Office or the Tokyo Head Office
Integrated Plant Command Center	Determines issues that affect the works as a whole; coordinates with internal companies operating in the same works	Works that belong to several internal companies
Company Command Center	Provides an internal company support in areas devastated by disaster; determines response to affected suppliers and customers	Appropriate location at each internal company
Local Command Center	Determines measures, according to business segment and business office	Office that sustained damage

Emergency Communication System

The Kawasaki Group has introduced an emergency communication system for the entire domestic Group to rapidly confirm the safety of employees when a disaster occurs. Tests are conducted every year to ensure that employees are familiar with the system and know how to use it.

Focus Activities and Medium-term Targets

● **Goal for the MTBP 2019**

Create appropriate Company-wide crisis management procedures and maintain a crisis management system to facilitate rapid response to and recovery from emergencies that could affect management.

Progress, Results and Challenges

● **Goal for Fiscal 2019**

● Drill and revise response procedures and systems based on case studies and quickly handle emergencies and restore business activities through the Countermeasures Command Center.

● **Fiscal 2019 Results**

- Conducted drills according to business continuity plans (BCPs) in preparation for major earthquakes at major business sites
- In response to the COVID-19 pandemic, provided the business segments with response policy and communicated concrete guidelines and other information to ensure thorough awareness of infection prevention measures

● **Goal for Fiscal 2020**

Drill and revise response procedures and systems based on case studies and quickly handle emergencies and restore business activities through the Countermeasures Command Center.

Business Continuity Plans

A business continuity plan (BCP) is itself a management strategy. In addition to typical measures related to response immediately after a disaster, such as setting up disaster-prevention supplies and running evacuation drills, a BCP requires consideration of measures to maintain business with minimal interruption and fulfill the corporate mission.

Based on the basic policy of the Risk Management Regulations, the Kawasaki Group has formulated BCPs for major earthquakes, including earthquakes directly striking Tokyo or the Nankai Trough, and pandemics, such as the outbreak of a new strain of influenza.

● **Business Continuity Plan Review**

The lessons learned in the Great Hanshin Earthquake, which hit the Kobe area in January 1995, formed the basis of the Group's disaster-prevention measures. In light of the Great East Japan Earthquake of March 2011, the Group significantly revised its BCP for large-scale earthquakes. In response to the COVID-19 pandemic in 2020, we have revised our pandemic response BCP to include, for example, remote working and other new workstyles. Furthermore, we regularly implement drills and use the results to revise BCPs on an ongoing basis.

1. Basic Policy

Based on basic policy, determine course of action to be taken by the Kawasaki Group in the event of natural disasters.

2. Head Office and Internal Company Priorities

With the basic policy in mind, designate functions to be maintained at the Head Office, internal companies and business divisions in the event of disaster.

We have identified priorities for the Head Office, internal companies and business divisions in line with our basic policy and have designated certain functions that must be maintained even in the event of disaster with due consideration given to the different business content of each internal company and business divisions and the features inherent in products and services.

3. Response in Time of Disaster and Preparation during Normal Time

Consider responses appropriate in the wake of disaster and prepare for the eventuality of such events during normal times.

Many disaster scenarios indicate the possibility of a massive earthquake centered directly under Tokyo as well as a cascadelike triple megaquake event along the Tokai-Tonankai-Nankai segment of the Pacific Ocean coastline. Bearing these potential events in mind, we considered the responses necessary should such catastrophes occur and activities that could be undertaken during normal times to prepare for such eventualities.

We formulated a plan that designated specific divisions with a specific task, and outlined preparations necessary to achieve the desired objectives. Preparations are moving ahead in line with this plan.

4. Drills and Revisions

Drills are undertaken regularly and content is revised based on results.

We are constantly running BCP drills and revising BCP content based on how the drills were performed.

Information Security

Information Security Management Policy

The Kawasaki Group provides products to a diverse range of customers, from general consumers and the public sector to the Self-Defense Forces, and constantly works towards maintaining and improving its information security to protect information relating to our customers and suppliers as well as information on their businesses to suit the requirements of each customer sector.

The necessary information security management practices have been established as corporate regulations to ensure compliance with prevailing domestic and international laws and in respect of contractual promises to clients and to protect our businesses from external risks. These corporate regulations comprise Rules for Information Management, as the underlying policy, along with various standards for establishing administrative management guidelines, including the development, implementation and use of information systems.

Focus Activities and Medium-term Targets

● **Goal for the MTBP 2019**

- Have in place a digital information platform that can handle cyber security issues.
- Build a usage platform that balances the utility of evolving cloud services with information security.

Progress, Results and Challenges

● **Goal for Fiscal 2019**

- Implement information security and cyber security measures at overseas sites.
- Conduct periodic educational activities at sites in Japan.
- Provide information security training to 9,200 individuals.

● **Fiscal 2019 Results**

- Overseas sites
 - (1) Presented explanations of China's Cyber Security Law (CS Law) at IT liaison meetings for sites in China and made preparations for assessments at each site
 - (2) Prepared for the provision of asset management support (introduced asset management tools) as a first step toward supporting individual sites
 - (3) Established a new Security Center within KHI (Dalian) Computer Technology Co., Ltd. (KDC) on April 1, 2020, to provide security support to sites in China
 - (4) Began discussions with Kawasaki Motors Corp., USA (KMC), a potential key site for establishing a support center in North America
- Could not conduct periodic educational activities at sites in Japan, but will continue to conduct such essential activities where possible
- Provided information security training to 9,866 individuals

● **Goals for Fiscal 2020**

- Adopt Tanium endpoint security systems throughout the domestic Group.
- Conduct assessments aimed at responding to China's CS Law at Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd. (KPM Shanghai) and Kawasaki Robotics (Tianjin) Co., Ltd. (KRCT).
- Begin discussions with Kawasaki Motors Europe N.V. (KME), a potential key site for establishing a support center in Europe, and continue discussions with KMC regarding the establishment of a support center in North America.
- Introduce asset management tools at sites in China (beginning with KDC, KPM Shanghai and KRCT) and commence asset management support through KDC.
- Provide information security training to 10,000 individuals.

● **Progress**

(FY)	2015	2016	2017	2018	2019
Information security training participants	-	-	-	8,394	9,866

Structure

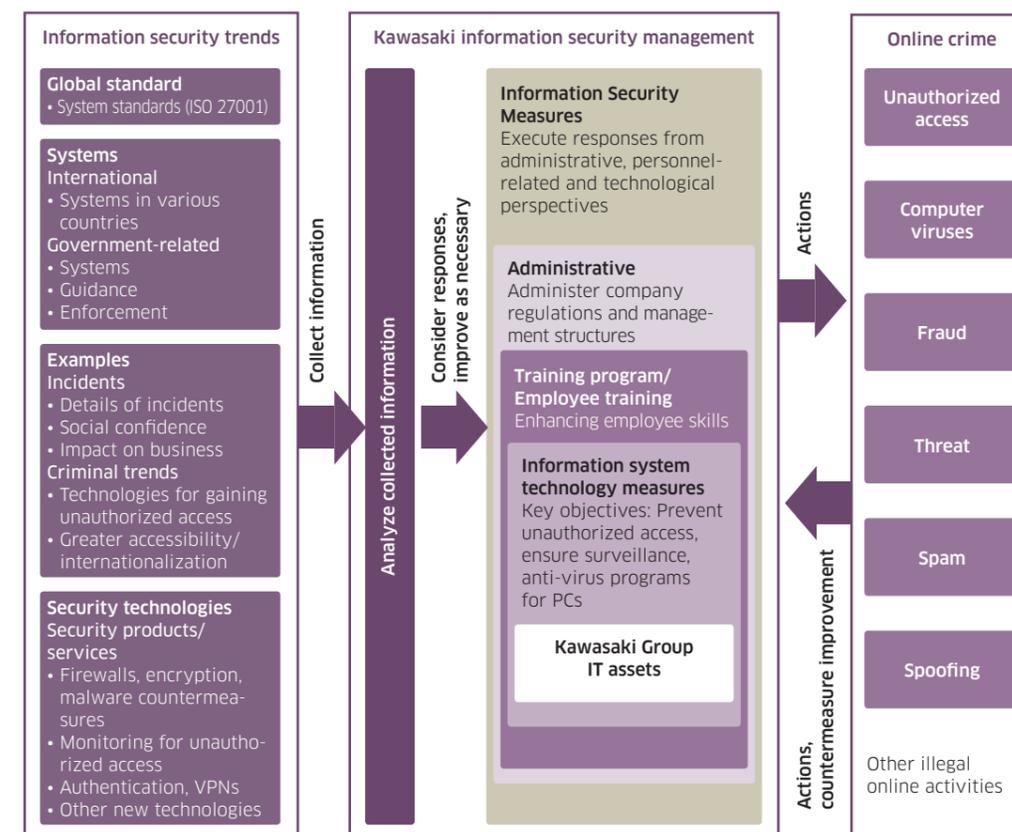
The Corporate Technology Division's IT Strategy Planning Center serves as the Group's coordinating department for information security. The center promotes the implementation of security measures throughout the Group, including at the Head Office, and provides guidance regarding information system operation- and management-related security measures implemented by the internal companies and business divisions. Each internal company and business division 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 structure 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, 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 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.

Information Security Management System



Information Security Education and Training

We conduct education and training specifically 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 uses simulations, conducted on a regular basis, that help employees learn how to avoid damaging situations, such as cyberattacks and online crime, which can occur in the course of daily business operations.

Information Security Violations and Actions Taken

Over the most recent five years, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

Personal Information Protection

Kawasaki abides by its Privacy Policy, a basic policy for protecting personal information. This policy is publicly disclosed.

Further, we control personal information and anonymously processed information by such means as appointing a personal information administrator, establishing company regulations titled Personal Information Protection Rules and issuing the *Personal Information Protection Manual*, which explains the rules clearly for employees. In 2017, in response to the revision of the Act on the Protection of Personal Information of Japan, we revised related company regulations, the Privacy Policy and the Personal Information Protection Manual, and implemented internal training and explanatory meetings for affiliates several times. Furthermore, in 2020 we established the Kawasaki Group Policy on the Protection of Personal Information, laying out Group-wide rules for the proper handling of personal information.

For the control of personal information, such measures are taken as constructing the security control systems for the personal information possessed by each division and preparing and regularly updating the personal data handling ledger in which the handling status of such personal information can be checked.

With regard to personal information in the Company's possession, we have put in place a structure that ensures a prompt response to requests from individuals related to their own personal information, such as requests for disclosure or discontinuance of utilization.

Response to the General Data Protection Regulation

Kawasaki has established internal regulations regarding compliance with the European Union's General Data Protection Regulation (GDPR), laying out rules for the proper handling of personal information covered by the GDPR.



Privacy Policy

https://global.kawasaki.com/en/privacy_policy/index.html

Kawasaki Group Policy on the Protection of Personal Information

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/personal_information.pdf

Research and Development

Management Approach

Material Issues and Our Approach

To ensure sustainable improvement in the enterprise value of the Kawasaki Group, the internal companies, business divisions and Corporate Technology Division work as a cohesive unit, concentrating technologies available within the Group and utilizing technological synergies to develop new products and new businesses with a competitive edge.

We also strive for balanced R&D through new product and new business development as well as activities geared toward such development in the future in each internal company in addition to nurturing and reinforcing the basic technologies needed to realize these new products and new businesses.

Engineers from the internal companies and business divisions and specialists in the Corporate Technology Division, who have expertise in various fields, form project teams to share issues and work together to develop new products and new businesses, seeking always to achieve the overall optimization of management resources. The Corporate Technology Division acts as an intermediary, facilitating access to the technological core competences of each internal company so that they can be applied to products in other internal companies. This promotes the multifaceted expansion of technology and realizes major synergistic effects.

By thus combining the core technologies of the internal companies and business divisions and the basic technologies of the Corporate Technology Division, we will utilize matrix-based operations to create technological synergies throughout the Kawasaki Group and further raise enterprise value.

Focus Activities and Medium-term Targets

● **Goals for the MTBP 2019**

- Reinforce the competitiveness of existing products and businesses.
- Build a platform that will support groundbreaking innovation that creates new value in response to rapid changes in society.
- Achieve process reforms by such means as strengthening system design and *monozukuri* manufacturing capabilities.
- Establish intellectual property action plans as part of business strategy and build a framework to allocate IP rights where needed or keep such property confidential in the form of internal expertise.
- Build a framework for carrying out IP rights infringement prevention checks through design reviews and other precautions taken at specific development stages.

Progress, Results and Challenges

● **Goals for Fiscal 2019**

- ¥60.0 billion in R&D expenses
- Work to create new products and business that leverage digital innovation. In particular, focus efforts on service businesses that utilize ICT/IoT.
- Work to build a supply chain for hydrogen, a form of clean energy.
- Work toward process innovation using digital technologies.
- Acquire strategic intellectual property, mainly in robotics.
- Before commencing R&D, carry out comprehensive examinations of preceding patents to avoid infringement.

● **Fiscal 2019 Results**

Research and Development

- ¥52.6 billion in R&D expenses
- Formed operational tie-up aimed at quickly developing AI and IoT services in the Precision Machinery & Robot segment
- Carried out development aimed at demonstrations of the hydrogen supply chain, including that of the world's first liquefied hydrogen carrier
- Completed design aimed at introducing operational applications to increase the efficiency of airplane design and manufacturing processes

Intellectual Property

- Conducted the following strategic initiatives in coordination with management and business strategy
 - (1) Carried out comprehensive IP landscape analyses, covering IP and markets, for the hydrogen project, hybrid motorcycles, *Rexpeller*¹ condition monitoring system and U-KACC² on-site power generation
 1. *Rexpeller*: Kawasaki's azimuth thruster
 2. U-KACC: Kawasaki's U-KACC Boiler (short for Upgraded Kawasaki Advanced Clean Combustion)

(2) Grasped key points related to differentiation and development by participating in Robot Business Division development meetings

- Focused efforts on the hydrogen and industrial robot fields

● **Goals for Fiscal 2020**

Research and Development

- ¥53.5 billion in R&D expenses
- Work to create new products and businesses with an eye to business style transformation by, for example, creating defacto standards via market development and reinforcing service businesses.
- Conduct pilot demonstrations of a Japan-Australia supply chain aimed at quickly realizing a hydrogen-powered society.
- Work to increase process sophistication through digital transformation while coordinating with total quality management (TQM) promotion activities.

Intellectual Property

- Advance IP landscape analyses, mainly for the hydrogen project, as part of efforts to form a patent portfolio.
- Before commencing R&D, carry out comprehensive examinations of preceding patents to avoid infringement.
- Focus efforts on the hydrogen, industrial robot and precision machinery fields.

KPI

● **Progress**

	(FY)	2015	2016	2017	2018	2019
R&D expenditures	Billion yen	43.6	43.6	45.4	48.7	52.6

Structure

The internal companies carry out R&D in areas specific to their businesses, while the Corporate Technology Division handles forward-looking R&D on a Company-wide basis. In addition, the internal companies and Corporate Technology Division work together closely on projects.

The Corporate Technology Division comprises the Corporate Technology Planning Center, Technical Institute, System Technology Development Center, Hydrogen Project Development Center, Manufacturing Improvement Center, IT Strategy Planning Center, Administration Department and TQM Department. All of these collaborate to advance R&D.

● **Responsible Officer**

Hiroshi Nakatani, Managing Executive Officer, General Manager of Corporate Technology Division

● **Responsible Executive Organ and/or Committee**

The internal companies and the Corporate Technology Division meet regularly to share information about the market environment and business strategy and form consensus regarding development themes.

They also regularly take steps to concentrate technologies from across the Company to plan and follow up on important Company-wide R&D, facilitate the horizontal exchange and sharing of technologies, and promote synergy.

Research and Development

Performance Data

R&D Expenditures (consolidated global)

	(FY)	2015	2016	2017	2018	2019
Total	Billion yen	43.6	43.6	45.4	48.7	52.6
Breakdown by segment						
Ship & Offshore Structure		0.8	0.8	0.8	1.1	0.9
Rolling Stock		1.2	0.8	0.8	0.8	0.6
Aerospace Systems		4.3	3.8	4.0	6.1	6.9
Gas Turbine & Machinery		4.1	3.9	3.8	–	–
Energy System & Plant Engineering		1.1	1.3	1.4	3.9	4.1
Motorcycle & Engine		13.3	14.3	15.8	15.6	16.0
Precision Machinery & Robot		6.1	5.3	5.4	6.2	5.9
Head Office, other		12.4	13.0	13.0	14.6	17.8
Percentage of sales	%	2.8	2.9	2.9	3.1	3.2
Number of employees engaged in R&D	Persons	1,791	1,868	1,888	1,941	1,916

Note: In April 2018, the former Aerospace Company and the jet engine business of the former Gas Turbine & Machinery Company were integrated into the newly established Aerospace Systems Company. The former Plant & Infrastructure Company and the energy and marine-related businesses of the former Gas Turbine & Machinery Company were integrated into the newly established Energy System & Plant Engineering Company. In addition, the former Precision Machinery Company was renamed to the Precision Machinery & Robot Company.

Open Innovation

Open Innovation Policy

In addition to leveraging the technological synergies that come from bringing our technologies together, we also work with outsourcers to introduce state-of-the-art technologies in an efficient manner. By making use of outside resources, not simply sticking to in-house innovation, we are able to provide solutions to social issues as well as create value that we would not be able to offer singlehandedly or at least not without overly large expenditures of cost and time.

Initiative in Open Innovation

Partnership with U.S.-Based Artificial Intelligence (AI) Startup

Kawasaki formed a partnership with OSARO Inc., a U.S.-based startup boasting excellent AI software development technologies. By actively promoting open innovation to gain access to superior knowledge, we are accelerating product and service development in the rapidly developing field of AI technology.

San Francisco-based OSARO was founded in 2015 with a focus on the development and sale of autonomous control software for industrial robots. The company has particularly robust expertise in the area of AI applications for image recognition and motion control.

Kawasaki previously engaged in joint proof-of-concept testing with OSARO to explore the possibilities of applying OSARO-developed AI to Kawasaki robots. Under the new partnership, we will ramp up joint development. At the same time, Kawasaki hopes to build expertise in AI applications for environmental recognition, operation and movement path planning, and operation determination technologies in order to advance the automation and autonomization of a wide range of Kawasaki products, such as those in the transport system and energy fields.

As Japan faces increasing labor shortages due to demographic graying and declining birth rates and communications technology continues to develop, demand for products and services utilizing AI, ICT and IoT is growing. To address these needs, Kawasaki has been proactively developing many new products and services, such as operational support systems for waste-to-energy plants utilizing AI.

Moving forward, Kawasaki will reinforce its development framework by further promoting open innovation in order to continue providing new value to society.



Kawasaki Becomes a Preferred Partner of US AI Startup (October 7, 2019 Kawasaki press release)
https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20191007_3958

New Product and Business Development

Key new products and businesses that were in development or for which development was completed in fiscal 2019 are as follows.

● **Aerospace Systems**

- Fan Drive Gear System for the PW1500G*
* PW1500G: A jet engine for the French company Airbus's A220 regional aircraft



Fan Drive Gear System

● **Energy System & Plant Engineering**

- World's largest gas-to-gasoline (GTG) plant
- New type of hydrogen liquefier



Gas-to-gasoline (GTG) plant



Liquefaction system using the new type of hydrogen liquefier

● **Precision Machinery & Robot**

- Successor®-G remotely-operated robotic system for grinding, deburring and surface finishing



Grinding operations using the Successor®-G

● **Transportation**

- Liquefied hydrogen carrier
- Z900 Supernaked
- TERYX KRX 1000 Trail Adventure Side x Side



Installation of liquefied hydrogen tank for marine transport



Z900 Supernaked



TERYX KRX 1000 Trail Adventure Side x Side

Process Innovation

Kawasaki uses a proprietary production system, the Kawasaki Production System (KPS) for its mass-produced products. The KPS was developed by Kawasaki based on the production system of Toyota Motor Corporation, known as the Toyota Production System (TPS). The system is aimed at thoroughly eliminating waste in production processes.

Effects of Process Innovation

Using IT to provide detailed instructions for the work of each individual and analyze accumulated performance data, Kawasaki is expanding the scope of the KPS to include custom order products, as well. We are leveraging digital innovation to innovate development and design processes in an effort to enhance design and production efficiency.

Environmental Innovation

At Kawasaki, we have defined a set of in-house criteria to improve the environmental performance of our products through energy and resource conservation and to reduce our environmental footprint by reducing the amount of industrial waste produced and chemical substances used in our production processes. Products that meet these criteria are registered as Kawasaki-brand Green Products.

Kawasaki-brand Green Products are marked with an environmental label that shows the product's environmental advantages as one way to communicate our efforts in this area to our customers and other stakeholders. In 2019, eight products were newly registered, and the registrations of products for which the three-year registration limit expired were renewed, bringing the total number of registered Kawasaki-brand Green Products to 54.

Effects of Environmental Innovation (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
CO ₂ emission reduction through product-based contributions	kt-CO ₂	750	900	22,920	29,130	23,140

* The calculation method was revised in fiscal 2017 to one which uses a flow-based method where the expected life of a product launched during this fiscal year is used as the evaluation period for calculating the difference in CO₂ emissions between our products and standard grade products in the industry over this period of usage.

WEB Kawasaki-brand Green Products
https://global.kawasaki.com/en/corp/sustainability/green_products/index.html

Intellectual Property Management

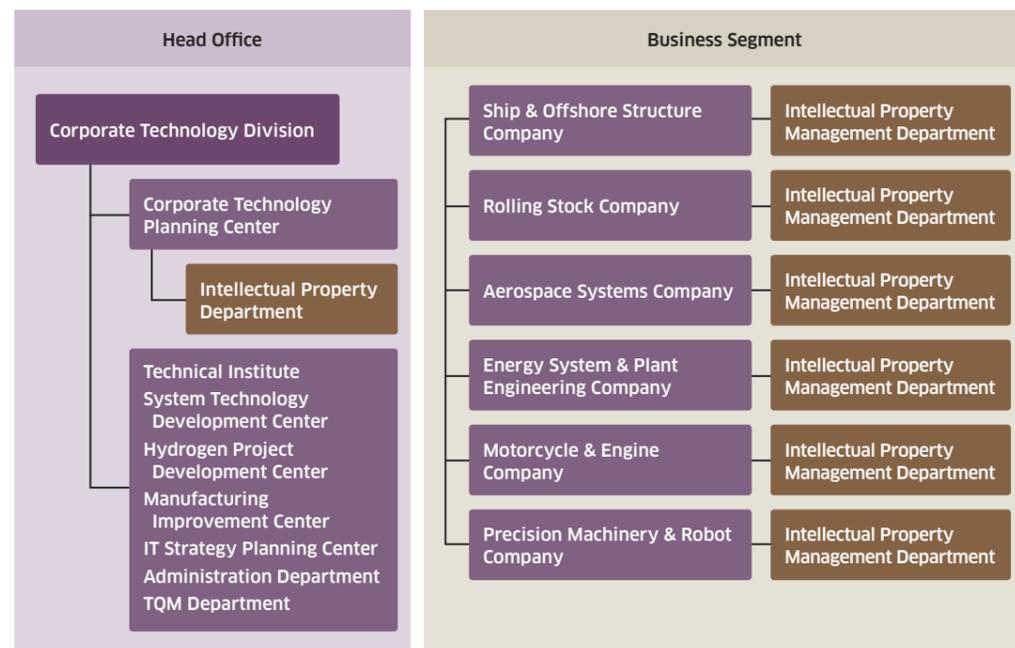
Principles of Intellectual Property Management

To survive amid intense global competition, we must raise enterprise value by developing business pursuits that leverage our core competence. Toward this end, we rely on intellectual property, which is a vital management resource, and the key to securing and successfully applying this corporate asset is to undertake activities from a three-point perspective that adds intellectual property to business and R&D as a third component of our core competence.

Structure

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

Intellectual Property Activities Structure



- **Responsible Officer**
Sukeyuki Namiki, Representative Director, Vice President and Senior Executive Officer
- **Responsible Executive Organ and/or Committee**
The Intellectual Property Committee formulates operating and basic policies regarding Company-wide intellectual property activities.

Strategic Intellectual Property Activities

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.

Countermeasures to the Improper Use of Kawasaki Group Brands

We have in place appropriate countermeasures based on trademark and other rights for dealing with commercial activities that make unauthorized use of Kawasaki Group brands, the manufacture and sale of counterfeit products, the use and application for registration of trademarks similar to those of the Kawasaki Group and related issues. By further developing such activities, we will protect and further enhance market confidence in our brands.

Invention Reward System

Based on the Patent Law regulation pertaining to inventions by employees, Kawasaki has established a provision in its internal rules regarding inventions by employees to reward employees at specific milestones, such as the filing of a patent application (application reward), patent registration (registration reward) and practical application (performance-based reward).

The Company faithfully adheres to this provision. In addition, the same reward system is applied even when the invention is not made public for strategic reasons. Of note, the performance-based reward is fairly awarded after duly taking into consideration how the Company has benefited from the invention, using an evaluation standard based on comparisons with other companies in the same industry as well as trends in society.

Employee Training

Intellectual property is an important management resource for increasing our business competitiveness. As such, Kawasaki's basic policy is to secure and effectively utilize its own intellectual property while respecting the valid intellectual property rights of third parties. In line with this policy, we carry out grade-specific activities to foster correct awareness of intellectual property.

Environmental Management Approach

Material Issues and Our Approach

Around the world, risks created by climate change (such as the occurrence of major typhoons and hurricanes, forest collapse or flooding) are growing. *Japan's Annual Report on the Environment, the Sound Material-Cycle Society and Biodiversity 2020* (published by the Ministry of the Environment, June 2020) addresses increasingly frequent natural disasters, using the expression "climate crisis" for the first time. Going forward, needs related to realizing a sustainable society are only expected to grow. The Kawasaki Group has been engaged in transport, energy, environmental and other industrial machinery-related businesses for more than 120 years, and I believe that its accumulated technologies can contribute greatly to meeting these needs.

The Group implements environmental management, the combination of business management and environmental conservation, including efforts to prevent global warming, take action against climate change, reduce environmental impact and conserve biodiversity.

Long-term Targets

● Kawasaki Global Environmental Vision 2050

In 2017, the Kawasaki Group drew up the Kawasaki Global Environmental Vision 2050, a long-term environmental vision formulated as a roadmap for drafting specific measures to address the immediate as well as the medium- and long-term issues the Group faces. This long-term vision designated the three goals of being "CO₂ FREE," "Waste FREE" and "Harm FREE."

Kawasaki Global Environmental Vision 2050
<https://global.kawasaki.com/en/corp/sustainability/environment/vision.html>

Focus Activities, Medium-term Targets, and Progress

● Three-year Environmental Management Plans

Working to achieve the Kawasaki Global Environmental Vision 2050, we formulate three-year medium-term environmental management plans to address concrete issues and implement initiatives accordingly. Under the 10th Environmental Management Activities Plan (fiscal 2019–2021), we have established the following goals and key strategies.

Goals and Strategies of the 10th Environmental Management Activities Plan and Fiscal 2019 Results

CO₂ FREE (Realization of a Low-Carbon Society)

● Target

Reduce fiscal 2021 CO₂ emissions per unit of net sales by 20% from the fiscal 2013 level (non-consolidated).

● Key Strategies

- Proactive use of onsite power generation facilities
- Utilize renewable energy
- Energy-saving activities
- Expand the CO₂-reducing effects of Kawasaki-brand Green Products and other products

● Fiscal 2019 Results

- 228t-CO₂/billion yen (down 21.6% from the fiscal 2013 level)
- Began working group activities at the Gifu, Kobe and Akashi plants, where onsite power generation are in use (identify current problems and issues and considered ways to improve existing facilities in terms of system configuration, economic efficiency, and CO₂ reduction)
- Established guidelines to promote the adoption of renewable energy (to enter effect from fiscal 2020)
- Established guidelines to promote energy saving (to enter effect from fiscal 2020)
- Emission reduction effect on CO₂ from product use of 23,140 kt-CO₂ (products sold in fiscal 2019)

Waste FREE (Realization of a Recycling-Oriented Society)

● Target

Maintain ratio of direct-to-landfill waste to total waste generation at less than 1% (non-consolidated).

● Key Strategies

- Further enforce waste sorting and recycling
- Precisely understand water uses and usage volumes

● **Fiscal 2019 Results**

- Landfill disposal rate of 0.2% (target achieved)
- Gathered, organized, and shared on-site confirmation information on legally designated waste processing contractors
- Carried out detailed surveys of water uses and usage volumes (Company-wide average data availability: 15%)

Harm FREE (Realization of a society coexisting with nature)

● **Target**

Reduce environmental risk while operating factories with respect for biodiversity

● **Key Strategies**

- Properly manage harmful chemical substances and consider alternatives (reduce Group-wide environmental risk)
- Identify the types of trees on factory grounds and, where appropriate, replace with native species while continuing Company-wide forest conservation activities

● **Fiscal 2019 Results**

- Operated factories as planned, with no new environmental risks arising
 - Maintained proper management of dichloromethane, hexavalent chromium, and major VOCs (usage volumes were unchanged or almost unchanged year on year; so far no prospect of using alternatives to discontinue use)
 - Continued proper management of green spaces at plants
 - Carried out forest conversation activities in Taka, Hyogo Prefecture, and Niyodogawa, Kochi Prefecture,* to make up for shortcomings as measured against the Company's voluntary indicator for green space land area (did not reach the indicator)
- * Not included in Company-wide activities

10th Environmental Management Activities Plan
<https://global.kawasaki.com/en/corp/sustainability/environment/plan.html>

Kawasaki Environmental Report 2020 - Summary of Business Activities in Fiscal 2019
https://global.kawasaki.com/en/corp/sustainability/environment/20_houkokusyo.pdf

Environmental Basic Policy

The Kawasaki Group's Environmental Charter lays out environmental management values and principles to be shared across the Group along with action guidelines to steer each individual in their daily work.

● **Environmental Charter (established 1999, revised 2010)**

● **Environmental Philosophy**

The Kawasaki Group pursues business activities globally in key industries related to land, sea and air, guided by the desire to contribute to the development of society through *monozukuri* manufacturing. In this effort, as a group, we emphasize the "realization of a low-carbon society," "realization of a recycling-oriented society" and "realization of a society coexisting with nature" to help solve global environmental issues, and we strive to help build a sustainable society through environmentally harmonious business activities and environmentally conscious Kawasaki-brand products and services.

● **Conduct Guidelines**

- (1) Global environmental problems are serious issues shared by people around the world and, making it a management priority to ensure that business activities are conducted in harmony with the environment, we will strive willingly and vigorously toward this goal.
- (2) We will endeavor to conserve resources, save energy, recycle and reduce industrial waste in production stages, and we will promote efforts to limit the impact of our operations on the environment.
- (3) We will carefully consider environmental impact during product planning, R&D and design stages to limit as much as possible any environmental impact caused during procurement, production, distribution, utilization and disposal stages of the products we make and market.
- (4) We will strive to minimize the impact our business activities have on ecosystems and engage proactively in efforts to protect these ecosystems.

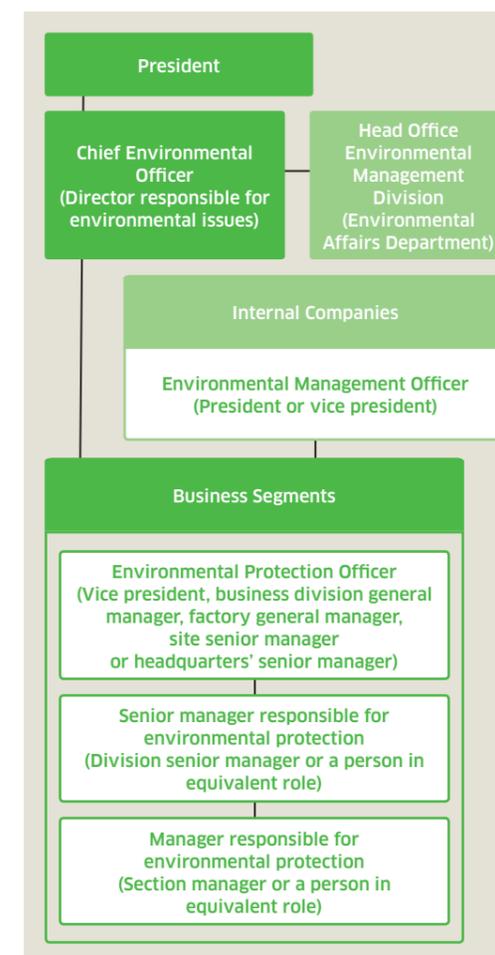
- (5) In seeking solutions to global environmental issues, we will develop and provide new technologies and new products that effectively contribute to environmental protection and reduced consumption of energy and natural resources.
- (6) Going beyond environment-related laws, regulations, conventions and self-established action plans in related industries, we will implement our own environmental control standards, as appropriate, and strive to improve environmental management.
- (7) Through environmental training and public relations activities, we will strive to elicit greater awareness of global environmental issues among all employees and will encourage employees to perform a self-improvement review and participate in social contribution activities.
- (8) We will implement an environmental management system for environmental protection activities, hold regular conferences on environmental protection activities, undertake reviews and strive to achieve continual improvement in our environmental protection activities.

Environmental Charter "Environmental Philosophy and Conduct Guidelines"
<https://global.kawasaki.com/en/corp/sustainability/environment/vision.html>

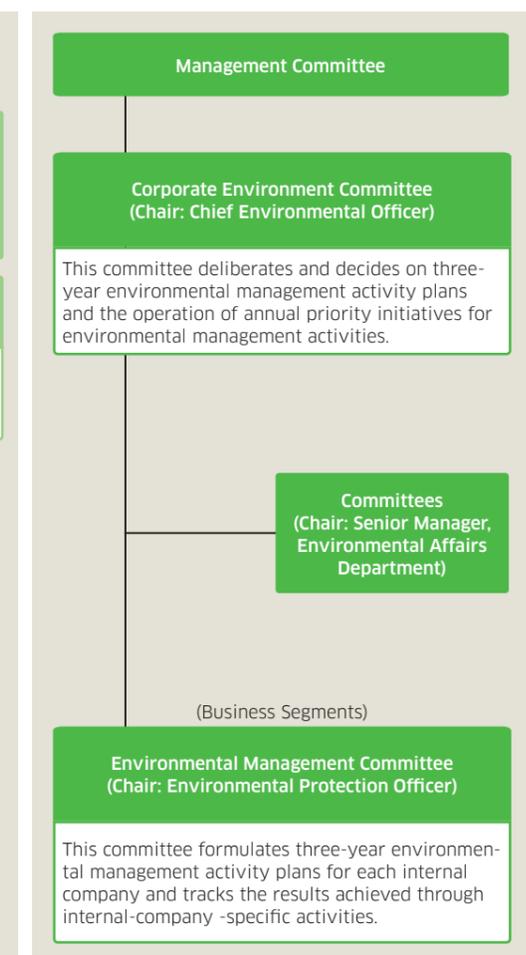
Environmental Management Promotion Structure

The Chief Environmental Officer (Director responsible for environmental issues) coordinates Company-wide environmental management activities and assumes full responsibility and authority for environmental issues. In accordance with Japan's Energy Saving Law, the Chief Environmental Officer also assumes the position of energy management officer and coordinates energy management. Environmental and energy management are carried out mainly through the environmental management departments of the business segments.

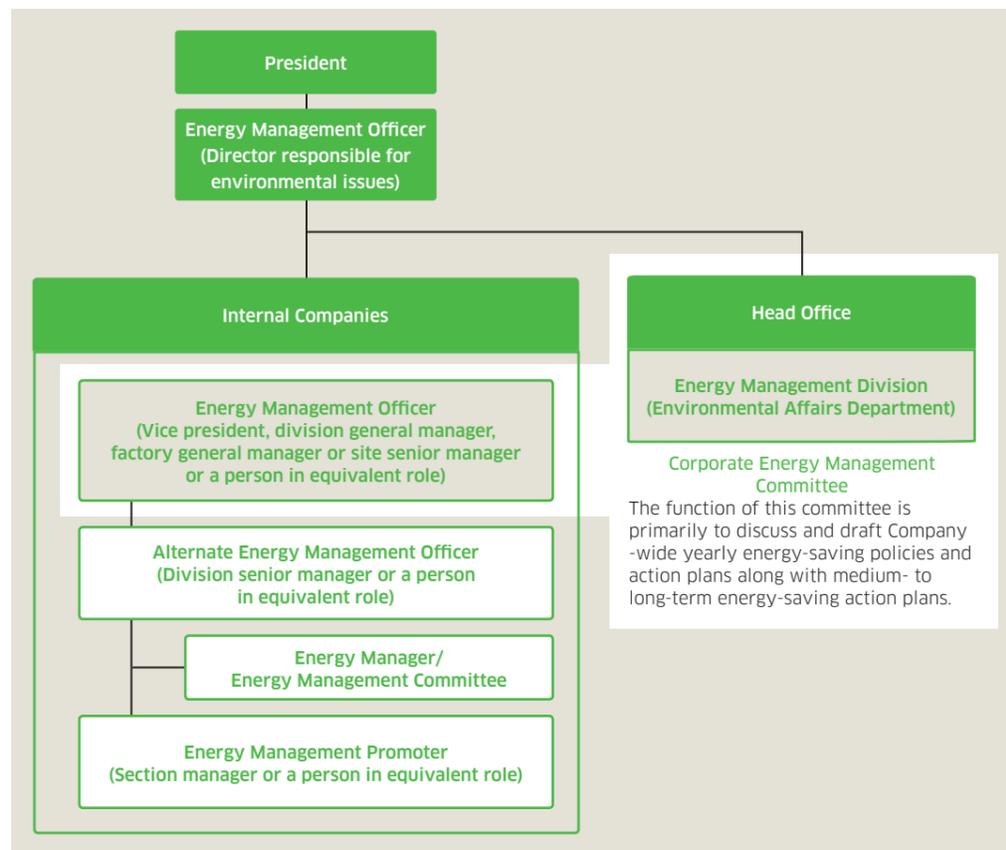
Energy Management System



Operational System



Energy Management System



- Responsible Officer**
 Director Responsible for Environmental Issues (Chief Environmental Officer, energy management officer, presiding officer of the Corporate Environment Committee): Sukeyuki Namiki, Representative Director, Vice President, and Senior Executive Officer

Environmental Management System

- The Kawasaki Group Environmental Management Promotion Structure**
 To promote environmental management throughout the Group, Kawasaki and its subsidiaries are building an environmental management system. Kawasaki's production sites and domestic and overseas subsidiaries have completed the acquisition of ISO 14001 certification or simplified EMS certification, or they have established EMS through self-declaration within the scope stipulated by Kawasaki.

WEB Establishment of Environmental Management Systems
<https://global.kawasaki.com/en/corp/sustainability/environment/base.html>
Kawasaki Environmental Report 2020 - Establishment of Environmental Management Systems
https://global.kawasaki.com/en/corp/sustainability/environment/20_houkokusyo.pdf

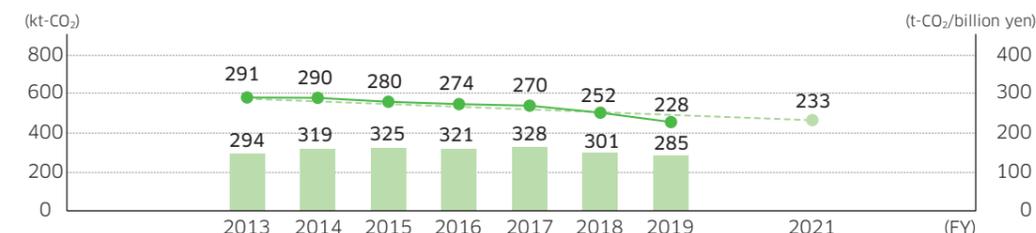
Environmental Management Performance Data

CO₂ FREE (Realization of a Low-Carbon Society)

10th Plan Target
 Reduce fiscal 2021 CO₂ emissions per unit of net sales by 20% from the fiscal 2013 level (non-consolidated).

Reducing CO₂ Emissions from Production Activities
 In fiscal 2019, CO₂ emissions per unit of net sales came to 228 t-CO₂/billion yen, down 21.6% from the fiscal 2013 level and on-pace to meet our target for fiscal 2021.

CO₂ Emissions from Production Activities (non-consolidated)



■ CO₂ emissions (left scale)
● CO₂ per unit of net sales (right scale)
- - - Target CO₂ per unit of net sales (right scale)

Notes: 1. Per unit of net sales figures are obtained by dividing CO₂ emissions by net sales.
 2. The fuel and heat CO₂ emission factors used are values published by the Agency for Natural Resources and Energy.
 3. The electricity CO₂ emission factors used are values published by Japan's Ministry of the Environment for each power provider in each fiscal year.

Estimating Supply Chain CO₂ Emissions

Energy Consumption in Production Activities

	(FY)	2015	2016	2017	2018	2019
Total	TJ	9,140	8,990	9,320	9,200	9,340
Kawasaki Heavy Industries	TJ	6,210	6,130	6,400	6,290	6,410
Domestic subsidiaries	TJ	770	740	710	720	700
Overseas subsidiaries	TJ	2,160	2,120	2,210	2,190	2,230

CO₂ Emissions from Production Activities

	(FY)	2015	2016	2017	2018	2019
Total	kt-CO ₂	500	492	502	474	458
Kawasaki Heavy Industries	kt-CO ₂	325	321	328	301	285
Domestic subsidiaries	kt-CO ₂	41	38	36	36	35
Overseas subsidiaries	kt-CO ₂	134	133	138	137	138
Third-party verified (Domestic Group, including the parent company/Overseas Group)		Yes (41/24 sites)	Yes (42/24 sites)	Yes (21/24 companies)	Yes (21/24 companies)	Yes (25/24 companies)

Notes: 1. The CO₂ emission factors are the figures published by Japan's Ministry of the Environment for each power provider in each fiscal year.
 2. For overseas sites, the CO₂ emission factors are the figures published by the Greenhouse Gas Protocol.

For details on the scope of the domestic consolidated subsidiaries and overseas consolidated subsidiaries covered, please refer to Scope of Environmental Data (page 59).

● The Kawasaki Group's Scope 1 and Scope 2 Calculation Results (kt-CO₂/year) (FY)

Category	Calculation Targets	2015	2016	2017	2018	2019
Scope 1						
Direct emissions	Direct emissions through use of fuel at Kawasaki and associated industrial processes	176	179	176	162	169
Scope 2						
Indirect emissions from the generation of purchased energy	Indirect emissions accompanying use of electricity and heat purchased by Kawasaki	326	313	326	311	290
Third-party verified (Domestic Group, including the parent company/ Overseas Group)		Yes (41 /24 sites)	Yes (42 /24 sites)	Yes (21/24 companies)	Yes (21/24 companies)	Yes (25/24 companies)

For details on the scope of the domestic consolidated subsidiaries and overseas consolidated subsidiaries covered, please refer to Scope of Environmental Data (page 59).

● Kawasaki's Scope 3 Calculation Results (kt-CO₂/year) (FY)

Category	Calculation Targets	2015	2016	2017	2018	2019
Scope 3 (Other indirect emissions): Upstream						
1. Purchased goods and services	Emissions associated with activities up to production of raw materials, parts, purchased goods and sales-related materials	5,432 (10.0%)	5,566 (9.6%)	6,033 (6.5%)	6,049 (4.5%)	1,940 (1.6%)
2. Capital goods	Emissions from construction and production of Kawasaki's capital goods	254 (0.5%)	223 (0.4%)	276 (0.3%)	293 (0.2%)	238 (0.2%)
3. Fuel- and energy-related activities not included under Scope 1 or Scope 2	Emissions associated with procurement of fuel from other providers and procurement of fuel required to generate power, such as electricity and heat	36 (0.1%)	38 (0.1%)	39 (0.0%)	37 (0.0%)	37 (0.0%)
4. Upstream transportation and distribution	Emissions associated with logistics of raw materials, parts, purchased goods and sales-related materials up to delivery to Kawasaki	7 (0.0%)	8 (0.0%)	8 (0.0%)	8 (0.0%)	8 (0.0%)
5. Waste generated in operations	Emissions associated with transportation and processing of waste generated by Kawasaki	7 (0.0%)	7 (0.0%)	19 (0.0%)	12 (0.0%)	12 (0.0%)
6. Business travel	Emissions associated with business travel by employees	15 (0.0%)	14 (0.0%)	14 (0.0%)	15 (0.0%)	13 (0.0%)
7. Employee commuting	Emissions associated with transportation of employees between their homes and their worksites	6 (0.0%)	6 (0.0%)	6 (0.0%)	7 (0.0%)	7 (0.0%)
8. Upstream leased assets	Emissions associated with operation of assets leased by Kawasaki (excluding those included in Scope 1 or Scope 2 calculations)	Included in Scope 1 and Scope 2 calculations	Included in Scope 1 and Scope 2 calculations	Included in Scope 1 and Scope 2 calculations	Included in Scope 1 and Scope 2 calculations	0 (0.0%)
Scope 3 (Other indirect emissions): Downstream						
9. Downstream transportation and distribution	Emissions associated with transportation, storage, cargo handling and retail sales of products	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
10. Processing of sold products	Emissions associated with processing of intermediate products by companies	Excluded ¹	Excluded ¹	Excluded ¹	Excluded ¹	Excluded ¹
11. Use of sold products	Emissions associated with use of products by consumers and companies	48,390 (89.1%)	52,088 (89.6%)	86,796 (93.0%)	126,823 (95.1%)	118,550 (98.0%)
12. End-of-life treatment of sold products	Emissions associated with transportation and treatment of products upon disposal by consumers and companies	Excluded ¹	Excluded ¹	Excluded ¹	Excluded ¹	Excluded ¹
13. Downstream leased assets	Emissions associated with operation of assets leased to other companies	Excluded ²	Excluded ²	Excluded ²	Excluded ²	Excluded ²
14. Franchises	Emissions by franchisees	Excluded ²	Excluded ²	Excluded ²	Excluded ²	Excluded ²
15. Investments	Emissions related to operation of investments	176 (0.3%)	171 (0.3%)	174 (0.2%)	173 (0.1%)	173 (0.1%)
Third-party verified (Categories 1. And 11.)		Yes	Yes	Yes	Yes	Yes

1. Excluded from calculation target because Kawasaki is unable to confirm reference data at this time.
2. Excluded from calculation target because it is outside of the scope of our business.

Reduction of CO₂ Emissions in Logistics Processes

● CO₂ Emissions from Logistics Processes and CO₂ Emissions Per Unit of Net Sales (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
CO ₂ emissions	kt-CO ₂	3.77	4.22	4.03	4.23	4.08
CO ₂ per unit of net sales	t-CO ₂ /billion yen	3.25	3.60	3.32	3.54	3.26

Notes: 1. Per unit of net sales figures are obtained by dividing CO₂ emissions by net sales.
2. The CO₂ emissions factors used are values published by the Agency for Natural Resources and Energy.

● Energy Consumption in Logistics Processes (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Energy consumption	TJ	55.4	62.1	59.2	62.4	60.4

Utilizing Renewable Energy

● Photovoltaic Output (Including Power Sold via FIT; Total of Figures for Kawasaki Heavy Industries, Kawasaki Trading and Kawasaki Thermal Engineering)

	(FY)	2015	2016	2017	2018	2019
Photovoltaic output (including power sold via FIT)	MWh	5,007	5,019	5,236	4,749	4,883

Reducing CO₂ Emissions through Product-Based Contributions

● CO₂ Emission Reduction through Product-Based Contributions (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
CO ₂ emission reduction through product-based contributions	kt-CO ₂	750	900	22,920	29,130	23,140

Notes: 1. Kawasaki uses CO₂ emissions factors provided in the list of calculation methods and emissions actors published by Japan's Ministry of the Environment.
2. The CO₂ emission reduction effect through product-based contributions achieved through the higher energy efficiency of products is based on a comparison using industry standard products.
3. The application of waste heat, waste and renewable energy is counted toward the CO₂ emissions reduction effect through product-based contributions.



Realization of a Low-Carbon Society
https://global.kawasaki.com/en/corp/sustainability/environment/low_carbon.html
Kawasaki Environmental Report 2020 - CO₂ FREE
https://global.kawasaki.com/en/corp/sustainability/environment/20_houkokusyo.pdf

Waste FREE (Realization of a Recycling-Oriented Society)

10th Plan Target

Maintain ratio of direct-to-landfill waste to total waste generation at less than 1% (non-consolidated)

Waste Sorting and Recycling

● Reduction of Total Waste Generation

In fiscal 2019, the landfill disposal rate was 0.2%, achieving the target of 1% or less.

● Waste Generated and Landfill Disposal Rate (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Waste generated	kt	51.4	51.1	51.5	52.5	50.2
Landfill disposal rate	%	0.1	0.2	0.2	0.1	0.2

Water Resource Conservation

● Water Consumption (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Tap water	10 ³ m ³	636	574	654	703	584
Industrial water	10 ³ m ³	1,182	1,374	951	1,255	1,190
Groundwater	10 ³ m ³	4,082	4,152	4,555	4,541	4,209

WEB Realization of a Recycling-Oriented Society
<https://global.kawasaki.com/en/corp/sustainability/environment/recycling.html>
Kawasaki Environmental Report 2020 - Waste FREE
https://global.kawasaki.com/en/corp/sustainability/environment/20_houkokusyo.pdf

Harm FREE (Realization of a Society Coexisting with Nature)

10th Plan Target

Reduce environmental risk while operating factories with respect for biodiversity

Harmful Chemical Substance Reduction

Emissions and Handling Volume of Managed Chemical Substances

	(FY)	2015	2016	2017	2018	2019	
Emissions and handling volume of managed chemical substances	Dichloromethane	t	39	47	32	29	24
	Hazardous heavy metals	t	13	13	12	14	13
	Major VOCs (toluene, xylene and ethylbenzene) per unit of net sales	kg/billion yen	785	729	700	617	560

Notes: 1. Major VOCs per unit of net sales figures are obtained by dividing VOC emissions by net sales.
 2. Figures for hazardous heavy metals represent the combined amounts of hexavalent chromium compounds. Reduction activities are undertaken separately for each substance.

WEB Realization of a Society Coexisting with Nature
<https://global.kawasaki.com/en/corp/sustainability/environment/symbiotically.html>
Kawasaki Environmental Report 2020 - Harm FREE
https://global.kawasaki.com/en/corp/sustainability/environment/20_houkokusyo.pdf

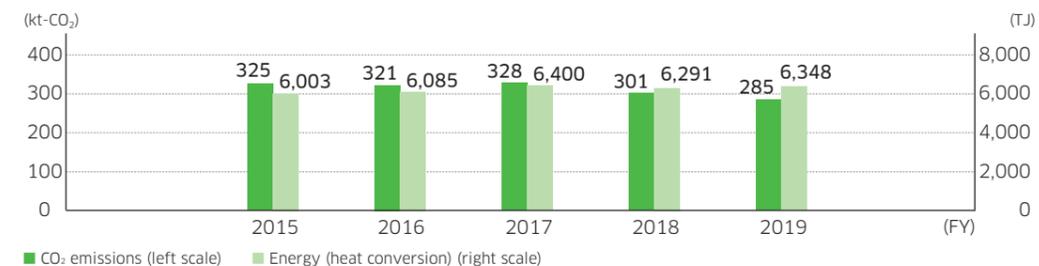
Other Environmental Data

Fiscal 2019 Environmental Data (non-consolidated)

		Unit	Company-wide	Comparison with Fiscal 2018	
INPUT	Total energy (heat conversion)	TJ	6,348	+1%	
	Purchased electricity	MWh	407,548	±0%	
	Fuel	TJ	2,346	+1%	
	Renewable energy	MWh	1,526	-2%	
	Main materials (steel)	kt	110	±0%	
	Water	10 ³ m ³	5,983	-8%	
OUTPUT	Air	CO ₂ emissions from energy sources	t	285,123	-5%
		SOx	t	4	+78%
		NOx	t	129	-23%
		Soot and dust	t	6	-7%
	Water	Wastewater	10 ³ m ³	4,497	-2%
		COD	t	7	+24%
		Nitrogen	t	24	+12%
	Waste	Phosphorus	t	Under 1	+1%
		Total emitted	t	50,181	-4%
		Recycled	t	48,933	-5%
Others	Others (incinerated/landfill)	t	1,247	+4%	
Others	CO ₂ emissions during transport	t	4,081	-4%	

Note: For more details about financial information, including the net sales figures used to calculate per-unit information, please refer to the *Kawasaki Report*, Kawasaki's integrated report, which combines financial and non-financial information.
https://global.kawasaki.com/en/corp/ir/library/annual_report.html

Total Energy (Heat Conversion) and CO₂ Emissions from Energy Sources (non-consolidated)



Waste Generation and Recycling Rate (non-consolidated)



Environmental data by business site and for Group companies is disclosed on Kawasaki's website and in the *Kawasaki Environmental Report*.

WEB Environmental Data (Environmental Data for Kawasaki/Environmental Data by Business Site/Environmental Data of Subsidiaries)
<https://global.kawasaki.com/en/corp/sustainability/environment/data.html>
Kawasaki Environmental Report 2020—Environmental Data
https://global.kawasaki.com/en/corp/sustainability/environment/20_houkokusyo.pdf

Disclosure in Line with the TCFD Recommendations

In September 2019, Kawasaki officially endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will further enhance disclosure to stakeholders, including disclosure of the risks and opportunities related to climate change in Kawasaki's businesses.

Kawasaki's analysis of its risks and opportunities related to climate change is as disclosed in *Kawasaki Environmental Report 2020*.

WEB Kawasaki Environmental Report 2020—Risks and Opportunities Related to Climate Change
https://global.kawasaki.com/en/corp/sustainability/environment/20_houkokusyo.pdf

Scope of Environmental Data

The scope of domestic and overseas consolidated subsidiaries covered by Kawasaki's environmental management is as disclosed in *Kawasaki Environmental Report 2020*.

WEB Kawasaki Environmental Report 2020—The Kawasaki Group Environmental Management Promotion Structure
https://global.kawasaki.com/en/corp/sustainability/environment/20_houkokusyo.pdf

Working with
Suppliers **M**

Management
Approach

Material Issues and Our Approach

Suppliers are valuable business partners of the Kawasaki Group in its business activities. It is essential that our procurement activities are conducted in line with our stance toward CSR, which includes consideration for compliance, human rights, labor issues, occupational safety and health, and the global environment. To this end, we must work in cooperation with not only the entire Group but also our suppliers to actively promote CSR activities throughout the supply chain.

Focus Activities and Medium-term Targets

We are committed to recognizing CSR risks throughout our supply chains and responding to the demands of our customers and society by working with our suppliers to advance our CSR activities.

● Goal for the MTBP 2019

- Carry out CSR procurement surveys of major suppliers in and outside Japan and increase their concern regarding CSR.

Progress, Results and Challenges

● Goal for Fiscal 2019

- Building on the revised CSR Procurement Guidelines and briefings held thus far, conduct a CSR procurement survey of major suppliers in Japan to understand their current CSR activities while working to raise awareness of Kawasaki Group CSR activities and CSR in general among suppliers.

● Fiscal 2019 Results

- Carried out a CSR procurement survey of major suppliers in Japan and secured responses from 480 companies
- Sent out a document titled “Toward the Further Promotion of CSR Activities Involving the Entire Supply Chain” to suppliers along with the following three documents to encourage them to engage in CSR initiatives
 1. Kawasaki Group Code of Conduct
 2. CSR Procurement Guidelines
 3. Kawasaki Group Human Rights Policy
- Held a briefing for suppliers of the Aerospace Systems Company’s Aerospace Division under the theme “CSR Activities to Be Undertaken in Tandem with Suppliers”
Note: Briefings for suppliers of other internal companies were conducted in fiscal 2018.

● Goals for Fiscal 2020

- Conduct a CSR procurement survey of major overseas suppliers like that conducted in fiscal 2018 to ascertain said suppliers’ current CSR activities while working to raise awareness of Kawasaki Group CSR activities and CSR in general among suppliers.
- Promote CSR procurement on a Group-wide basis by establishing various policies (e.g. material procurement policies and CSR procurement guidelines) that apply to the entire Kawasaki Group

Basic Policies for Material Procurement

● Kawasaki Group Policies for Material Procurement [Basic Policies]

The Kawasaki Group conducts procurement activities based on the Kawasaki Group Mission Statement, the encapsulation of the Group’s management principles.

Fair and Impartial Procurement

We will provide broad and impartial opportunities for our business partners and will make selections with integrity and in good faith after conducting comprehensive and fair evaluations of quality, price, delivery schedule, technological development capabilities and other such factors.

Relationships with Business Partners

The Kawasaki Group will take a long-term perspective as it strives to build relationships of trust with business partners based on mutual respect for one another’s vision and position with the aim of mutual enhancement of competitiveness and prosperity.

Compliance

We will observe related statutes and regulations as well as social norms. We will place information gained through procurements under appropriate controls and will take thoroughgoing measures to protect confidential information and prevent leaks.

Consideration for Human Rights, Labor and Occupational Safety and Health

We will advance procurement activities with consideration for human rights, the work environment and occupational safety and health.

Harmony with the Global Environment through Green Procurement

We will advance procurement with consideration for the global environment with respect to the materials used in products.

In addition, our Basic Policies for Material Procurement and the Policy Regarding Procurement of Conflict Minerals are disclosed on our website to inform business partners of our basic stance toward material procurement.

● Scope of Policy Application

The Kawasaki Group and our suppliers

WEB **Kawasaki Group Policies for Material Procurement**
https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/basic_policies.pdf
Policy Regarding Procurement of Conflict Minerals
<https://global.kawasaki.com/en/corp/sustainability/procurement/index.html>

Structure

Procurement activities in our daily operations are carried out under the responsibility and authority of each internal company or business division.

Once a year, the Procurement Division holds a cross-company Procurement Department Managers Meeting that Director in charge of procurement attends. At this meeting, participants follow up on the results for the previous year’s procurement-related KPIs set by each internal company or business division, share their activity plans for that fiscal year and decide on common Group-wide procurement measures and policies, including those related to CSR procurement.

Working with
Suppliers **M**

Performance Data

CSR Procurement

CSR Procurement Initiatives

The Kawasaki Group CSR Procurement Guidelines, which outline the Group's approach to CSR procurement and expectations for its suppliers, were prepared in 2020 as an upgrade of the Company's former CSR Procurement Guidelines established in 2012, and are published on the Company website. Additionally, in fiscal 2016, we conducted a survey of our domestic suppliers to assess their compliance with these guidelines. About 1,400 suppliers responded to the survey. Based on the results of the survey, we will execute measures to strengthen CSR efforts throughout our entire supply chain. In fiscal 2018, we carried out a similar survey of 65 major overseas suppliers and, in fiscal 2019, another of 480 major suppliers in Japan.

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

The basic agreements that Kawasaki forms with its suppliers include provisions recognizing the importance of corporate social responsibility on the part of both parties and stating that they will independently and proactively engage in business and social activities with due consideration given to the sustainable development of the environment and society. In fiscal 2020, we revised the aforementioned basic agreements to include clear provisions mandating that suppliers strive to comply with our CSR Procurement Guidelines. As a result, our collaboration with suppliers in terms of practicing CSR procurement is moving to a new level.

In addition, we hold lectures about CSR procurement as part of internal training for employees and are working to increase the CSR awareness of employees in relevant positions. Also, domestic and overseas Group companies that engage in material procurement disclose their CSR procurement policies on their websites in manners suitable to their specific businesses. Through such efforts, we pursue CSR procurement on a global and Group-wide basis. Going forward, the Kawasaki Group will continue to promote CSR initiatives throughout the supply chain in cooperation with its suppliers.



Kawasaki Group CSR Procurement Guidelines

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Supply Chain Risk Assessment

In fiscal 2016, Kawasaki conducted a survey of domestic suppliers to assess their compliance with our CSR Procurement Guidelines and received responses from roughly 1,400 suppliers. In fiscal 2018, we carried out a survey of major overseas suppliers (65 companies) to ascertain their current CSR activities. In fiscal 2019, we conducted a similar survey of major suppliers (480 companies) in Japan. Moving forward, we will implement measures to strengthen CSR efforts throughout the supply chain based on the results of these surveys.

Capacity Building and Incentives for Suppliers

The Kawasaki Group's six internal companies procure materials across a wide range of fields. Each internal company and business division provides training and implements recognition systems as needed to improve suppliers' quality and delivery performance.

Thorough Compliance in Materials Procurement

Each year, Kawasaki holds group workshops for Group procurement divisions to ensure compliance with procurement-related laws and regulations, particularly the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the Subcontractors' Act) and the Construction Industry Law. Of note, we maintain proactive measures not limited to procurement divisions to promote awareness and knowledge of the Subcontractors' Act, as outlined below.

- In October 2009, we published a collection of examples of Subcontractors' Act violations, citing actual cases in which other companies had contravened this law.
- In April 2013, we posted a checklist for compliance self-auditing pursuant to the Subcontractors' Act on the Company intranet. This checklist functions as a tool for checking and correcting administrative activities prone to violations of the Subcontractors' Act.
- Since fiscal 2011, we have held training sessions, mainly for design and manufacturing divisions at works and major affiliated companies. In fiscal 2019, these training sessions attracted 953 participants. To date, 6,889 people have attended the sessions.

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 take similar efforts in the CSR Procurement Guidelines.



Policy Regarding Procurement of Conflict Minerals

<https://global.kawasaki.com/en/corp/sustainability/procurement/index.html>

Kawasaki Group CSR Procurement Guidelines

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Human Rights Efforts in the Supply Chain

Efforts to Improve the Practices of Suppliers

Kawasaki has created the CSR Procurement Guidelines, which outline its expectations for its suppliers, with the aim of promoting CSR, including human rights considerations and the prohibition of forced labor and child labor, throughout the supply chain. 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 our CSR Procurement Guidelines. As such, we are asking our suppliers to step up their CSR initiatives, including those advocating for human rights, by conducting surveys of suppliers, hosting CSR-themed briefings, and updating the provisions of the basic agreements.



Kawasaki Group CSR Procurement Guidelines

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Product
Liability **M**

Management
Approach

Material Issues and Our Approach

As the Kawasaki Group's businesses involve the provision of many infrastructure products, ensuring that customers can use our products and services with confidence is a key management issue. The Kawasaki Group Code of Conduct includes a section titled "Quality and Safety of Products and Services" and states that we must provide high-performance, high-quality, safe products and services.

Focus Activities and Medium-term Targets

● Goals for the MTBP 2019

- Create quality assurance and product safety systems Group-wide.
- Zero product safety law violations.

Progress, Results and Challenges

Goals for Fiscal 2019

- Survey the internal companies and business divisions.
- Establish a Kawasaki Group quality assurance policy.
- Build a Group-wide system for thorough quality management.

● Fiscal 2019 Results

- Surveyed quality assurance structures in place at each internal company and business division using the Total Quality Management (TQM) method and assessed the actual level of quality assurance
- Initiated discussions to establish a Kawasaki Group quality assurance policy
- Held a Company-wide quality meeting to ensure information sharing throughout the Group and facilitated quality assurance activities
- Recorded zero product safety law violations

● Goals for Fiscal 2020

- Continue using the TQM method to conduct surveys to determine actual levels of quality assurance.
- Establish a Kawasaki Group quality assurance policy.
- Periodically hold Company-wide quality meetings to facilitate information sharing and quality assurance activities while developing a robust Company-wide structure for quality management education.

Product Quality and Safety Policy

The Kawasaki Group Code of Conduct includes a section titled "Quality and Safety of Products and Services" and states that "we must provide high-performance, high-quality, safe products and services."

● Scope of Policy Application

The Kawasaki Group



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

Structure

We have established TQM Department within the Corporate Technology Division to advance quality control assurance at the Group-wide level. We have also established divisions responsible for quality control within the internal companies and business divisions to advance quality assurance activities within the internal companies.

● Responsible Officer

Sukeyuki Namiki, Representative Director, Vice President and Senior Executive Officer (in charge of TQM)

● Responsible Executive Organ and/or Committee

We are formulating policies and plans for building and reinforcing a Group-wide TQM system that will include regular quality assurance activities.

Product
Liability **M**

Performance Data

Quality and Safety Management

The internal companies and business divisions are reassessing their internal product safety rules to ensure that their product safety processes are compliant with the international standard ISO 12100. Doing so will better enable design divisions to carry out risk assessments and implement risk reduction measures appropriate to the magnitude of risks identified from the design stage.

● Basic Safety Standards: Basic concepts applied to all types of machinery

- ISO 12100 Safety of machinery—General principles for design—Risk assessment and risk reduction

● Generic Safety Standards: Applied across a wide range of machinery

- ISO 13849-1 Safety of machinery—Safety-related parts of control systems—Part 1: General principles for design
- IEC 62061 Safety of machinery—Functional safety of electrical, electronic and programmable electronic control systems
- IEC 60204-1 Safety of machinery—Electrical equipment of machines—Part 1: General requirements
- IEC 61000-6-4 Electromagnetic compatibility (EMC)—Part 6-4: Generic standards—Emission standard for industrial environments
- IEC 61000-6-2 Electromagnetic compatibility (EMC)—Part 6-2: Generic standards—Immunity for industrial environments

● Machine Safety Standards: Detailed safety requirements for a particular machine or group of machines

- ISO 10218-1 Robots and robotic devices—Safety requirements for industrial robots—Part 1: Robots

Quality and Safety Education and Awareness Raising

We hold information meetings on machinery safety and risk assessment seminars for technical divisions of the internal companies and business divisions, which are at the frontlines of realizing machine safety, to ensure that the idea and practice of machine safety reaches all affected employees.

Quality and Safety Violations and Actions Taken

We monitor the status of quality- and safety-related incidents throughout the Company, including those involving violations of laws and regulations, while regularly confirming whether necessary countermeasures are being implemented. Findings gleaned from these activities are utilized to update our quality management structure.

ISO 9001 Certification Status

Kawasaki acquires ISO 9001 certification at the internal company level.

- Ship & Offshore Structure Company: Certified (general merchant ship, offshore structures and AUV business)
- Rolling Stock Company: Certified
- Aerospace Systems Company: Certified (JIS Q 9100 for aerospace and jet engine business)
- Energy System & Plant Engineering Company: Certified (plant, energy and marine business)
- Motorcycle & Engine Company: Certified (small engine business)
- Precision Machinery & Robot Company: Certified (also certified under the automotive industry standard IATF 16949 for the gas valve business)

In addition, 14 of the 19 overseas production sites are certified under the ISO 9001 quality management standard.



ISO 9001 Certification Status of Kawasaki Group's Overseas Production Sites

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/ISO9001_survey.pdf

Policy on Defense-related Businesses

Initiatives to Prevent Human Rights Infringements in Defense-related Businesses

Aware of the CSR obligations attendant to involvement in national security-related businesses, we formulated corporate ethics-based in-house rules regarding the provision of products and services. In addition to ensuring compliance with laws and regulations associated with security trade and export control, these corporate ethics-based rules are designed to help employees judge the propriety of how purchasers put our products and technologies to actual use and thereby prevent such products and technologies from being used in unintended manners.

Furthermore, the Kawasaki Group Code of Conduct states that “We do not provide products and technologies for unethical purposes of use” and requires that Group members be aware of the ethical responsibilities associated with the provision of Group products and technologies.



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

Net Sales by Defense-related Businesses (consolidated global)

	(FY)	2015	2016	2017	2018	2019
Net sales	(Millions of yen)	227,333	236,861	237,737	216,989	256,839
Percentage of total net sales	(%)	14.8	15.5	15.1	13.6	15.6

Customer Relationship Management

Management Approach

Material Issues and Our Approach

The Kawasaki Group offers a vast variety of products to a wide range of domestic and international customers. The Group's products range from transportation equipment, such as ships, rolling stock and aircraft, to industrial machinery, such as gas turbines, engines, robots and industrial plants, and also include leisure products, such as motorcycles. A critical aspect of our business is to reflect our customers' demands in our products as quickly as possible.

The Kawasaki Group's six internal companies form a unique customer relationship management (CRM) structure, wherein they share information in order to reflect in product designs and after-sales services as needed.

Focus Activities and Medium-term Targets

Because our lineup of products is highly diverse, and because of the differences between our B-to-B and B-to-C businesses, we base our business activities and goal setting for winning the confidence of our customers on the specific characteristics of each business. Key Group-wide activities are aimed at establishing and improving feedback systems. The Marketing Division reaches out to the internal companies and business divisions to gather feedback from customers and follow up on measures intended to enhance customer satisfaction. In the course of doing so, it also shares information and seeks to boost awareness of customer relationship management.

● Goal for the MTBP 2019

- Further enhance each internal company and business division's awareness of customer engagement.

Progress, Results and Challenges

We have set up a contact page on our website that customers and other stakeholders can use to communicate their views to the Company.

Since fiscal 2013, the Marketing Division follows up with business divisions on the status of web surveys, questionnaires, and interviews associated with customer satisfaction on a yearly basis (in principle).

● Goal for Fiscal 2019

- Roll out customer satisfaction improvement initiatives at all internal companies (once every three years after fiscal 2020).

● Fiscal 2019 Results

- Strove to enhance customer engagement via the sharing of CRM-related priority issues, which need to be addressed from the ESG perspective, between the Motorcycle & Engine Company and the Precision Machinery Business Division

● Goal for Fiscal 2020

- Roll out customer satisfaction improvement initiatives at Energy System & Plant Engineering and Rolling Stock companies.

Customer Relationship Management
Performance Data

Customer Satisfaction

Customer Satisfaction Survey

The Kawasaki Group's six internal companies supply products to customers across a wide range of fields. Since customer characteristics and business practices vary widely from business to business and product to product, each internal company or business division works to understand their customers' level of satisfaction using methodologies that best suit their businesses.

Business units with many regular or ongoing customers conduct customer satisfaction surveys over time to monitor changes in satisfaction and use these findings to make necessary improvements. The Motorcycle & Engine Company's customers include consumers. As such, in addition to direct interview-style questionnaires, the company uses online surveys to measure the satisfaction of large numbers of customers around the world.

Responding to Customer Feedback and Complaints

Because customer characteristics and business practices vary widely from business to business and product to product, each internal company and business division responds to customer feedback and complaints in ways that best suit their businesses. For example, the Motorcycle & Engine Company handles feedback and complaints from customers in Japan at a customer consultation office, centrally manages the information gleaned from such offices and uses it to inform product development. The company has a similar system in place overseas.

Customer Information Management

Because customer characteristics and business practices vary widely from business to business and product to product, each internal company and business division manages customer information in ways that best suit their businesses.

Online Strategy

Because customer characteristics and commercial practices vary widely from business to business and product to product, each internal company and business division provides services in ways that best suit their businesses. At the Group-wide level, we are using social media to provide information about the Group.

The Motorcycle & Engine Company is working to increase customer satisfaction using services provided through "RIDEOLGY THE APP", an official smartphone application that links to supported motorcycle models.

Corporate Promotion

Responsible Corporate Promotion

The Kawasaki Group seeks to accurately communicate the content of its business activities, which are based on its corporate philosophy, to stakeholders. To this end, we carefully check information prior to disclosure from various stakeholder perspectives, including checks for factualness and potential legal issues. Furthermore, we endeavor to avoid using specialized terminology or expressions likely to be misunderstood. We utilize such media as press releases, Group websites, social media, corporate promotional publications and advertisements, selecting the form to use with due regard to how it impacts society. We engage in corporate promotion with a constant awareness of not only of increasing the public awareness of the Group, but also the need to communicate the Group's contributions to solving social issues through its businesses and products.

Advertisement Violations and Actions Taken

There were no violations of laws pertaining to advertising in fiscal 2019.

Human Resource Management

Our Basic Stance

Our employees constitute the fundamental component supporting the Kawasaki Group's product technologies and the success of the projects it undertakes.

Therefore, Kawasaki sees employees as its most important asset for achieving its Group Mission—"Kawasaki, working as one for the good of the planet"—and business targets.

With this in mind, our Mission Statement enshrines the Kawasaki Group Management Principles, which state that "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." Specifically, in line with the core principle of respect for the life and health of human beings, we strive to create environments where diverse human resources are able to energetically work with a sense of pride, safety and security.

Structure

● **Personnel-related Structures**

Company-wide policies on human resource development and utilization with significant potential impact on corporate management are discussed and reviewed at the Company-wide HR Committee. With the president as its presiding officer, the Company-wide HR Committee comprises primarily internal company presidents. The committee discusses and reviews matters regarding 1) cultivating corporate managers, 2) the application of human resources in key strategies and 3) the assignment of human resources to new business and new product operations.

In addition, the Head Office Human Resources Division maintains various meetings and committees in which division managers in charge of human resources and labor at the internal companies and business divisions convene to gather views and opinions on the drafting of detailed of human resource initiatives and communicate Company-wide policies.

● **Human Resource Committees and Meetings**

Body	Purpose	Attendees	Meeting frequency
Company-wide HR Committee	To discuss and consider Company-wide policies on human resource development and related matters with the potential to significantly impact corporate management	<ul style="list-style-type: none"> President, Vice President, and Internal Company President General Manager of the Corporate Technology Division General Manager of the Corporate Planning Division General Manager of the Head Office Human Resources Division 	As needed
Meeting of managers in charge of personnel & labor administration sections*	To share information on policy and operations related to personnel & labor administration	<ul style="list-style-type: none"> The Head Office Human Resources Operation Department (host) Managers of personnel & labor administration sections of internal companies and business divisions, and offices Managers of personnel & labor administration section of Group companies Related departments 	Four times a year
Meeting of managers in charge of human resources	To exchange views about and discuss the operations of human resource departments	<ul style="list-style-type: none"> The Head Office Human Resources Department (host) Managers of personnel & labor administration sections of internal companies and business divisions, and offices 	As needed (approximately twice a year)
Meeting of managers in charge of human capital development	To exchange views about and discuss the operation of human capital development departments	<ul style="list-style-type: none"> The Head Office Human Capital Development Department (host) Managers in charge of human capital development of internal companies and business divisions, and personnel & labor administration section of offices Managers of human capital development sections of the Group companies 	Twice a year
Meeting of managers in charge of labor administration	To exchange views about and discuss the operation of labor administration departments	<ul style="list-style-type: none"> The Head Office Labor Administration Department (host) Managers of personnel & labor administration sections of internal companies and business divisions, and offices 	Twice a year
Meeting of managers in charge of safety & health management	To exchange views about and discuss the operation of safety & health management departments	<ul style="list-style-type: none"> The Head Office Safety & Health Management Department (host) Managers of the safety & health management section of each business location 	Four times a year

* Meetings of managers serve as venues for discussion, while the Company-wide Meeting of the Head Office Human Resources Division serves as a venue for sharing information and communicating policy.

● **Responsible Officers**

Kouzou Tomiyama, Executive Officer, General Manager, Human Resources Division
 Company-wide HR Committee: Yasuhiko Hashimoto, Representative Director, President and Chief Executive Officer
 Other various HR meeting bodies: Managers from the Head Office Human Resources Division

● **Responsible Executive Organ and/or Committee**

Company-wide HR Committee

Vision for Our People and Organization under the MTBP 2019

In line with the MTBP 2019, we have identified a vision for our people and organization as described below. This vision is aimed at making effective use of human resources with an eye to total business portfolio optimization, maximizing results by improving productivity and realizing value creation by bringing together diverse insights.

● **Respond to changes in the environment by proactively changing and continuously taking on new challenges**

● **Implement effective ways of working to maximize results**

● **Realize self-directed, strong individuals and dynamic, cohesive organizations**

To achieve this vision, we will rally wide-ranging efforts, including human resource strategies, to transform the Company organization and culture in addition to implementing K-Win Activities (short for Kawasaki Workstyle Innovation Activities) and promoting diversity.

For the detail of K-Win Activities, please refer to Work-Life Balance (page 89) under the section titled Securing and Retaining Human Resources.

Human Resource-Related Priority Issues to Be Addressed in K-Win Activities

● **Organizational Transformation: Reconstruct cross-organizational functions and management systems for total optimization**

- Develop succession plans for the next generation of management leaders

For more details, please refer to Human Resource Development (page 79).

● **Mindset Transformation: Establish a culture to face evolving challenges**

- Promote diversity to foster open communication incorporating diverse insights and human resources from in and outside the Company
- Establish personnel systems to emphasize speed and positive, ambitious change

[Example Initiatives]

- Enabling greater Company-wide mobility of human resources and the mingling of insight from in and outside the Company
- Checking organizational soundness using surveys and promoting intra-workplace communication using organizational development methods
- Building relationships of trust between managers and subordinates through one-on-one meetings and promoting appropriate career formation
- Developing a corporate culture that promotes taking on challenges and learning from failure

For more details, please refer to Diversity (page 72) and Securing and Retaining Human Resources (page 84).

● **Operational Transformation: Make structures leaner through effective, efficient business operations**

Standardize and concentrate operations to increase quality and speed

[Example Initiatives]

- Workstyle reforms and initiatives to analyze and improve work processes
- Digitize and streamline administrative work, such as accounting and personnel functions
- Improving workplace environments by introducing remote work systems
- Improving efficiency of email and meetings

For more details, please refer to Securing and Retaining Human Resources (page 84).

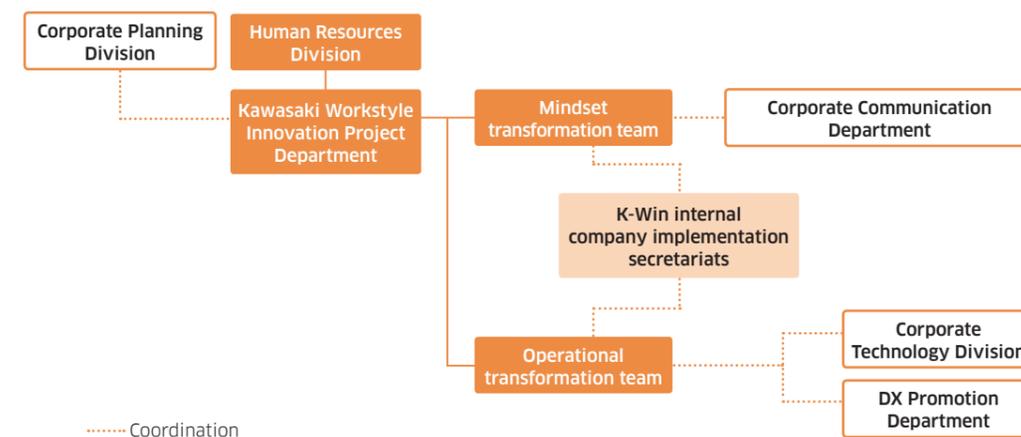
Structure

We have formed an Implementation Secretariat for K-Win Activities, primarily comprising the Human Resources Division's Kawasaki Workstyle Innovation Project Department. Two teams operate under the Implementation Secretariat: a mindset transformation team and an operational transformation team. These teams are responsible for the following activities:

- Mindset transformation team: Promoting awareness of the Group Vision 2030, fostering exchange in and outside the Company to promote the diversity of knowledge, nurturing a culture of encouraging taking on challenges and acknowledging and learning from failure, and building an open organizational and corporate culture
- Operational transformation team: Realizing new workstyles for the "new normal," the world with COVID-19, increasing productivity (promoting effective work methods in terms of maximizing results and judicious task selection, and promoting efficient work methods in terms of minimizing required inputs)

Additionally, implementation secretariats have been established at the internal companies and works to promote workstyle reforms across the Company. The Head Office K-Win Implementation Secretariat and the implementation secretariats at internal companies and works hold the Company-wide K-Win Implementation Secretariat Conference to share information and promote workstyle reform implementation.

K-Win Implementation Structure



● **Responsible Officer**

Takaaki Kitabayashi, Manager, Kawasaki Workstyle Innovation Project Department, Human Resources Division

● **Responsible Executive Organ and/or Committee**

K-Win Activities Implementation Secretariat

Kawasaki Report 2019- Human Resource Strategies and Transforming the Company Organization and Culture/K-Win Activities
https://global.kawasaki.com/en/corp/sustainability/report/environmental/pdf/19_houkokusyo_19.pdf
Kawasaki Report 2020- Special Features Human Resources Strategies
https://global.kawasaki.com/en/corp/sustainability/report/2020/pdf/20_houkokusyo_13.pdf

Diversity

Management
Approach**Material Issues and Our Approach**

Today, developed countries, including Japan, are facing a looming sense of anxiety arising from the lack of labor force due to an ongoing decline in population. In addition, a growing number of businesses seek to expand globally as they confront increasingly intensive international competition. Moreover, people's views regarding careers and working styles have become more diverse than ever before. Against this backdrop, helping employees fully realize their diverse competencies will be crucial to the Kawasaki Group's efforts to sustainably improve its enterprise value. We must also create an organization designed to maximize our human resource capabilities. Based on this recognition, we are proactively implementing various initiatives to promote diversity.

Focus Activities and Medium-term Targets

Our diversity initiatives center on "allowing employees to embrace diverse working styles to help them strike an optimal work-life balance," "promoting the active participation of women," "facilitating the employment of people with disabilities," "extending support for the next generation and those engaging in nursing care" and "promoting the active participation of non-Japanese nationals." Furthermore, in an effort to expand the scope of these initiatives, we aim to create an LGBT-friendly work environment and, to this end, are focusing on pushing ahead with various measures and employee awareness campaigns. Proactively undertaking diversity initiatives, we are thus fostering an inclusive corporate culture that respects diversity and empowers all employees to work energetically. We expect that these initiatives will, in turn, help us enhance our corporate competitiveness.

● Goals for the MTBP 2019

- Decrease the voluntary turnover rate for female employees in administrative and technical positions to 1.4% (fiscal 2016–2018 average: 2.8%).
- Increase options designed for LGBT employees.
- Hold presentations for senior managers and section managers on timely, diversity-related topics.

Progress, Results and Challenges**● Goals for Fiscal 2019**

- Implement measures to promote the retention and success of women, non-Japanese nationals, people with disabilities and other minorities within the Group.
- Foster LGBT-friendly work environments and revise internal systems to allow employees to make choices that align with their gender identity.
- Enhance education for managers to foster workplaces where all employees can work with enthusiasm and pride.

● Fiscal 2019 Results

- Held seminars for female and non-Japanese national employees
- Reviewed the content of training sessions for senior managers and managers, increasing the focus on diversity & inclusion with the aim of creating a work environment in which everyone can work with confidence
- Established a policy on ensuring equality for LGBT individuals and launched fresh efforts to create an even more inclusive work environment for these individuals
- Number of female managers: 57 (+8) (April 2020)
- Percentage of management positions held by women: 1.38% (+0.16 percentage points) (April 2020)
- Percentage of employees with disabilities: 2.52% (+0.07 percentage points) (March 2020)

Note: Figures in parentheses represent year-on-year changes.

● Goals for Fiscal 2020

- Establish a Company-wide policy on diversity.
- Implement measures to curb the number of voluntary resignations among women, non-Japanese nationals, people with disabilities, young employees and mid-career hires along with initiatives aimed at supporting their career success.
- Hold seminars, study sessions and other events to create an LGBT-friendly work environment.
- Practice organizational development activities at multiple workplaces to establish organizational development methods that are best suited to Kawasaki.

Our Basic Stance on Diversity

In order for the Kawasaki Group to achieve the sustainable improvement of its enterprise value, it is critical that all of the roughly 36,000 human resources who participate in its businesses around the world are empowered to take full advantage of their unique personalities, realize their full potential and vigorously engage in their daily operations, regardless of their nationality, gender, age, religion or disability. Accordingly, we will foster a corporate culture in which all employees respect one another based on a common understanding that others have different value systems and attributes. Doing so will facilitate the creation of unconventional ideas and new value, with the aim of accommodating increasingly diverse customer requests.

In addition, the Kawasaki Group Code of Conduct makes it clear that we will strive to create a workplace environment that respects diversity among employees and empowers everyone to work energetically.



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

Structure

Within the Head Office Human Resources Division, we have in place the Diversity Promotion Section, which is tasked with various activities aimed at promoting diversity.

For details on our internal committees and relevant governance structures, please refer to Human Resource Management (page 69).

Diversity

Performance Data

Employee Breakdown

Number of Employees (non-consolidated)¹

		(FY)	2015	2016	2017	2018	2019	
Number of employees		Persons	15,911	16,162	16,423	16,899	17,218	
	Male	Persons	14,964	15,159	15,303	15,533	15,748	
		%	94.0	93.8	93.2	91.9	91.5	
	Female	Persons	947	1,003	1,120	1,366	1,470	
		%	6.0	6.2	6.8	8.1	8.5	
	Managerial staff		Persons	–	3,386	3,473	3,593	3,681
Male		Persons	–	3,362	3,445	3,549	3,630	
Female		Persons	–	24	28	44	51	
General employees		Persons	–	12,776	12,950	13,306	13,537	
	Male	Persons	–	11,797	11,858	11,984	12,118	
	Female	Persons	–	979	1,092	1,322	1,419	
Average age		Years old	38.3	38.1	38.4	39.3	39.4	
	Male	Years old	38.0	38.0	38.3	39.2	39.3	
	Female	Years old	39.9	39.9	39.9	40.9	40.9	
By age ²	29 and younger	Persons	3,775	3,867	3,870	3,826	3,703	
		%	23.7	23.9	23.6	22.6	21.5	
	Male	Persons	3,592	3,674	3,655	3,595	3,451	
		Female	Persons	183	193	215	231	252
	30 to 39	Persons	4,512	4,718	4,960	5,225	5,437	
		%	28.4	29.2	30.2	30.9	31.6	
Male	Persons	4,264	4,449	4,645	4,849	5,027		
	Female	Persons	248	269	315	376	410	
40 to 49	Persons	4,123	4,206	4,198	4,329	4,368		
	%	25.9	26.0	25.6	25.6	25.4		
Male	Persons	3,790	3,855	3,814	3,849	3,887		
	Female	Persons	333	351	384	480	481	
50 to 59	Persons	2,062	2,142	2,452	2,812	3,123		
	%	13.0	13.3	14.9	16.6	18.1		
Male	Persons	1,923	2,002	2,285	2,582	2,850		
	Female	Persons	139	140	167	230	273	
60 and above	Persons	1,439	1,229	943	707	587		
	%	9.0	7.6	5.7	4.2	3.4		
Male	Persons	1,395	1,179	903	658	533		
	Female	Persons	44	50	40	49	54	
By position	Director, Audit & Supervisory Board Member ³	Persons	16	17	17	17	16	
		Male	Persons	16	16	15	15	14
		%	100	94.1	88.2	88.2	87.5	
	Executive officer and above	Female	Persons	0	1	2	2	2
		%	0	5.9	11.8	11.8	12.5	
		Persons	23	27	24	24	25	
Male	Persons	23	27	24	24	25		
	%	100	100	100	100	100		
Female	Persons	0	0	0	0	0		
	%	0	0	0	0	0		

		(FY)	2015	2016	2017	2018	2019	
By position	Senior manager equivalent ⁴	Persons	776	820	869	917	987	
		Male	Persons	770	813	862	910	979
		%	99.2	99.1	99.2	99.2	99.2	
	Female	Persons	6	7	7	7	8	
		%	0.8	0.9	0.8	0.8	0.8	
		Persons	2,402	2,402	2,456	2,461	2,470	
Manager equivalent	Male	Persons	2,389	2,385	2,435	2,427	2,431	
	%	99.5	99.3	99.1	98.6	98.4		
	Female	Persons	13	17	21	34	39	
%	0.5	0.7	0.9	1.4	1.6			
Assistant manager equivalent	Persons	1,823	1,795	1,873	2,147	2,074		
	Male	Persons	1,745	1,708	1,769	2,034	1,952	
	%	95.7	95.2	94.4	94.7	94.1		
	Female	Persons	78	87	104	113	122	
	%	4.3	4.8	5.6	5.3	5.9		

1. Number of employees as of the fiscal year-end (includes temporary employees).

2. Percentage figures will not necessarily add up to 100% as they are rounded up to the first decimal point.

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

4. Senior Manager equivalents include positions up to associate officer.

Number of Employees (consolidated global) *

		(FY)	2015	2016	2017	2018	2019
Total employees		Persons	34,605	35,127	35,805	35,691	36,332
	Domestic group	Persons	25,897	26,348	26,747	26,171	26,616
		%	74.8	75.0	74.7	73.3	73.3
Overseas group	Persons	8,708	8,779	9,058	9,520	9,716	
	%	25.1	25.0	25.3	26.7	26.7	
By region	Japan	Persons	25,897	26,348	26,747	26,171	26,616
		%	74.8	75.0	74.7	73.3	73.3
	Europe	Persons	685	681	704	750	734
		%	2.0	1.9	2.0	2.1	2.0
	Americas	Persons	3,447	3,469	3,557	3,639	3,921
		%	10.0	9.9	9.9	10.2	10.8
	Asia	Persons	4,576	4,629	4,758	5,092	5,023
		%	13.2	13.2	13.3	14.3	13.8
	Australia	Persons	Included in Asia		39	39	38
		%			0.1	0.1	0.1

* Number of employees as of fiscal year-end.

Promoting the Employment and Active Participation of Non-Japanese Nationals

Kawasaki launched a regular hiring program for non-Japanese new graduates in fiscal 2012 and continues to recruit from countries around the globe, including Korea, China, Sweden and India. To improve communication between non-Japanese employees and their supervisors and co-workers, as well as to enable supervisors and co-workers to better understand non-Japanese employees who have different educational, cultural and other backgrounds, Kawasaki creates and distributes guidebooks for workplaces that non-Japanese employees will be joining and organizes seminars on multicultural understanding for supervisors as well as training programs to help employees from other countries understand the Japanese business environment.

Number of Foreign National Employees (non-consolidated)

		(FY)	2016	2017	2018	2019	2020
Number of foreign national employees*	Persons	29	34	35	36	35	

* As of April 1 of each fiscal year. Administrative and technical personnel only.

Promoting the Active Participation of Women

Kawasaki's efforts to promote the active participation of women begin with proactive hiring. The number of women employed and the number in managerial positions have been increasing year by year. Particularly with respect to hiring, about 30 percent of new college graduates in administrative positions are women.

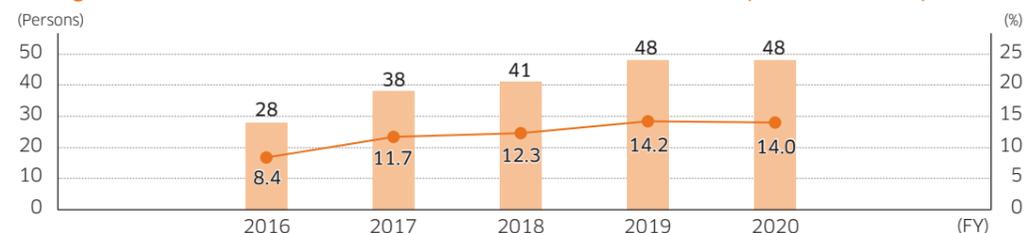
To promote the retention and career success of women, we hold seminars for managers of workplaces to which female employees are assigned for the first time to help them understand how to nurture such employees over the medium to long term. We also host joint seminars with other companies to incorporate insights from external role models on how to help women achieve personal growth.

In recognition of these efforts, in 2016 Kawasaki received Eruboshi (2nd level) certification in recognition of outstanding efforts in promoting the active participation of women in the workplace. The Eruboshi system uses a three-level scale to evaluate companies' achievements in five areas: 1) hiring, 2) continued employment, 3) working hours and other conditions, 4) ratio of female managers and 5) diverse career paths. Kawasaki has met the conditions for certification in areas 1), 2), 3) and 5).



Kawasaki's page in the Ministry of Health, Labour and Welfare's database of companies promoting the active participation of women (Japanese only)
<http://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=2392>

New Graduate Female Hires for Administrative and Technical Positions* and Percentage of Women among All New Graduate Hires for Administrative and Technical Positions (non-consolidated)



■ New graduate female hires for administrative and technical positions (left scale)
 ● Percentage of women among all new graduate hires for administrative and technical positions (right scale)
 * As of April 1 of each fiscal year.

Number of Women in Managerial Positions^{1,2} (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Number of women in managerial positions	Persons	26	29	43	49	57

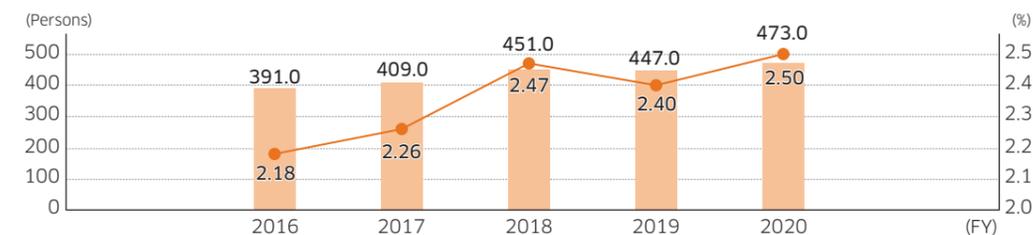
1. As of April 1 of each fiscal year.
 2. Section head or above. Figures include staff on external postings and staff on leave.

Promoting Participation by People with Disabilities

We are committed to hiring more people with disabilities, and they participate in a wide range of workplaces. 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.

Kawasaki Heartfelt Service Co., Ltd. was recognized as the ninth Japanese company to receive the Certification of Company Fostering Active Participation of Persons with Disabilities on March 29, 2018 for promoting the active and ongoing employment of persons with disabilities, as well as its progressive efforts towards providing working environments that support their long-term employment.

Employees with Disabilities^{1,2} and Percentage of Employees with Disabilities (Kawasaki and Kawasaki Heartfelt Service Co., Ltd.)



■ Employees with disabilities (left scale)
 ● Percentage of employees with disabilities (right scale)
 1. As of June 1 of each fiscal year.
 2. People working short hours are accounted for at a factor of 0.5 persons. One person with a severe disability is counted as two persons.

Employing Seniors

Kawasaki extended its mandatory retirement age well before such changes were mandated by the amended Older Persons' Employment Stabilization Law. We extended the retirement age of general employees from 60 to 63 in April 2006, and then to 65 in April 2019. In addition, we have adopted a Pro-Senior System, under which interested employees in management positions can, in principle, be re-hired until the age of 65. These initiatives allow many veteran employees to remain involved in active operations where they can use their accumulated experience and pass down their skills. Employees approaching age 55 are invited to participate in a Lifestyle Design Awareness Seminar, where they can learn more about our programs for postponed retirement and reemployment and consider their post-reemployment lifestyle options.

Number of Reemployed Persons (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Number of reemployed persons	Persons	214	243	183	140	64

Remuneration

Average Annual Remuneration (non-consolidated)

		(FY)	2015	2016	2017	2018	2019
All employees	Millions of yen	–	7.4	7.1	7.1	7.2	
	Male	Millions of yen	–	7.5	7.2	7.2	7.3
	Female	Millions of yen	–	5.4	5.2	5.2	5.3
Average for managerial staff (basic pay only)	Millions of yen	–	7.6	7.6	7.6	7.6	
	Male	Millions of yen	–	7.6	7.6	7.6	7.6
	Female	Millions of yen	–	7.3	7.2	7.0	7.1
Average for managerial staff (basic pay plus bonuses, etc)	Millions of yen	–	12.1	11.4	11.3	11.4	
	Male	Millions of yen	–	12.1	11.4	11.4	11.4
	Female	Millions of yen	–	11.7	10.7	10.2	10.5
Average for general employees (basic pay only)	Millions of yen	–	4.4	4.5	4.5	4.6	
	Male	Millions of yen	–	4.5	4.5	4.6	4.6
	Female	Millions of yen	–	3.7	3.7	3.7	3.8

Other Initiatives

Diversity Symbol

Kawasaki has adopted a diversity symbol. This symbol imagines Kawasaki as a tree, made up of a great number of diverse individuals. For this tree to grow healthily, its leaves and fruit becoming more colorful and rich, we who work at Kawasaki see value in expressing our diverse colors—our unique personalities and skills—and seek to do so together within Kawasaki to grow as individuals and as a company. This is the message conveyed by the diversity symbol.



Diversity Promotion Website

We have set up a diversity promotion website on the Company intranet. This website offers an overview of diversity at the Kawasaki Group alongside workplace examples and information about systems related to facilitating a healthy work-life balance.

Initiatives to Facilitate Employee Understanding of the LGBT Community

Aiming to create an LGBT-friendly workplace, we are striving to raise employee awareness by sending out messages from the president, holding in-house seminars, issuing an *LGBT handbook* to be used in employee education, distributing the “Kawasaki LGBT ALLY Mark” to help employees express their support of LGBT individuals and participating in relevant external events. Moreover, 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.



In addition, Kawasaki Heavy Industries introduced rules on the registration of same-sex partners in fiscal 2020. Based on these rules, employees who have same-sex partners and meet prescribed conditions are now deemed legally married and treated as such. In this way, we are endeavoring to develop a structure to advocate for equal rights for LGBT individuals both at their workplaces and in their private lives.

External Collaboration

To accelerate social shifts related to diversity and work-life balance, we proactively look beyond the framework of the Company to encourage employees to participate in outside seminars and advance activities together with other organizations and companies. One example is a work-life balance and diversity promotion study project being jointly implemented by the Chuo University Graduate School of Strategic Management and private companies. This project broadly promotes the concept of healthy work-life balance in society through surveys and research. Kawasaki has taken part in the project since 2013, serving as a model company by implementing such internal measures as work-life balance training for managers. We are also a member of the Diversity Western-Japan Study Group. In this group, diversity officers at companies in the Kansai region meet to share ideas and good examples of diversity in action and advocate for diversity-related measures within their companies and to the government.

Human Resource Development

Management Approach

Material Issues and Our Approach

In order for the Kawasaki Group to achieve sustainable growth and development, all employees must efficiently, effectively and completely achieve specific targets assigned to them based on their respective positions in line with corporate policies and Company-wide actions. As the pace of change in the external environment is faster than ever, it is also essential that we nurture human resources capable of proactively changing and continuously taking on new challenges.

Focus Activities and Medium-term Targets

We aim to nurture individuals equipped with sophisticated expertise and wide-ranging experience. To this end, we will systematically nurture future leaders, including executive candidates, while strengthening project risk management and developing global human resources.

● Goals for the MTBP 2019

- Build electrical skills training programs and create and implement new training.
- Steadily implement succession plans aimed at systematically nurturing future executive candidates (job rotation, reinforcing training, etc.).
- Implement early leader training and suitability reviews (utilize multifaceted observation surveys).
- Introduce a training management system and shift from focusing on group training to optimized learning modes, including e-learning, text-based study and group training.

Progress, Results and Challenges

● Goals for Fiscal 2019

- Foster human resources with electrical skills in line with business strategy.
- Implement systematic executive development.
- Reinforce management.
- Introduce operational reforms to training (utilizing IT).

● Fiscal 2019 Results

- Formulated electrical skill training programs for young employees (via temporary transfer to the Corporate Technology Division; launched in fiscal 2020)
- Enhanced human resource development programs targeting manager equivalents to nurture executive candidates via the launch of the “Globiz” online program (with seven individuals currently undergoing these programs)
- Held new seminars themed on multifaceted observation and feedback for those in senior manager positions or higher (a total of 12 occasions)
- Completed the basic design of a training management system and initiated program development

● Goals for Fiscal 2020

- Step up the development of human resources with electrical skills (e.g. strengthen training for mid-level engineers to help raise their technological capabilities).
- Strengthen training for executive candidates (e.g. review the existing structure for nurturing executive candidates).
- Strengthen management capabilities of organizational managers (e.g. review the former senior manager training).
- Develop human resource development platforms (e.g. complete the development of a training management system and put the system into actual use).

Human Resource Development Policy

In order for us to continue our business and grow in the 21st century as a global corporation, all of our employees must efficiently, effectively and completely achieve specific targets in line with our corporate policies and Company-wide actions.

It is the “people” who use their minds and act to achieve specific goals, so the development and invigoration of human resources is the most critical factor for the growth and advancement of a company. In accordance with our basic recognition that human resources are the core of Kawasaki’s growth and that they develop through their work, we abide by the following basic views regarding human resources:

- We carry out human resource development to grow our corporate performance, and improve our employees’ capabilities as well as their purpose in life.
- OJT (on-the-job training), self-development and rotation are the foundations of human resource education.
- Off-JT is provided to support these activities in ways where the results of Off-JT can be practically applied in the workplace.
- The line manager is responsible for human resource education.
- Human resource education is to be conducted on an individual basis in a planned manner and on an ongoing basis.
- Opportunities for developing one’s abilities are provided to all employees from the time they are newly employed up to the time of their retirement.

Desirable Employee Attributes

We provide consistent training and development programs for all different staff grades with the aim of realizing the ideal six human resource attributes as defined in our Mission Statement. These attributes are:

- (1) actively involved around the world;
- (2) solving issues for customers and the community;
- (3) leading reforms and innovation;
- (4) taking technology to new heights;
- (5) demonstrating comprehensive capabilities; and
- (6) always maintaining a profitability perspective.

Structure

We have in place the Human Capital Development Department within the Human Resources Division. Also, common Group-wide education and training, such as level-specific development for junior employees, top management or other levels and training to foster globally capable human resources, is planned and executed by the Head Office Human Resources Division. In addition, the internal companies and business divisions each plan and execute education and training related to the particular abilities and skills required in their respective areas of business.

For details on our internal committees and relevant governance structures, please refer to Human Resource Management (page 69).

Human Resource Development Performance Data

Human Resource Development Programs

Reinforce the Management and Business Execution Capabilities of Employees (Administrative and technical training)

In the execution of routine duties, we utilize communication opportunities, especially the operational goal sharing program GMK—which takes its name from the Japanese *gyomu mokuhyo kyoyuka* (sharing business targets)—and semiannual one-on-one meetings between supervisors and subordinates, to foster skills development through the achievement of operating goals.

During their first three years of employment, employees in administrative and technical positions receive a combination of structured OJT based on a mentoring program and a range of training content designed to help young employees develop their capabilities as quickly as possible.

Furthermore, programs designed for training managerial candidates are provided, including the Kawasaki management seminars and Kawasaki executive coaching programs; seminars for managers and section heads to enhance the capabilities of middle management; and multi-faceted observational surveys to build awareness of one’s strengths and areas that require improvement. Such initiatives serve to strengthen middle management and develop the skills of candidates for management positions.

Performance of Major Grade-specific Training Programs Held by Head Office (consolidated domestic; exceptions apply)

	(FY)	2015	2016	2017	2018	2019
New employee training	Participants	–	332	325	338	338
	Total hours	–	14,608	14,300	14,872	14,872
Training for new section managers	Participants	–	95	91	91	125
	Total hours	–	7,600	7,280	5,533	7,843
Training for new division managers	Participants	–	40	44	50	48
	Total hours	–	2,240	2,464	2,464	2,700
Kawasaki executive coaching program	Participants	–	9	9	9	9
	Total hours	–	1,152	1,152	1,152	1,152
Kawasaki management seminars	Participants	–	34	51	23	–*
	Total hours	–	136	204	81	–

* Canceled in fiscal 2019 to prevent the spread of COVID-19

Strengthening On-site Capabilities (Training for Production Specialists)

In the area of production specialist training, we are promoting the transmission and enhancement of front-line production skills through a variety of programs, including the Skills and Qualification Early Acquisition Incentive Program for younger employees and the Grand Master System, in which production specialists with a high level of special expertise are recognized as grand masters and work to systematically pass down their skills to younger employees. In fiscal 2020, 6 new grand masters have been recognized, bringing the current total of active grand masters to 19.

In addition, we also participate actively in outside skills competitions. At the Hyogo Monozukuri (production) Skill Competition held in October 2019, Kawasaki employees took second place in the welding category as well as first place in the lathe category in the younger workers’ skills division, while in the advanced skills division, one of our employees took second place in the lathe category.

To reinforce the leadership of production site supervisors, we provide site manager training and team leader training. For young employees, we provide basic training programs on KPS* and quality control in which they learn about Kawasaki’s production systems.

* KPS: The Kawasaki Production System, a proprietary production system developed by Kawasaki.

Other Initiatives to Strengthen On-site Capabilities

● Technical Skill Contest

In recent years, with Japan’s baby boomer generation retiring in great numbers, ensuring that their skills are passed down to the next generation has become a pressing issue, and Kawasaki is focusing efforts on education and developing the skills of young employees. Every year, young employees from production sites in and outside Japan gather at the Akashi Works for the Technical Skill Contest to compete against one another using skills they have honed at their work sites. In fiscal

2019, young technicians from Japan and four other countries demonstrated their skills to the fullest, competing with and learning from each other. Going forward, we will continue such efforts to maintain and improve technical skills across the Group.

- **Creating Opportunities to Pass down Skills**
Aggressively promoting the transfer of technical skills to enhance production capabilities, the bedrock of our business activities, is essential. To this end, we opened *Takumi Juku*, a professional trade skills training center at the Harima Works, in 2012, and *Manabiya*, a manufacturing skills creation center at the Akashi Works, in 2014. Through synergies between existing skills training systems and the creation of opportunities to pass down technical skills, these centers are delivering results in terms of not only transferring skills, but also of acquiring new skills, quickly developing skills and instructors, and enabling employees to teach and improve one another's capabilities.

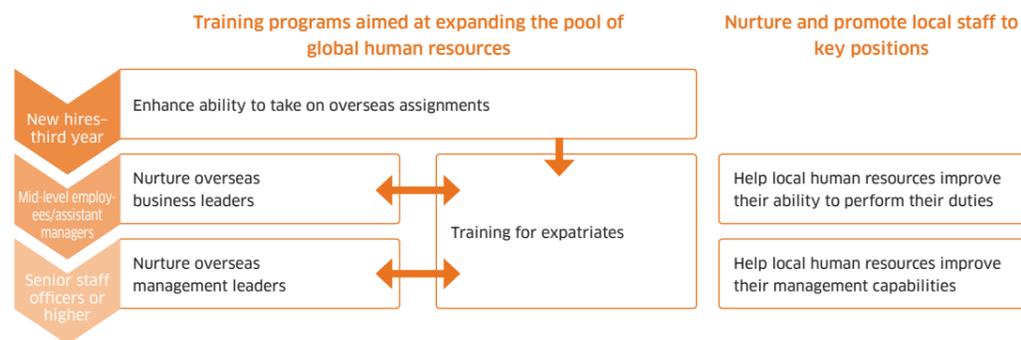
Developing Global Human Resources

Since 2008, we have been implementing measures for global human resource development aimed at supporting business expansion worldwide. Specifically, we provide global business talent seminars designed to promote a readiness to engage in business from a global perspective while imparting useful skills in addition to enhanced cross-cultural responsiveness training, which is designed to instill a practical and systematic understanding of differences in ever-diversifying value perceptions.

Furthermore, we work to enhance global human resource development, for example, offering an overseas internship system aimed at globalizing domestic human resources, an Asian business training program and training support for local engineering employees at overseas sites.

In fiscal 2018, we formulated the Kawasaki Bilingual Program, an English training program designed to assist self-motivated study. This represents yet another example of our efforts to develop an environment in which employees with career ambitions are supported by a diverse lineup of English training programs and empowered to pursue their goal of becoming global human resources.

● **Our Structure for Nurturing Global Human Resources**



● **Performance of Major Training Programs Associated with Global Human Resources Organized by Head Office (consolidated domestic; exceptions apply)**

	(FY)	2015	2016	2017	2018	2019
Global business talent seminars	Participants	–	39	39	33	16
	Total hours	–	2,964	2,964	1,584	872
Cross-cultural training	Participants	–	90	61	20	38
	Total hours	–	720	488	160	304
English skill series ¹	Participants	–	40	30	15	17
	Total hours	–	864	648	324	368
English writing series ²	Participants	–	36	32	39	37
	Total hours	–	576	512	624	956

Note: Language programs are also provided at each location.
 1. English skills series: Meeting-based (Reading aloud and practical exercises), presentation and negotiation training
 2. English writing series: Courses on technical writing and business writing

Project Manager Training

In recent years, we have seen a rise in project-oriented businesses with contracts for entire systems, including peripheral facilities, as opposed to standalone products. Accordingly, we introduced new training programs in fiscal 2016 to secure project managers able to execute such projects. The entire Group is working to enhance its project management capabilities, to this end holding Project Manager Seminars to which we invite individuals from inside and outside the company with previous experience in large-scale projects as lecturers to impart the know-how required to lead projects to success. In addition we have implemented an internal study program involving the transfer of employees to other internal companies to acquire experience in large-scale projects.

Nurturing Management Successors

We are nurturing human resources who can assume executive positions and contribute to the medium- to long-term enhancement of our enterprise value amid an increasingly harsh business environment. To this end, our pipeline of candidates encompasses an extensive scope of job ranks, ranging from assistant managers to executive officers, while our training programs are designed to address differing issues in light of their staff grades.

● **Kawasaki Executive Coaching Program**

We implement the Kawasaki Executive Coaching Program (spanning nine months per fiscal year) to nurture executive candidates capable of embodying our corporate philosophy. Individuals undergoing this program are selected from among senior manager equivalents. They participate in numerous group discussions among themselves while engaging in deliberations involving external lecturers and corporate managers from outside the Kawasaki Group. In addition to instilling expertise on corporate management, the program is thus designed to help them fully develop a real-life picture of corporate management duties at the Kawasaki Group, learn how overall optimization will contribute to resolving the management issues the Group is confronting and adopt a global business management viewpoint.

Amounts Invested in Human Resource Development

Education and Training Expenses (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Education and training expenses per employee	Yen/FTE*	38,000	33,000	33,000	35,000	34,000
Education and training hours per employee	Hours/FTE*	33	33	33	38	41

* FTE: Full-Time Equivalent

ROI from Human Resources (consolidated global)

	(FY)	2015	2016	2017	2018	2019
Sales (a)	Millions of yen	1,541,096	1,518,830	1,574,242	1,594,743	1,641,335
Sales expenses (b)	Millions of yen	1,445,099	1,472,869	1,518,317	1,530,720	1,579,272
Employee-related expenses (c)*	Millions of yen	163,385	158,303	158,070	161,131	161,460
ROI from human resources (a-(b-c)) /c	%	1.59	1.29	1.35	1.40	1.38

* Salaries, bonuses, and welfare expenses

Securing and Retaining Human Resources **M**

Management Approach

Material Issues and Our Approach

The sustainable enhancement of the enterprise value of the Kawasaki Group requires initiatives aimed at continuously securing human resources capable of advancing the Group's businesses as well as developing and fully utilizing their abilities. Based on this understanding, we are implementing a variety of measures to promote employee recruitment and retention, aiming to realize appealing workplaces that employees will want to stay in. The K-Win activities, which began in fiscal 2016 as workstyle reform initiatives, have expanded to encompass overall corporate innovation activities, becoming integrated with Group management. Through initiatives aimed at realizing highly productive workplaces where diverse employees can maintain a good work-life balance while creatively using their abilities to the fullest, we are working to create organizations that produce virtuous cycles of enterprise value enhancement.

Focus Activities and Medium-term Targets

In terms of K-Win activities, we are advancing workstyle reforms for employees aimed at realizing highly productive workplaces where employees can maintain a good work-life balance while creatively using their abilities to the fullest. Aiming to create a corporate culture and organizations that enable all employees to work with enthusiasm, fully exercising their individual abilities, we carry out periodic employee satisfaction surveys and reflect the results in human resource measures and K-Win activities.

● Goal for the MTBP 2019

- Further increase employee satisfaction as reported in the employee engagement survey.

Progress, Results and Challenges

● Goals for Fiscal 2019

- Carry out measures related to improving corporate culture and business restructuring, which are pillars of K-Win Activities (specifically, provide support for the active utilization of one-on-one meetings, follow up on the activities of internal companies, promote operational process streamlining, etc.).
- Establish an external consultation point for harassment- and mental health-related issues.
- Formulate and carry out measures to flexibly activate human resources, such as personnel rotation.
- Revise personnel and compensation systems.

● Fiscal 2019 Results

- Issued messages from top management, issued a guidebook (for applied practices), and carried out training for superiors to promote the uptake of one-on-one meetings
- Established an external consultation point for harassment- and mental health-related issues in May 2019
- Amended the job challenge system and free agent (FA) system
- While transfers via the FA system increased, job challenge system results were weak
- Outlined basic system structures with an eye to revising personnel and compensation systems (employee compensation and evaluation systems)

● Goals for Fiscal 2020

- Continue activities aimed at organizational and corporate culture transformation and operational transformation and, to measure the results of such activities and use the findings toward ongoing improvement, commission a third party with a strong global track record to implement an engagement survey (replacing the existing employee satisfaction survey).
- Continue examining and promoting measures to activate human resources, including more active use of employee rotation.
- Advance necessary work toward the April 2021 revision of personnel and compensation systems.

Structure

Based on Kawasaki's Company-wide basic policy on human management resources, the Head Office's Human Resources Division and the human resource and labor departments of the internal companies and divisions coordinate to formulate and operate human resource systems, including those for securing, placing and activating human resources, as well as to implement human resource transfers within the Group and promote the hiring of diverse human resources.

In addition, to further K-Win activities, which began in fiscal 2016 as workstyle reform initiatives, in fiscal 2020 we established the Kawasaki Workstyle Innovation Project Department within the Human Resources Division. The new department is advancing Company-wide workstyle reforms.

For details on our internal committees and relevant governance structures, please refer to Human Resource Management [\(page 69\)](#).

For details about the K-Win activity framework, please refer to Vision for Our People and Organization under the MTBP 2019 under Human Resource Management [\(page 70\)](#).

Securing and Retaining Human Resources **M**

Performance Data

Hiring

Administrative and technical positions are characterized by a prevalence of team-based operations. As such, finding team players who can engage in friendly competition with their colleagues is a major focus in hiring. When recruiting human resources, rather than simply filling the gaps left by outgoing retirees, we seek to secure individuals with the necessary skills in the required numbers from a medium- to long-term perspective. Furthermore, to flexibly meet the need for more employees due to business expansion, we are actively recruiting not only new graduates but also individuals with career experience. To facilitate overseas business expansion and promote diversity, we hire new overseas college graduates and foreign national students in Japan.

For details on hiring foreign national students in Japan, please refer to Promoting the Employment and Active Participation of Non-Japanese Nationals under Diversity [\(page 75\)](#).

Number of Employees Hired (non-consolidated)

	(FY)	2016	2017	2018	2019	2020	
New graduates hired*	Persons	577	538	538	562	555	
	Male	Persons	546	495	492	507	498
	Female	Persons	31	43	46	55	57
Administrative and technical positions	Persons	333	325	332	338	344	
	Male	Persons	305	287	291	290	296
	Female	Persons	28	38	41	48	48
Production specialists	Persons	244	213	206	224	211	
	Male	Persons	241	208	201	217	202
	Female	Persons	3	5	5	7	9
Mid-career hires and ratio of mid-career hires to all new hires	Persons	230	251	417	296	–	
	%	28.5	31.8	43.7	34.5	–	
	Male	Persons	184	145	297	202	–
Administrative and technical positions	Female	Persons	46	106	120	94	–
	Persons	177	138	162	165	–	
	Male	Persons	162	125	152	148	–
Production specialists	Female	Persons	15	13	10	17	–
	Persons	20	19	148	60	–	
	Male	Persons	19	19	140	50	–
Partner	Female	Persons	1	0	8	10	–
	Persons	33	94	107	71	–	
	Male	Persons	3	1	5	4	–
Average years of service	Female	Persons	30	93	102	67	–
	Years	13.3	13.5	13.6	13.4	–	
	Male	Years	13.5	13.5	13.7	13.7	–
Average hiring cost per hire	Female	Years	13.3	13.5	12.3	10.0	–
	Thousands of yen	900	–	–	–	–	
	–	–	–	–	–	–	

* Number of new graduates hired as of April 1 of each fiscal year.

Employee Evaluations

Our Approach to Human Resource Evaluation

Kawasaki aims to realize a system of employee compensation and assignment that flexibly reflects employees' capabilities and performance and is geared toward improving employee motivation, including their drive to develop their own capabilities. To this end, we position our ability-based qualification system—based on the capabilities expected of each particular position—as the main pillar of employee treatment (assignments, salaries, bonuses, etc.) and employee development. Accordingly, we employ a uniform compensation system based on ability-based qualifications regardless of nationality, gender or other such attributes.

The basis for implementing this ability-based qualification system is our employee review system. Employee review consists of evaluations of performance and capabilities. Evaluations of performance consider the difficulty of the employee's assignments, the degree to which the employee has achieved their objectives and the way they approached their work. Evaluations of capabilities consider the employee's ability to execute their work, focusing mainly on knowledge and skills. The evaluation criteria are disclosed to all employees.

Additionally, supervisors must meet with their subordinates at least twice a year to help ensure that employees understand the reasoning behind target setting and evaluations.

To ensure fair and equitable evaluations, we have established fixed evaluation procedures. We also incorporate case studies and other training aimed at improving evaluation skills into the training of managers.

For managerial staff, we implement multi-faceted observational surveys, which serve to aid individuals in seeing themselves through the eyes of others in an objective, multi-perspective manner, helping to develop their self-awareness as part of their education.

Moreover, once a year, the labor union is briefed on promotions and compensation to verify that employees are being treated in an equitable and fair manner.

Percentage of Employees Assessed by Different Evaluation Methods (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Evaluation based on target management ¹	%	—	100	100	100	100
Multifaceted performance evaluations ²	%	—	21	21	21	21
Evaluations for ranking employees within their category	%	—	100	100	100	100
Others	%	—	—	—	—	—

1. Evaluations based on targets and other criteria agreed to by the Line Manager.

2. 360° evaluations, etc.

Long-term Incentives

Overview of Long-term Incentives for Employees

Kawasaki provides a retirement payment system where employees can receive payment in a lump sum or as a pension. Kawasaki offers defined contribution corporate pensions in addition to defined benefit pensions which allow employees to choose their contribution amounts to suit their life plans and put them to good use in their long-term asset building plans.

Assessment Criteria

Years of service, age, work qualifications, work performance

Period for Assessment

Three years or more

Scope of Policy Application

All employees

Resignations

Number of People Resigning (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Number and Rate ^{1,2}	Persons	73	145	187	220	217
	%	0.5	0.9	1.2	1.3	1.3
Male	Persons	66	129	166	200	186
	%	0.5	0.9	1.1	1.3	1.2
Female	Persons	7	16	21	20	31
	%	0.8	1.7	2.0	1.6	2.1
29 and younger	Persons	44	75	78	111	116
	%	1.1	2.7	2.3	2.9	3.1
Male	Persons	40	68	68	101	104
	%	1.0	2.6	2.1	2.8	3.0
Female	Persons	4	7	10	10	12
	%	1.9	5.3	5.6	4.4	4.8
30 to 39	Persons	17	43	75	76	77
	%	0.4	0.9	1.5	1.5	1.4
Male	Persons	14	39	67	70	64
	%	0.4	0.8	1.4	1.5	1.3
Female	Persons	3	4	8	6	13
	%	1.4	1.5	2.7	1.7	3.2
40 to 49	Persons	10	19	25	16	14
	%	0.3	0.5	0.6	0.4	0.3
Male	Persons	10	16	22	13	11
	%	0.3	0.4	0.6	0.3	0.3
Female	Persons	0	3	3	3	3
	%	0.0	1.0	0.9	0.7	0.6
50 and above	Persons	2	8	9	17	10
	%	0.1	0.2	0.3	0.5	0.3
Male	Persons	2	6	9	16	7
	%	0.1	0.2	0.3	0.6	0.2
Female	Persons	0	2	0	1	3
	%	0.0	0.9	0.0	0.4	1.1

1. Age of resigning employees is shown as of April 1 of each fiscal year.

2. Number of resigning people does not include retirees and executive transfers.

Employee Satisfaction

Employee Satisfaction Surveys

Kawasaki conducts periodic employee satisfaction surveys to gauge employee perceptions of 1) company visions, 2) compliance, 3) personnel matters, 4) work-life balance and 5) loyalty to and satisfaction with the Company.

Employee responses are analyzed, with salient correlations taken into account, and the results are utilized in a wide range of measures. Survey results are also disclosed to employees on the Company intranet.

Employee Satisfaction Survey Results

	(FY)	2015	2016 ¹	2017	2018 ²	2019
Response rate	%	—	80	—	93.8	—
Satisfaction (Percentage of people who replied "I would like to continue to work here")	%	—	—	—	69.5	—
	Male	%	—	—	—	68.4
	Female	%	—	—	—	70.4

1. Scope: Implemented for certain executives and managers at Group companies outside Japan

2. Scope: The Kawasaki Group (domestic)

Work-Life Balance Support

Supporting Employees Balancing Work with Childcare and Nursing Care

Kawasaki provides support in a number of ways to enable employees to continue working actively while balancing work with childcare and nursing care. Many related systems go beyond national government standards, such as a system of childcare leave available until employees' children reach age three; a reduced working hours system available until employees' children graduate from elementary school; nursing care leave available for up to three years; and a system that lets employees take time off in one-hour units as needed for childcare or family nursing care. In recognition of these systems, in 2010 Kawasaki was certified as a company supporting childcare and awarded the Kurumin Mark.

Other initiatives include the Supplementary Work Day Nursery Service, which provides temporary childcare services within the Company for employees working on days that they would normally have off; the Childcare Rescue System, offering Company-designated baby-sitter services that employees can use when their children are sick or recovering or when they are working overtime or on business trips; a concierge service to help employees find nursery schools; seminars to support employees taking childcare leave who wish to return to work; and career seminars for dual-income married couples. We continue working to enhance such initiatives for employees with children.

● **Usage of Work-Life Balance Programs (non-consolidated)**

	(FY)	2015	2016	2017	2018	2019
Employees using the childcare leave	Persons	37	51	49	59	68
	Male Persons	9	8	6	7	13
	Female Persons	28	43	43	52	55
Employees using the care leave	Persons	2	0	4	3	3
	Male Persons	2	0	2	3	3
	Female Persons	0	0	2	0	0
Return rate after childcare leave	%	100	98	98	100	100
Retention rate after childcare leave	%	100	100	98	98	—*

* The retention rate after childcare leave represents the percentage of employees still working after one year of returning from childcare leave. No statistics are currently available because this one year period has not elapsed as of fiscal 2019.

Support Systems (non-consolidated)

Parental leave before and after birth	Maternity/paternity leave	Employees may take leave until a child reaches the age of three. There is no limit on the number of leaves taken.
	Nursery school enrollment concierge	Provides services to help employees taking childcare leave enroll their children in a nursery school.
	Leave to care for sick/injured child	Employees may take five days each year for each child up to the completion of elementary school, regardless of the number of such children. (Legally, companies are only required to provide a total of up to five days per year for one child or 10 days per year for two or more children)
	Accumulated leave*	Employees may use accumulated leave to care for a young child (up to completion of elementary school), care for a sick/injured child, or when morning sickness interferes with job duties.
	Use of flextime system	Employees may work on a flextime basis as necessary when looking after a young child (up to completion of elementary school) or when morning sickness interferes with job duties.
	Limits on out-of hours work and work on days off	Employees may be exempted from out-of-hours work and work on days off until a child completes elementary school.
	Reduced working hours system to care for young child	Standard working hours can be reduced up to a maximum of three hours a day until a child completes elementary school.

Family (Nursing care)	Nursing care leave	Employees may take leave up to three times for one person requiring nursing care (three years at longest).
	Limits on out-of-hours work and work on days off for nursing care	Employees may be exempted from out-of-hours work and work on days off up to once a year.
	Special leave for family care	Employees may take special leave of five days per family member requiring nursing care, regardless of the number of such family members (Legally, companies are only required to provide five days per year for one family member or 10 days per year for two or more family members)
	Half-days off	Employees may take as many half-days off as necessary, within available annual paid leave, to care for an ailing or elderly family member.
	Accumulated leave*	Employees may use accumulated leave whenever necessary to care for an ailing or elderly family member.
	Use of flextime system	Employees may work on a flextime basis as necessary when looking after an ailing or elderly family member.
Other	Reduced working hours system for nursing care	Employees may shorten their working hours for at longest two hours a day (up to two times in three years).
	Request for reemployment	Employees who resign to care for a child or an ailing/elderly family member may apply to be rehired when a change in their situation allows them to return to work.

* Accumulated leave refers to an accumulation of unused annual paid vacation days that cannot be carried over to the next year but can be taken in special circumstances.

Work-Life Balance

Work-life balance is the foundation for promoting diversity, allowing diverse employees to exercise their strengths. To sustainably increase enterprise value, creating highly productive workplaces where diverse employees can maintain a good work-life balance while creatively using their abilities to the fullest is crucial. Within the Kawasaki Group, it is therefore important to create environments in which employees can do work that meets the expectations of the Company, those around them and themselves while leading healthy, fulfilling lives, so that, empowered by fulfillment, they can engage with their work at a higher level. By providing diverse workstyle options that enable employees to balance their professional and private lives, we will systematically improve work efficiency.



Workstyle Reform (K-Win Activities)

The Kawasaki Group launched K-Win activities, an effort to promote workstyle reform, in fiscal 2016 with the objectives of "promotion of work-life balance," "increasing the productivity of administrative and technical personnel," and "reducing long working hours." Through these activities, we pursued three areas of transformation, namely, operational transformation, organizational and corporate culture transformation, and system transformation. In fiscal 2020, we established the Kawasaki Workstyle Innovation Project Department within the Human Resources Division, further integrating these activities with overall Company management while expanding their scope. K-Win activities are aimed not only at realizing workstyle reforms for employees, but at creating a virtuous cycle of enterprise value improvement that creates value for all stakeholders, including shareholders, customers and suppliers.

● **K-Win Activities**

To promote organizational and corporate culture transformation, we issued messages from top management, held educational seminars for managerial staff and held one-on-one meetings. In system transformation, in fiscal 2017 we added productivity as one of our employee review criteria for administrative and technical personnel in order to recognize employees who carry out work quickly and efficiently, and in fiscal 2018 we introduced a remote working program (teleworking program) for said employees. In terms of operational transformation, we have provided the *Operational Efficiency Improvement Start Book* as well as useful information for operational transformation, including tools for various types of work.

Under MTBP 2019, based on the three pillars of organizational transformation, mindset transformation and operational transformation, we are expanding the range of our activities beyond workstyle reforms to encompass overall corporate innovation.

For details, please refer to [Vision for Our People and Organization under the MTBP 2019 under Human Resource Management](#) (page 70).

Encourages Employees to Take Their Annual Paid Leaves

Kawasaki encourages our employees to take their annual paid leave to enable employees to mentally and physically refresh themselves and to draw a clear line between work and private life by taking their leaves in a planned manner. To this end, Kawasaki implements two programs: the Two Consecutive Holidays and the Anniversary Holiday programs. Under these programs, employees designate a total of three paid leave days at the beginning of the fiscal year and can take these days off without fail.

Additionally, based on a labor agreement, three annual paid leave days that the Company designates are taken at once generally by all employees in August. This midsummer break, which includes other Company holidays and a national holiday, adds up to nine consecutive vacation days.

Furthermore, the labor union and management have agreed to define one day per week as an on-time exit day since fiscal 2006. By defining this on-time exit day, employees are able to achieve a well-controlled workstyle, which helps in improving their work-life balance.

● **Annual Paid Leave Usage (non-consolidated)**

	(FY)	2015	2016	2017	2018	2019
Number of used paid leaves*	Days / person	15.0	15.2	15.4	15.8	15.9
Paid leave usage rate	%	68.2	69.0	70.0	71.8	72.3
Total annual work hours	Hours / person	2,070	2,075	2,065	2,047	2,035
Total annual overtime hours	Hours / person	340.0	307.2	303.8	303.6	295.2

* 22 days given per year.

Topic

Enhancing On-site Nursery Facilities

A nursery opened at Kawasaki Motors Enterprise (Thailand) Co., Ltd. in April 2010. The nursery provides temporary care for employees' children between the ages of one and four. As of March 2017, the nursery cares for the children of about 30 employees on a daily basis. Several other children are also registered at the nursery, and utilize it as necessary. The nursery is generally open from 7:30 to 17:15 to coincide with regular working hours, but if requested by more than a certain number of employees, it is also made available during overtime or holidays.

The opening of the nursery means that parents can continue working with complete peace of mind, having left their children to be cared for nearby. From the employer's viewpoint as well, the loss of skilled human resources due to childbirth or childcare is avoided, promoting a stable and committed workforce. The opening of the nursery has thus proved to be a measure with mutual advantages.

In Japan, meanwhile, we provide nursery facilities at the workplace on supplementary work days to offer childcare for limited periods.



The nursery of Kawasaki Motors Enterprise (Thailand) Co., Ltd.

Occupational Safety and Health

Management Approach

Material Issues and Our Approach

Kawasaki believes that ensuring the safety and maintaining and improving the health of our employees are key foundational components of corporate activities and will ensure the advance of our enterprise value.

Kawasaki has defined its Philosophy, Declaration, and Basic Policy on Safety, Sanitation and Health, based on which it has formulated its three-year Medium-term Safety and Health Management plans as well as its Safety and Health Management Platform (a one-year plan) for occupational safety and health activities, including the prevention of work-related accidents and illnesses, as well as health maintenance and improvement, and the development of comfortable workplaces.

[Kawasaki Safety and Health Philosophy, Safety and Health Declaration and Basic Policy \(in Japanese only\)](https://www.khi.co.jp/sustainability/social/employee/pdf/safety_idea.pdf)
https://www.khi.co.jp/sustainability/social/employee/pdf/safety_idea.pdf

Focus Activities and Medium-term Targets

The Medium-term Safety and Health Management Plan 2019 (2019-2021) defines the following targets and focus activities:

● **Goals for the Medium-term Safety and Health Management Plan 2019**

● **Top-priority Targets**

1. Zero serious occupational accidents
2. Zero new cases of occupational illness

● **Safety Management Targets (2019 / 2020 / 2021)**

1. Reduce the frequency of lost-worktime accidents by at least 9% (0.40 / 0.39 / 0.38)
2. Reduce the total number of occupational accidents by at least 9% (46 /45 /43)

● **Sanitation Management Targets (2019 / 2020 / 2021)**

1. Reduce days lost to illness or injury resulting in four or more days of lost time by at least 5% (28,476 days / 27,993 days / 27,511 days)
2. Reduce the proportion of workplaces with overall health risk scores of 120 or above as determined by group analyses of stress checks by at least 3 percentage points (4.8% / 3.8% / 2.8%)

● **Health Management Targets (2019 / 2020 / 2021)**

1. Reduce the proportion of employees 40 years old or above with metabolic syndrome or pre-metabolic syndrome at least 5 percentage points (25.9% / 24.2% / 22.6%)
2. Reduce the proportion of employees under 40 years old with high body fat by at least 5 percentage points (43.2% / 41.5% / 39.9%)
3. Prohibit smoking in all indoor spaces, in principle (comply with related laws and regulations from April 2020)

Notes: 1. The scope for all of the above is Kawasaki Heavy Industries, Ltd. (non-consolidated)

2. All the above targets are for 2021 (the final year of the plan); target changes are as compared with 2018 results.

● **Focus Activities**

Safety Management

1. Continuous improvement in the occupational health and safety management system
2. Thorough enforcement and strengthening of measures to prevent serious occupational accidents and similar accidents
3. Disaster prevention for young and inexperienced workers
4. Disaster prevention measures at construction sites

Sanitation Management

1. Preventive measures against occupational diseases
2. Mental health measures

Health Management

1. Lifestyle disease countermeasures
2. Second-hand smoke preventive measures
3. Health maintenance and improvement measures

Progress, Results and Challenges

Safety Management

1. We have built safety and health management systems compliant with OSHMS standards and carry out safety and health initiatives.
2. We regularly review past occupational accidents, work to eliminate risks of danger or harm and implement education and training to prevent serious occupational accidents and similar accidents.
3. We are working to prevent accidents at construction sites through such measures as establishing an overarching safety management system and implementing education and patrols.

Sanitation Management

1. We are implementing working environment management, work management, health management and chemical substance countermeasures to prevent work-related illnesses.
2. We are implementing mental health measures, including line-of-command care and self-care, coordinating between the divisions to which employees belong, safety and health divisions, and mental health medical specialists and are establishing a follow-up system.

Health Management

1. We are implementing lifestyle disease countermeasures through such means as health education and guidance for affected employees.
2. We are working to completely separate smoking and non-smoking areas in indoor spaces and encouraging smokers to quit.
3. We are advancing collaborative health measures, such as implementing health measures with health insurance unions based on check-up data.

2019 Results

- Total number of occupational accidents: 69 (+23)
- Frequency of lost-worktime accidents: 0.35 (-0.05)
- Days lost to illness or injury resulting in four or more days of lost time: 28,575 (+99)
- Percentage of high-stress workplaces: 5.9% (+1.1 percentage points)
- Percentage of employees with metabolic syndrome (including pre-metabolic syndrome): 27.5% (+1.6 percentage points)
- Percentage of employees under 40 years old with high body fat: 45.9% (+2.7 percentage points)

Notes: 1. The scope for all of the above is Kawasaki Heavy Industries, Ltd. (non-consolidated)

2. Figures in parenthesis indicate differences from targets.

KPI

Company-wide frequency rate of lost-time injuries

Goal for 2021

9% lower than 2018

Progress

	(Jan.-Dec.)	2015	2016	2017	2018	2019
Company-wide frequency rate of lost-time injuries		0.33	0.30	0.29	0.42	0.35

KPI

Company-wide total days of sick leave taken in instances of four days or longer

Goal for 2021

5% lower than 2018

Progress

	(Jan.-Dec.)	2015	2016	2017	2018	2019
Company-wide total days of sick leave taken in instances of four days or longer		26,996	27,962	27,027	28,959	28,575

Policy on Occupational Safety and Health

Basic Policy on Safety and Health

1. Provide a safe and secure working environment

- Identify and reduce risk elements that can lead to labor accidents or health issues before they occur.
- Establish a safety and health management structure and constantly improve its quality of management by implementing the PDCA cycle.
- Promote the realization of comfortable workplaces where communication can freely flow and that are conducive to improving working methods and working environments.

2. Implement health management measures with an emphasis on prevention

- Thoroughly implement working environment management, work management and health management to prevent work-related illnesses.
- Promote mental healthcare and measures for reducing stress in the workplace to reduce the number of employees with mental health issues.
- Reduce the amount of overtime and holiday work, and provide physical checkups and healthcare guidance as a way to prevent health issues caused by overworking.

Basic Policy on Health

1. Activities for maintaining and building health

- Provide a broad range of health initiatives to improve both mental and physical health.
- Support health building activities that individual employees personally engage in.
- Ensure a 100% physical checkup participation rate, and use results from these checkups for disease prevention.
- Keep lifestyle diseases from becoming serious.

2. Realizing a rich life

- Realize a rich life where work, family and society are in a good balance by shortening work hours, promoting the use of paid leave and making use of various holiday and rest programs.

Scope of Policy Application

Officers, employees and staff seconded from partners under the management of Kawasaki

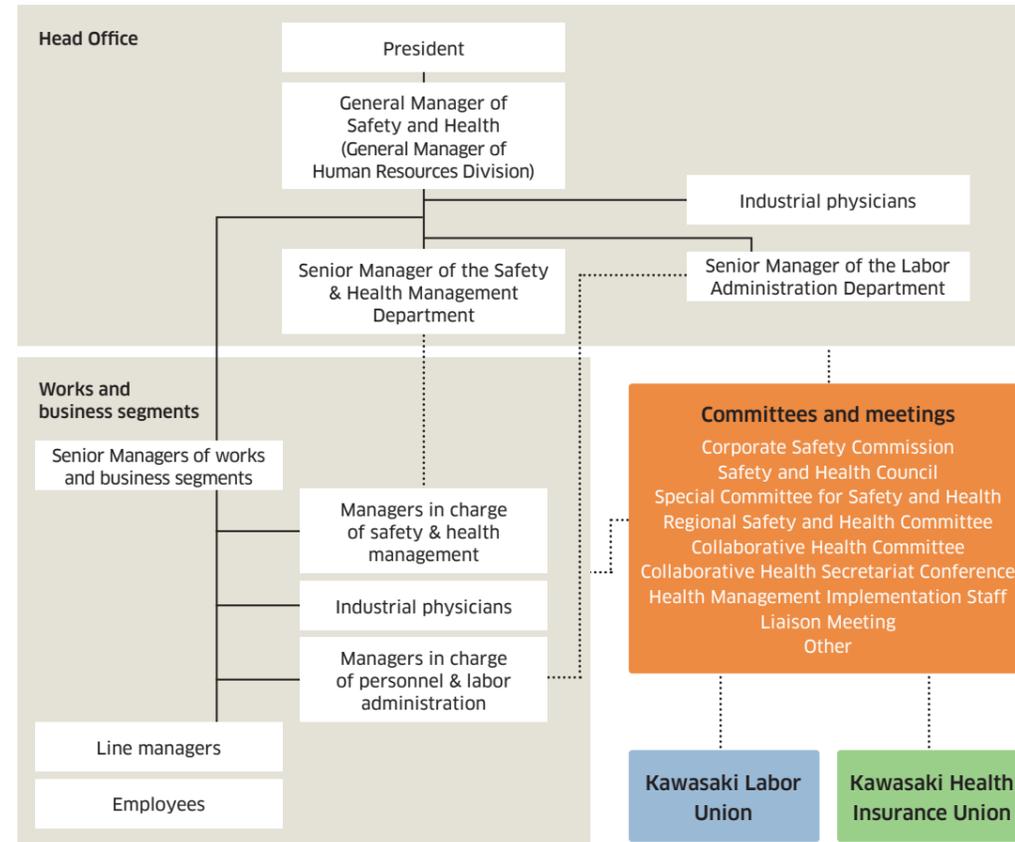


Safety and Health Declaration and Basic Policy (in Japanese only)
https://www.khi.co.jp/sustainability/social/employee/pdf/safety_idea.pdf

Structure

Kawasaki has defined a set of Safety and Health Management Rules under which it has established safety and health structures both Company-wide and at individual works. We actively implement measures in a planned manner to ensure the safety and health of our employees and staff seconded from partners, improve their health and create comfortable working environments. Specifically, our safety and health activities are carried out at different works under the supervision and management of Managers of Safety and Health based on Company-wide measures defined by the General Manager of Safety and Health. When an accident occurs, it is reported to the General Manager of Safety and Health and the labor union, and legally required filings and other such procedures are handled in accordance with Company regulations and rules.

Occupational Safety and Health Management Structure



● Responsible Officers

Company-wide: Kouzou Tomiyama, Executive Officer, General Manager of Human Resources Division (General Manager of Safety and Health)
 Each works: Managers of Safety and Health

● Responsible Executive Organ and/or Committee

- Corporate consultative body: Corporate Safety Commission
 Attended by the General Manager of Safety and Health and Managers of Safety and Health, the commission meets every December to reflect on the year and discuss targets and other safety and health matters for the following year.
- Consultative body with the labor union: Special Committee for Safety and Health, and Safety and Health Council
 The Special Committee for Safety and Health is attended by the Senior Manager of the Head Office's Safety & Health Management Department, staff responsible for safety and health, and members of the management and safety executive committees of the labor union headquarters and branches. The Safety and Health Council is attended by the General Manager of Safety and Health and the Managers of Safety and Health (for the Head Office and works) from the Company and the Central Executive Committee members (for the Headquarters and branches) from the labor union.
- Consultative body at works: Regional Safety and Health Committee
 Based on labor agreements, this committee is attended by the operating sites' safety and health managers and staff as well as management and safety executive committee members from the labor union branches.

For details on the functions of the Special Committee for Safety and Health, the Safety and Health Council, and the Regional Safety and Health Committee, please refer to Labor Discussions (page 99).

Occupational Safety and Health Performance Data

Safety Management

Our Safety Management Activities

● Occupational Safety and Health Management Systems

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. In our risk assessment efforts, we constantly strive to enhance our ability to identify and reduce risks. Workplace risk assessments are regularly reviewed based on the business characteristics of the respective internal companies. We also review risks when operations or procedures are first introduced, when they are altered, and upon restart after a pause. The safety and health management systems at all of our business sites are at the level of Occupational Safety and Health Management System (OSHMS) third-party certification (sites with third-party certification: Hyogo Works, Kobe Works shipyard, Sakaide Works shipyard). Business sites with third-party certification undergo regular inspections by third-party certification bodies. Uncertified sites undergo internal audits once a year in principle, administrated by the Head Office.

● KSKY Campaign

Kawasaki's KSKY Campaign and awareness-building efforts are key aspects of its occupational accident prevention efforts. The letters comprising this acronym stand for Japanese words that describe the different elements of the campaign: K (*kihon*), creating a disciplined workplace that observes the basic safety rules; S (*shisa koshou*), making sure to identify and call out to confirm breaks and other crucial points in each work operation; and KY (*riken yochi*), working to further improve danger prediction abilities. The purpose of the campaign is to encourage employees to take a more active role in safety measures and thereby create a workplace in which all can openly caution one another about potential issues.

● Safety Awards

Company regulations provide for safety awards. Production divisions receive awards for amassing long accident-free records, while business sites receive awards for having accident-free years. In 2019, the Kakogawa Works achieved a full year of accident-free operations.

● Initiatives to Prevent Harm Caused by Radiation

Based on relevant laws, Kawasaki prevents harm caused by radiation by carefully controlling the use of radioactive isotopes; radiation-generating equipment and its handling during sales; and work in locations contaminated by the scattering of radioactive isotopes. In addition, to ensure operational safety in operations that involve radiation, we have established regulations for preventing harm caused by radiation. Any occurrence of an accident resulting in harm caused by radiation is reported to the General Manager of Safety and Health and the labor union, and legally required filings and disclosure to the public and media outlets are handled in accordance with specified procedures.

● Education on and Awareness of Occupational Safety and Health

Based on our Safety and Health Education Standards, in addition to education and training required by law, we carry out other necessary safety and health education programs, including grade-specific training for different staff grades; operation-specific training given after a change in operational content or for employees engaged in specific duties; general education, which includes health education and hazard prediction training; and training for on-site employees seconded from partners working under Kawasaki Management on, for example, plant construction sites. Moreover, we also use the corporate safety education facility, referred to as the "safety dojo," to promote safety awareness, impart knowledge, and refine risk sensitivity in order to further develop human resources who are capable of acting safely. To prevent accidents caused by unsafe practices and to build safety awareness, we implement a range of safety and health education programs, including simulated scenarios to help employees experience hazards in the workplace first hand.

● Safety Dojo Participants

	(FY)	2015 ¹	2016 ¹	2017 ¹	2018 ²	2019 ³
Safety Dojo participants	Persons	663	3,687	2,778	2,668	1,581

1. Scope: Kawasaki Heavy Industries, Ltd. (non-consolidated)
 2. Scope: The Kawasaki Group (domestic); exceptions apply
 3. Scope: The Kawasaki Group (domestic)

Status of Labor Accidents and Work-related Illnesses

		(Jan.-Dec.)	2015	2016	2017	2018	2019
Number of labor accidents		Number of incidents	52	42	57	90	104
	Under Kawasaki's overall supervision	Number of incidents	52	42	57	48	69
	Domestic Group ¹	Number of incidents	-	-	-	42	35
Number of fatalities in the course of duty		Persons	0	0	0	0	1
	Under Kawasaki's overall supervision	Persons	0	0	0	0	0
	Employees	Persons	0	0	0	0	0
	Internal transfer Staff ²	Persons	0	0	0	0	0
	Domestic Group ¹	Persons	-	-	-	0	1
Frequency rate of lost-time injuries (frequency rate)	Under Kawasaki's overall supervision		0.33	0.30	0.29	0.42	0.35
	Employees		0.31	0.12	0.30	0.21	0.21
	Internal transfer Staff ²		0.49	0.85	0.24	1.04	0.77
	(Reference) Industry average		1.61	1.63	1.66	1.83	1.80
	(Reference) Manufacturing industry average ³		1.06	1.15	1.02	1.20	1.20

1. Kawasaki and key domestic consolidated subsidiaries
 2. Internal transfer staff under overall supervision of Kawasaki (temporary staff, and contract staff in shipbuilding and construction)
 3. Data source: Ministry of Health, Labor and Welfare, Labor Accident Trend Survey 2019

Frequency Rate of Lost-time Injuries (non-consolidated)



Sanitation Management

Our Sanitation Management Activities

Preventive Measures against Occupational Illnesses

To prevent occupational illnesses, we carry out occupational health training when employees are hired, when they change operations, and when they are assigned to dangerous or hazardous work. Furthermore, in accordance with relevant laws, we carry out special health checkups and provide thorough health guidance for those identified as having potential health problems while measuring work environments and advancing work environment improvements. In light of the growing use of IT in the workplace and the increasing diversity of operations involving IT devices, we monitor the health of employees using such devices and provide guidance in accordance with guidelines set by the government.

Checkups for Employees Working Long Hours

To prevent health problems that can be caused by overworking, we have set stricter standards than those mandated by law, requiring employees who have worked 45 hours or longer of overtime in each of two consecutive months or 60 hours or longer in one month to undergo checkups for long-hour workers as well as checks for cumulative fatigue. Based on the results of these examinations

and such factors as the number of overtime hours worked, employees are interviewed by an industrial physician and necessary measures put in place.

Mental Health Measures

Kawasaki implements the four types of mental health care outlined by the Ministry of Health, Labour and Welfare. We offer level-specific mental health education by age group and when employees are promoted at each business site to ensure that employees have regular access to such education. Each year, approximately 10% of all employees receive mental health education. We also conduct annual stress checks and provide interview guidance and other follow-ups for those found to have high levels of stress. We then conduct group-level analyses of stress check data and use the analysis results in training at each business site. As needed, the results of group-level analyses are also used in workplace and work environment improvement efforts for workplaces with high levels of health risk. When an employee develops a mental health issue, we aim to intervene and respond quickly. Industrial physicians along with human resource and labor departments, industrial health staff, and the employee's supervisor provide coordinated support when such an employee returns to work following a mental health-related absence. Furthermore, in May 2019, we established an external consultation hotline so that employees can easily seek advice related to mental health and other issues.

Health Management of Employees on Overseas Assignment

Kawasaki's internal regulations lay out health management standards for employees on long-term overseas business travel or stationed overseas. For such employees, we carry out health checkups before, during and after their return from overseas assignment, and their eligibility for overseas assignment is decided based on the results of such checkups and interviews with industrial physicians. To prevent employees on overseas assignment from contracting infectious diseases, Kawasaki covers the cost of vaccinations as necessary for their specific destinations.

In addition, we provide support so that employees can seek necessary medical care with confidence should they become unwell while overseas.

Sanitation Management (non-consolidated)

		(Jan.-Dec.)	2015	2016	2017	2018	2019
Sick leave rate (case basis) ¹			4.9	6.2	5.1	5.6	5.7
Mental health-related sick leave frequency ² (case basis)			0.23	0.25	0.22	0.22	0.35
Absence rate (day basis) ³	Mental health issues (Situational/Acute)	Cases	44	48	42	42	67
	Other psychological disorders	Cases	1	1	1	3	5
Leave due to mental health issues ⁴			2.1	2.1	2.4	2.3	3.8
Overall sick leave			4.6	4.8	4.9	4.8	7.0

1. Calculated as the total number of cases of sick leave per year / total number of workers employed per year × 1,000.
 2. In 2019, per an amendment to Company regulations, the period that an employee may be absent before being placed on leave was shortened by three months, causing the figure for 2019 to appear larger.
 3. The absence rate is calculated based on days missed. Specifically, it is the number of employees absent per 1,000 employees per work day, calculated as the total number of days of leave taken / total man-days of work × 1,000.
 4. Included in total sick leave

Health Management

Our Health Management Activities

Kawasaki sees the health of its employees as one of its key management resources. As such, Kawasaki provides extensive support to help individual employees live a healthy lifestyle in a self-directed manner, and aims to help employees enjoy healthy and rich lifestyles by promoting healthy activities.

Implementation of Physical Checkups and Lifestyle Disease Countermeasures

To manage employee health, Kawasaki provides regular health checkups for all employees, including those on assignment overseas, aiming for 100% of employees to receive such checkups. After the checkups, we encourage employees flagged as having potential issues to undergo secondary examinations and provide thorough health guidance.

Furthermore, in coordination with the health insurance union, we proactively provide designated health guidance to employees with metabolic syndrome, with a Group-wide implementation rate of over 60%. From 2019, as part of collaborative health promotion efforts with the health insurance union, we have begun compiling business site reports based on site-level health data gleaned from such sources as health checkup results and records of examinations received at medical institutions. Using these reports, we are able to better understand the health issues faced by each site, and we are now creating a system to formulate and implement educational and other health-related measures based on these insights. Also, in terms of education, we hold an Eating Habit Improvement Seminar, an Exercise Seminar, and other events aimed at preventing lifestyle diseases in collaboration with the health insurance union.

● Infectious Disease Prevention

Kawasaki provides vaccinations to employees scheduled to travel or be stationed overseas as needed depending on their destination. We also provide influenza vaccines during work hours at little cost to the employees who elect to receive them.

In addition, to prevent the spread of COVID-19, we are conducting awareness raising with regard to such topics as hand washing, cough etiquette, ventilation, and avoiding close contact, enclosed spaces, and large groups. At the same time, in accordance with government policy, we have formulated guidelines for preventing contracting and spreading the virus and are working to ensure awareness among employees.

● Second-hand Smoke Preventive Measures

In response to the April 2020 amendment to the Health Promotion Act, Kawasaki is implementing measures to prevent second-hand smoke exposure, for example, eliminating indoor smoking areas and setting up dedicated smoking rooms based on the government's guidelines for preventing second-hand smoke exposure in the workplace. In addition, to support employees who smoke and want to quit, we have set up a program to subsidize their efforts to do so. The smoking rate at Kawasaki (non-consolidated) has been falling; in 2018, it stood at 27%, down from 31% in 2013, the first year that we collected data. Together with second-hand smoke preventive measures, we will continue working to reduce the employee smoking rate.

● Health Maintenance and Improvement Measures

To promote the formation of self-directed healthy habits among domestic Group employees, every year domestic Group companies, the health insurance union, and the labor union collaborate to hold the Kawasaki Health Challenge, a health promotion event. Each year since its inauguration in fiscal 2012, the number of participants has grown, reaching approximately half of domestic Group employees in fiscal 2018. In fiscal 2019, to further promote health activities, we introduced a health management app.

● Health Education Classes

As part of our Company-wide Total Health Promotion activities, we support employees in improving their mental and physical health by offering classes aimed at the prevention of lifestyle diseases. These include an Eating Habit Improvement Seminar, an Exercise Seminar and seminars for female employees.

● Health Education Participants (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Mental health education	Persons	–	–	1,323	2,048	2,206
Level-specific education (for new hires, etc.)	Persons	–	–	1,051	906	765
Other health education (education for female employees, etc.)	Persons	–	–	622	2,352	1,728

● Actions for Preventing Lifestyle Diseases (consolidated domestic; exceptions apply)

	(FY)	2015	2016	2017	2018	2019
Percentage taking designated checkups	%	96.3	95.6	92.8	96.2	96.7
Percentage taking designated health guidance	%	63.6	65.4	62.7	62.5	66.7

● Health Management KPI (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Percentage taking regular physical checkups	%	99.0	99.3	99.0	99.0	99.6

Labor Discussions

Status of Consultations between Management and Labor on Occupational Safety and Health Issues (Status of the Safety and Health Committee, etc.)

Kawasaki has concluded a labor agreement with the labor union and holds a Safety and Health Council (at least once a year) to discuss the policies of safety and health activities, the focus initiatives, and activity planning; a Special Committee for Safety and Health (at least twice a year) for following up on and revising the status of actions being implemented; and a Regional Safety and Health Committee (monthly) for deliberating on measures for preventing hazards and health impediments and discussing the causes and measures for preventing the recurrence of labor accidents at all offices in Japan.

Material Issues and Our Approach

As value chains expand on a global scale, ensuring respect for the human rights of employees, suppliers, and all the other people involved in our businesses has become a more important focus that, in turn, increases the necessity of understanding and dealing with the human rights risks in Group-wide business activities.

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 Human Rights Policy. The Group supports and respects international rules and norms regarding human rights and labor, including the International Bill of Human Rights, International Labour Organization's core labor standards, the United Nations Guiding Principles on Business and Human Rights and the International Bill of Human Rights.

Focus Activities and Medium-term Targets

Based on the United Nations Guiding Principles on Business and Human Rights, the Kawasaki Group is implementing initiatives to ensure respect for human rights in its business activities in the following processes.

1. Find and itemize human rights issues in the value chains of the Group's businesses
2. Identify and determine the priority of human rights issues and determine priority areas and methods for initiatives going forward
3. Establish human rights policy
4. Formulate and implement risk reduction measures for key risks (For example, local surveys, improving labor environments, implementing human rights training, etc.)
5. Disclose information about human rights initiatives
6. Repeat 1 through 5 (in a PDCA cycle)

● Goals for the MTBP 2019

- Implement fact-finding surveys regarding identified human rights risks (at subsidiaries and suppliers).
- Increase human rights awareness among employees.

Progress, Results and Challenges

● Goals for Fiscal 2019

- Establish a Kawasaki Group human rights policy and disclose it publicly.
- Carry out human rights training for employees.

● Fiscal 2019 Results

- Established the Kawasaki Group Human Rights Policy and disclosed it externally.
- Advanced the preparation of human rights training materials for employees (planned to carry out training in early fiscal 2020).

● Goals for Fiscal 2020

- Carry out human rights training for employees.
- Implement fact-finding surveys within the Kawasaki Group regarding areas of high human rights risk.

Human Rights Policy

The Kawasaki Group has enshrined respect for the human rights of all people in its business activities in the Kawasaki Group Code of Conduct and strives to ensure respect for the human rights of stakeholders affected by its business activities.

Furthermore, in fiscal 2019, we established the Kawasaki Group Human Rights Policy to complement the Kawasaki Group Code of Conduct.

● Scope of Policy Application

The Kawasaki Group



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

The Kawasaki Group Human Rights Policy

https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf

Structure

The Kawasaki Group Human Rights Policy states that Director in charge of CSR and the CSR Department are responsible for human rights-related management and issues.

The CSR Department analyzes and monitors human rights risks, and the Corporate CSR Committee is responsible for deliberating on human rights related efforts and receiving reports on these activities.

For more information about related structures, please refer to CSR Promotion System under CSR Framework (page 2).

● Responsible Officer

Katsuya Yamamoto, Representative Director, Vice President and Senior Executive Officer (in charge of CSR)

● Responsible Executive Organ and/or Committee

Corporate CSR Committee

● Board of Directors' Involvement in Human Rights Matters (Reporting and Deliberating)

Reports on training and activities associated with human rights are given as needed in Corporate CSR Committee meetings.

Prohibition of Discrimination

The Kawasaki Group Code of Conduct prohibits discrimination, as follows:

“As stated in the Universal Declaration of Human Rights, human rights are ‘the inherent dignity and the equal and inalienable rights of all members of the human family.’ In order to respect the human rights of each and every person, we must afford everyone equal dignity and respect, regardless of race, skin color, gender, age, nationality, social origin, ancestry, sexual orientation, gender identity, marital status, religion, political belief, disability, health condition, or any other legally protected characteristics.”

The Kawasaki Group Human Rights Policy also prohibits discrimination. The entire Kawasaki Group implements initiatives based on its understanding of discrimination as a human rights issue.

Concrete anti-discrimination measures include training covering LGBT considerations and awareness-raising activities for employees of Kawasaki Heavy Industries.

To provide work environments that are more welcoming to LGBT employees, in fiscal 2020, Kawasaki Heavy Industries modified its human resources system to ensure that employees' same-sex partners are treated the same as opposite-sex spouses for the purpose of employee benefits.

Prohibition of Child Labor and Forced Labor

The Kawasaki Group clearly states in its Code of Conduct that it will not tolerate child labor or forced labor, which are global human rights and labor issues. In addition, Kawasaki is a signatory to the United Nations Global Compact, indicating its support of the Compact's 10 principles in the four areas of human rights, labor, environment and anti-corruption.

With respect to the global human rights and labor issues of child labor and forced labor, since fiscal 2014, we periodically confirm that no company under the Group umbrella is involved in such practices and declare that none will ever employ such practices. This style of confirmation and declaration, acknowledged and supported by the Global Compact Network Japan (GCNJ) secretariat, is prepared in line with the “Global Compact Labor Principles and Business Guidelines” and signed by the presidents of all Group companies, including those overseas. As the Kawasaki Group, we adopt CSR Procurement Guidelines, which cover respect for human rights, and call on business partners to work with us as a team to uphold these guidelines.



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

The Kawasaki Group Human Rights Policy

https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf

Participation in International Initiatives

<https://global.kawasaki.com/en/corp/sustainability/initiatives.html>

Kawasaki Group CSR Procurement Guidelines

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Confirmation and Declaration of the Abolition of Forced Labor and Child Labor

https://global.kawasaki.com/en/corp/sustainability/overview/child_labor.pdf

Harassment Prevention

Kawasaki has established the Harassment Prevention Regulations. To create a comfortable, harassment-free working environment, Kawasaki provides grade-specific training to provide proper guidance and increase awareness.

In addition to the Compliance Reporting and Consultation System, which employees can use when they have experienced or witnessed harassment, since fiscal 2014 we have maintained consultation points, operated by the Human Resources Division, that employees, including temporary staff, can use. As necessary, we also hold meetings with employees seeking advice or help through either system and respond fairly to incidents while remaining committed to respecting their privacy.

In addition, from fiscal 2019, we have begun operation of an external consultation point that employees of Kawasaki can access for consultation regarding issues related to harassment and mental health.

Right to Organize and Right to Collective Bargaining

Labor-Management Discussions

Kawasaki is a signatory to the United Nations Global Compact, indicating its support of the Compact's 10 principles in the four areas of human rights, labor, environment and anti-corruption. Furthermore, the Kawasaki Group Human Rights Policy states that the Group shall respect employees' freedom of association and right to collective bargaining.

Kawasaki employs a union shop system, meaning that all general employees are members of the labor union.

The right to collective bargaining is recognized in our labor agreement, and two days' notice must be given before commencing collective bargaining with respect to such matters as corporate cost-cutting actions and significant changes in labor conditions. However, as both parties strive, in principle, to reach amicable resolutions by holding labor-management meetings (on an as-needed basis) in good faith prior to commencing collective bargaining, Kawasaki has seen no labor dispute actions over the past 40 years.

In addition, Kawasaki has concluded a labor agreement with the labor union and actively exchanges views with the union via a range of regular meetings. These include meetings of the Corporate Management Council (at least twice a year Company-wide, and at least twice a year at internal companies) to explain our corporate management policies and state of management; the Safety and Health Council (at least once a year) to explain basic policies on safety and health; the Regional Safety and Health Council (at least once monthly) to deliberate on measures for preventing hazards and health impediments to employees; and the Company-wide Environmental Preservation Committee (once a year) to explain Company measures related to environmental preservation.

● Labor Union Data (non-consolidated)

	(FY)	2015	2016	2017	2018	2019
Number of union members	Persons	12,414	12,541	12,823	12,949	13,294
Labor union makeup*	%	75.6	75.8	76.9	79.2	79.2
Number of labor discussions with the union	Number	–	–	26	31	23

* The number of labor union members and labor union makeup are current as of the end of the respective fiscal years. Labor union makeup percentage represents the percentage of union members versus all permanent employees, including officers.



The Kawasaki Group Human Rights Policy

https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf

Participation in International Initiatives

<https://global.kawasaki.com/en/corp/sustainability/initiatives.html>

Human Rights Due Diligence

Human Rights Risk Assessments and Impact Assessments

In fiscal 2018, the Kawasaki Group implemented human rights risk assessments and impact assessments of its main businesses in cooperation with the U.S.-based nonprofit Business for Social Responsibility (BSR).

In implementing these risk assessments and impact assessments, Kawasaki referenced international rules and principles regarding human rights, namely, the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the International Bill of Human Rights and the United Nations Guiding Principles on Business and Human Rights.

● Scope of Human Rights Risk Assessments and Impact Assessments (businesses, value chains, countries and regions, stakeholder groups)

Businesses covered: The Kawasaki Group's main business (the six internal companies)

Countries and regions covered: The countries and regions in which the Kawasaki Group does business (Japan, China, the United States, the United Kingdom, Brazil, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Australia, Germany, the Netherlands, Russia)

Stakeholders covered: Customers, employees, employees in the supply chain, local residents, etc.

● Assessment Results and Corrective Measures

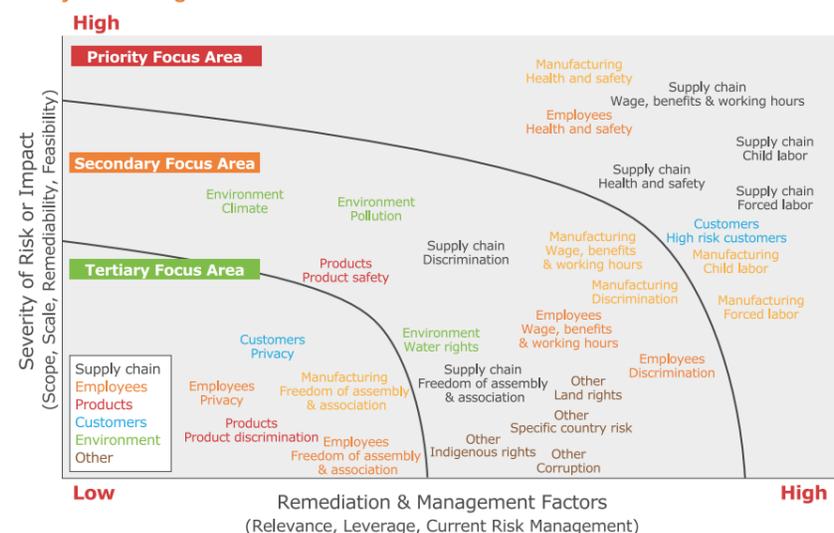
As a result of the risk assessments and impact assessments, we found that the following nine areas in particular present significant human rights risks.

- Safety and health of employees
- Safety and health at manufacturing sites
- Child labor at manufacturing sites
- Forced labor at manufacturing sites
- Safety and health in supply chains
- Wages, benefits, and work hours in supply chains
- Child labor in supply chains
- Forced labor in supply chains
- High-risk customers

● **Responses and Challenges Going Forward**

In light of the above results, the Kawasaki Group will formulate and implement risk reduction measures for key risks within the Group.

Priority Human Rights Risks



Mechanism for Addressing Human Rights Related Grievances

Mechanisms for Addressing Employee Grievances

Under Kawasaki's labor agreement, if a problem arises that cannot be resolved within the workplace, Kawasaki sets up a grievance committee, with participation from the director responsible for personnel and the president of the labor union, to quickly, fairly, and peacefully resolve the problem. The grievance committee handles a wide variety of issues, including the health management and safety of union members, incidents of abuse of authority or sexual harassment, and matters related to personnel transfers. Kawasaki promises that no employee will suffer disadvantageous treatment for voicing a grievance.

Consultation system	Contents of report or consultation	Contact method	Cases (fiscal 2019)	Contact point/ Operating division	Scope
Internal consultation point system	Workplace harassment, such as sexual harassment, abuse of authority, and maternity-related harassment	Email	6	Head Office Human Resources Division / Head Office Human Resources Division	Kawasaki Heavy Industries, Ltd. (non-consolidated)
External consultation point system	Harassment and mental health	Webpage, phone		External institution / Head Office Human Resources Division	Kawasaki Heavy Industries, Ltd. (non-consolidated)
Compliance Reporting and Consultation System	Please refer to Whistle-Blowing System and Consultation Points on page 27.			Outside lawyer / CSR Department	Domestic Kawasaki Group

Mechanisms for Addressing Outside Grievances (from suppliers, local communities, etc.)

We do not have a dedicated contact point for human-rights related grievances from outside the Group. However, our website includes general contact forms. Inquiries received through the website are directed to the relevant divisions and handled appropriately.

Engagement Regarding Human Rights

Engagement with Stakeholders

The Kawasaki Group Human Rights Policy, established in fiscal 2019, states that the Group will fulfill its responsibilities related to respecting the human rights of the stakeholders impacted by the Group's business activities.

● **Identifying Human Rights Risk in Cooperation with the NPO BSR**

In fiscal 2018, we worked with Business for Social Responsibility (BSR) to identify stakeholders impacted by the Group's business activities as well as areas of significant human rights risk.

Going forward, we will formulate and implement risk reduction measures for key risks within the Group. By implementing a PDCA cycle of initiatives to ensure respect for human rights, we are advancing efforts to address risks to the human rights of our stakeholders.

For details, please refer to Human Rights Due Diligence (page 103).

● **In Response to the NGO SOMO's Report**

In 2017, the Netherlands-based NGO SOMO published a report titled *The Myanmar Dilemma*, discussing human rights abuses in garment factories in Myanmar, including a factory reported to be a supplier to Kawasaki. In light of this report, we conducted an internal investigation and determined that a primary contractor commissioned by Kawasaki subsidiary Kawasaki Motors Corporation Japan to manufacture apparel products subcontracted the production of some of these products to the factory discussed in SOMO's report. The manufacture of these products at said factory was temporary, and the products were not being produced there at the time of the internal investigation. The CSR Department provided explanations of potential human rights risks in the supply chain to related divisions and requested that they take steps to ensure awareness of and compliance with Kawasaki's CSR Procurement Guidelines. We internally share the observations and opinions of NGOs and other stakeholders and strive to respond appropriately when there is an issue.

The Kawasaki Group Human Rights Policy
https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf

Addressing Modern Slavery

The United Kingdom's Modern Slavery Act

Our UK-based subsidiary Kawasaki Precision Machinery (UK) Ltd. and the UK Branch Office of Kawasaki Motors Europe N.V. issue statements in accordance with the United Kingdom's Modern Slavery Act.

Kawasaki Precision Machinery (UK) Ltd. "Slavery and Human Trafficking Statement"
<https://www.kawasakihydraulics.com/app/uploads/2020/04/Modern-Slavery-Act-Statement-2019-.pdf>

Kawasaki Motors Europe N.V. (UK Branch) "Modern Slavery Act Statement"
https://storage.kawasaki.eu/repository/Global%20Repository/pdf/modern_slavery_act_UK2019.pdf

Topic

Consideration Given to Employees at KMI (Indonesia)

PT. Kawasaki Motor Indonesia (KMI) is a local manufacturing and marketing base for Kawasaki-brand motorcycles in Indonesia.

About 90% of the population of Indonesia is Muslim, and many of KMI's employees are followers of Islam. Therefore, various considerations are extended to these employees. The company has set aside an area on site for a mushola (prayer room). Female employees are allowed to wear a headscarf during working hours and, in the cafeteria, no dishes made with pork are served since dietary laws prohibit consumption of pork.

During the holy month of Ramadan, Muslims fast between sunrise and sunset, and through this month office hours for employees in administrative and marketing divisions start 30 minutes earlier than usual. This change reflects the desire of many Muslims to have their evening meal with family at home during Ramadan. Also, after Lebaran (a celebration to mark the end of fasting), which follows Ramadan, KMI holds a halal bi halal event for Muslims.

But Islam is not the state religion of Indonesia. In fact, there are Christian and Hindu minorities, and since the constitution guarantees religious freedom, Christmas and Hindu celebrations are also observed as national holidays. KMI therefore extends considerations to employees of Christian and other faiths and holds events, such as Christmas celebrations.

This demonstrates KMI efforts to accommodate the local religions, cultures and customs of the land and execute business activities that respect human rights.



On site prayer room (mushola)



Halal Bi Halal



Female employees wearing headscarves



Social Contribution Activities

Management Approach

Material Issues and Our Approach

As a company that engages in a broad range of businesses domestically and overseas, the Kawasaki Group believes that as a member of communities, we have a responsibility for making active contributions to the communities in which we operate.

Additionally, in the context of the SDGs adopted by the UN in 2015, expectations for corporations are high with respect to realizing sustainable societies.

Based on our Group Mission, "Global Kawasaki, working as one for the good of the planet," the Kawasaki Group is committed to pushing forward with our social contribution activities that leverage our human resources, technologies and capital, and are highly synergistic with our business activities.

Focus Activities and Medium-term Targets

● Goals for the MTBP 2019

- Promote activities based on the Policy on Social Contribution Activities.
- Implement phase 2 of the handicraft and experiment courses.
- Continue events at Kawasaki Good Times World.
- Continue to run Kawasaki Robostage.
- Run the Kawasaki Good Times Foundation with an emphasis on efficacy.
- Continue forest conservation activities.

Progress, Results and Challenges

● Goals for Fiscal 2019

- Promote activities based on the Policy on Social Contribution Activities.
- Implement phase 2 of the handicraft and experiment courses.
- Continue events at Kawasaki Good Times World.
- Continue to run Kawasaki Robostage.
- Run the Kawasaki Good Times Foundation with an emphasis on efficacy.
- Continue forest conservation activities.

● Fiscal 2019 Results

- Carried out activities based on the Policy on Social Contribution Activities.
 1. Social contribution activity spending: ¥712 million
 2. Kawasaki Good Times World guests: 198,000
 3. Handicraft and experiment course participants: 463
- Held crane-building activities as part of phase 2 of the handicraft and experiment courses
- Continued to run Kawasaki Good Times World, Kawasaki Robostage and the Kawasaki Good Times Foundation.
- Carried out forest conservation activities.

● Goals for Fiscal 2020

- Promote activities based on the Policy on Social Contribution Activities.
- Implement phase 2 of the handicraft and experiment courses, looking at the Energy System & Plant Engineering businesses.
- Continue events at Kawasaki Good Times World.
- Continue to run Kawasaki Robostage.
- Run the Kawasaki Good Times Foundation with an emphasis on efficacy.
- Continue forest conservation activities.

Policy on Social Contribution Activities

The Kawasaki Group implements social contribution activities in various fields based on the Group Mission, "Kawasaki, working as one for the good of the planet." We take advantage of our strengths and the capabilities of our employees for such activities. The key areas of our social contribution activities are as below.

- (1) The Kawasaki Group, as a corporate citizen, constructs good relationships with local communities and contributes to their development.
- (2) The Kawasaki Group supports the next generation who lead the future technology.
- (3) The Kawasaki Group preserves the environment and achieves the sustainable society.

● Scope of Policy Application

The Kawasaki Group



Policy on Social Contribution Activities

https://global.kawasaki.com/en/corp/sustainability/contribution/policy_on_social_contribution.html

Structure

For information about related structures, please refer to [CSR Promotion System under CSR Framework](#) (page 2).

● Responsible Officer

Katsuya Yamamoto, Representative Director, Vice President and Senior Executive Officer (in charge of CSR)

● Responsible Executive Organ and/or Committee

Corporate CSR Committee



Within Contribution to local communities: Kawasaki Good Times Foundation—Operating Social Contribution Fund in U.S.

https://global.kawasaki.com/en/corp/sustainability/contribution/local_communities.html

Support for the Next Generation

https://global.kawasaki.com/en/corp/sustainability/contribution/next_generation/support.html

Contribution to local communities

https://global.kawasaki.com/en/corp/sustainability/contribution/local_communities.html

Realization of a Society Coexisting with Nature

<https://global.kawasaki.com/en/corp/sustainability/environment/symbiotically.html>

Within Contribution to local communities: Conclusion of disaster prevention agreement with local communities

https://global.kawasaki.com/en/corp/sustainability/contribution/local_communities.html

Kawasaki Good Times World

<https://www.khi.co.jp/kawasakiworld/english/#wrapper>

Kawasaki Robostage

<https://robotics.kawasaki.com/ja1/robostage/en.html>

Social Contribution Activities

Performance Data

Key Areas in Our Social Contribution Activities

Key Area 1

● Contribution to Local Communities

● Overview (relevance to our business)

We carry out activities for supporting sports and community exchange events, mostly in regions where we have offices or works. In Okinawa, many of our employees have taken part in coral reef regeneration activities as volunteers.

● Effects on Business

These activities help improve our presence in these communities.

● Effects on Society

Through these activities, we contribute to the sustenance and development of local communities.

Key Area 2

● Support for the Next Generation

● Overview (relevance to our business)

As a company that specializes in technological development and its widespread application, employees of the Kawasaki Group develop science education programs and hold handicraft and experiment courses for elementary school students in different communities.

● Effects on Business

These activities help improve employees' communication abilities and motivation while improving the Group's brand reputation.

● Effects on Society

By carrying out these science education programs on a regular basis, we contribute to building children's interest in science.

Key Area 3

● Realization of a Society Coexisting with Nature

● Overview (relevance to our business)

The Kawasaki Group upholds its contributions to the global environment as a key element of its Group Mission, and aims to create societies that coexist with nature. As part of these efforts, we are engaged in forest conservation activities in two locations: Hyogo Prefecture and Kochi Prefecture. This also helps to build environmental awareness among our employees and promote personal exchange with our communities.

● Effects on Business

These activities help to build environmental awareness among our employees, and also improve our reputation as an environmentally sensitive company.

● Effects on Society

We calculate and disclose the amount of CO₂ absorbed through these forestation activities.

Social Contribution Activities by Type (totals for Kawasaki and Kawasaki Good Times Foundation in the United States)

	(FY)	2015	2016	2017	2018	2019
Donations and philanthropy	%	40.78	42.18	47.34	34.86	36.29
Investments (ongoing partnerships with NGOs, etc.)	%	29.17	31.20	32.62	45.71	46.47
Advertising and marketing (support funding, campaigns, etc.)	%	30.06	26.61	20.03	19.42	17.24
Total	%	100	100	100	100	100

Note: Because the above figures are rounded to the second decimal place, the percentage figures may not add up to exactly 100%.

Social Contribution Activity Expenditure (totals for Kawasaki and Kawasaki Good Times Foundation in the United States)

		(FY)	2015	2016	2017	2018	2019
Total		Millions of yen	605	697	670	653	712
Breakdown by category	Vitalization of industry and economy	Millions of yen	64	95	100	178	205
	Communities	Millions of yen	258	300	266	154	198
	Education	Millions of yen	126	136	173	216	214
	Culture, sports	Millions of yen	121	121	73	59	59
	Welfare and humanitarian aid (including disaster relief)	Millions of yen	20	22	38	22	7
	Others (including environmental safety, and disaster prevention)	Millions of yen	16	23	20	24	28
Expenditure type	Provision of funds	Millions of yen	194	238	191	155	146
	Provision of goods	Millions of yen	220	239	234	236	238
	Employee volunteer activities	Millions of yen	191	220	245	262	328
	Indirect management costs	Millions of yen	0	0	0	0	0
Percentage of current earnings	%	0.65	1.90	1.55	1.73	1.76	

Note: It includes expenses for donations, support funding, in-kind contributions and requests for support from third-party organizations, and cost of labor of employees assigned to third-party organizations (including expenses incurred by Kawasaki). It does not include internal cost of labor of employees or expenses associated with the use of facilities.

Measuring the Effects of Our Social Contribution Activities
Effects of Our Social Contribution Activities (output, outcome, and impact)

We quantify the performance of main activities in the key areas of our social contribution activities as KPI to make further improvements to the effectiveness of these activities.

● KPI/Performance of Our Social Contribution Activities (consolidated domestic)

		(FY)	2015	2016	2017	2018	2019
Social contribution expenses for communities		Millions of yen	258	300	266	154	198
Kawasaki Good Times World visitors	Thousands of people		221	219	247	227	198
Handicraft experiment courses	Participants		365	415	435	519	463
	Events held		16	21	24	25	21

(Fiscal 2019)

Forest conservation activities			Taka, Hyogo prefecture	Niyodogawa, Kochi prefecture
Participants	Persons		195	64
Activities per year	Number of activities		3	1
Area	ha		0.5	0.3
CO ₂ absorption amount	t-CO ₂		0.97	15.0
Tree planting	Trees		0	0

Third-party Evaluations

Kawasaki proactively implements sustainability activities. These activities have been widely recognized and have been evaluated by various external organizations. For the latest information on inclusion in ESG stock indices and evaluations of the Group's sustainability initiatives, please refer to Kawasaki's website.


Evaluation by Society

<https://global.kawasaki.com/en/corp/sustainability/mgmt/evaluation.html>