

# Business Strategies and Targets/Metrics for the Key Material Issues

The following are the material issues that could have a significant impact on our business activities and enhance our corporate value over the medium to long term.

Energy and environmental solutions (value chain)	
<b>Business Case</b>	Many of the Kawasaki Group's products such as transportation equipment and energy systems use fossil fuels. In case current products and technologies cease to be used by various regulations in the decarbonized and net-zero era, we will likely lose our competitive advantage and sales opportunities since we could not deliver value to our various stakeholders, such as customers aiming to achieve carbon neutrality. This could have a significant impact on the Group's business performance.
<b>Business Strategies</b>	In order to contribute to the early realization of carbon neutrality in the world, we aim to achieve Scope 3 Net Zero by deploying our decarbonization solutions to the entire value chain, including suppliers, customers, and transactions. Specifically, we will provide customers with products and services essential for the transition to carbon neutrality from fossil fuels, such as high-efficiency power generation facilities and hydrogen mixed gas turbines, as well as develop and provide new solutions for hydrogen power, hydrogen fuel, other alternative fuels, and CCUS. We will also support our suppliers in their efforts to reduce CO <sub>2</sub> emissions through the provision of hydrogen power and other products. Through these efforts, we will facilitate global CO <sub>2</sub> reductions.
<b>Target/Metric</b>	2040: Zero-Carbon Ready <ul style="list-style-type: none"> <li>● Scope 3 Category 1: Reduce CO<sub>2</sub> emissions by 80% (compared to fiscal 2021)</li> <li>● Scope 3 Category 11: Develop a lineup of CO<sub>2</sub>-free standard solutions, and further facilitate global CO<sub>2</sub> reductions through the carbon capture, utilization, and storage (CCUS) business, etc.</li> </ul> Corresponding companies: Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, Kawasaki Motors
<b>Progress</b>	Scope3 for FY2023 <ul style="list-style-type: none"> <li>● Category 1: 3,829,334 t-CO<sub>2</sub></li> <li>● Category 11: 32,650,318 t-CO<sub>2</sub></li> </ul>

Promotion of human resource activities	
<b>Business Case</b>	Amidst a drastically changing external environment, human resources are the most important asset necessary to sustainably provide the new value required by society, and we have positioned the enhancement of human capital as an important element to support our growth scenario toward achieving our Group Vision 2030. To achieve business growth to the extent that our business profit margin reaches 8% by 2027 and over 10% by 2030, we will realize providing solutions to difficult social issues by encouraging every employee to change their awareness and perspective to keep taking on unprecedented challenges.
<b>Business Strategies</b>	To realize the Group vision, we clarify those areas that call for reform and take on challenges are the objectives for organizations and the duties of each post, as well as we launched a personnel system based on the concept of Challenge & Commitment in 2021, which encourages and highly evaluates human resources who voluntarily set ambitious goals and can carry out the necessary work with determination and speed. In addition to attracting human resources from inside and outside the company who can realize expected roles and results, we are also working to assign right personnel based on behavioral characteristics evaluation and develop the management level by conducting training for department and section managers. Through periodic engagement surveys, we visualize the values and organizational culture that employees value, and are working to make continuous improvements in response to issues that are identified. To further increase the number of employees (active employees) who are highly motivated and feel that they are given an environment in which they can demonstrate their abilities, we engage in shifting to such an ideal corporate culture.
<b>Target/Metric</b>	Ratio of employees for whom both "supportive environment" and "employee engagement" are high: Over 50% on a consolidated basis in FY2030
<b>Progress</b>	Result for FY2023 29% (Kawasaki and 18 domestic consolidated subsidiaries)

<b>Information security</b>	
<b>Business Case</b>	<p>The Kawasaki Group provides a diverse range of products, from social infrastructure to consumer products, both domestically and internationally, and accumulates and holds a wide variety of technical and sales information as well as customer information as important information assets. As business processes become increasingly digitalized, cyber-attacks from outside the company are on the rise. In addition to incidents such as leakage of important information, system shutdowns, and ransom demands conditional on recovery, there is also a growing risk of business losses due to attacks on factory production systems.</p> <p>We recognize such information security risks as major risks that could have a significant impact on our business activities, such as interruption of production activities or shutdown of operations.</p>
<b>Business Strategies</b>	<p>In order to address information security risks appropriately, the information security supervisory department plays a central role in strengthening our cyber defense system by establishing management rules in accordance with the NIST CSF framework, introducing the latest technologies, and upgrading our operations. Additionally, based on the collected information on cyber threats, we evaluate risks by analyzing attack scenarios, identifying vulnerabilities, and conducting periodic assessments to determine whether information assets are properly protected.</p> <p>Furthermore, we continue to implement risk mitigate actions for the improvement of IT literacy, such as information security education and training for officers and employees through e-learning.</p>
<b>Target/Metric</b>	<p>Target for FY2030</p> <ul style="list-style-type: none"> <li>● Number of employees taking information security training: 20,000</li> <li>● Frequency of targeted threat mail training: 20 times</li> <li>● Number of receivers of targeted threat mail training: 4,000</li> <li>● Score of 80 points or more for all domains owned by KHI from security risk rating</li> </ul>
<b>Progress</b>	<p>Result for FY2023</p> <ul style="list-style-type: none"> <li>● Number of employees taking information security training: 17,053</li> <li>● Frequency of targeted threat mail training: 21 times</li> <li>● Number of receivers of targeted threat mail training: 6,876</li> <li>● Percentage of domains exceeding target values: 74 points or more</li> </ul>