

Material Issues

/ Process for Identifying the Kawasaki Group's Material Issues

In 2018, Kawasaki Group identified material issues (materiality) by recognizing and summarizing the impact business activities have on society, in light of the diversifying expectations and demands of stakeholders and changes in the business environment. The material issues were subsequently reevaluated following the announcement of the Group Vision 2030 in November 2020.

We divided them into two broad categories: The "social and environmental value created through business" and

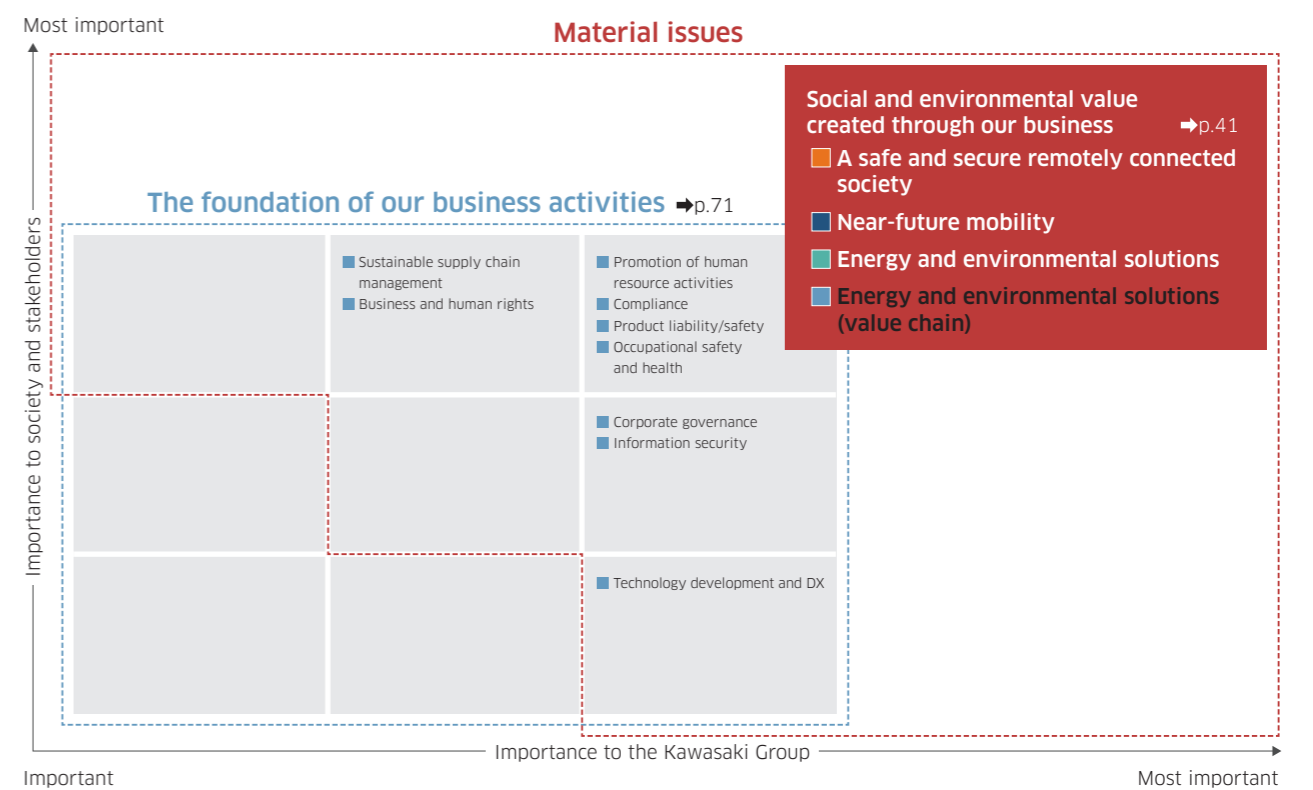
the "foundation of our business activities." Initiatives conducted through our main business have been defined as the most material issues to be achieved by the Group over the long term, while other issues have been positioned as basic items for achieving the most material issues. Going forward, we will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

→ For more details, refer to the website.
Materiality

Process for identifying materiality (overview)

Step	Process
2018	<p>Identify material issues (materiality)</p> <p>The "social value created through business" was defined as the most material issues to be achieved by the Group over the long term, with other topics positioned as the "foundation of our business activities."</p>
2021-2022	<p>Reevaluation of material issues (materiality) in line with the formulation of Group Vision 2030</p> <p>In November 2020, we formulated our Group Vision 2030, considering a variety of social issues, the Company's strengths and our vision for 2030. We also established three focal fields, including a safe and secure remotely connected society, near-future mobility and energy and environmental solutions. In June 2021, upon discussion by the Sustainability Committee chaired by the President, these three focal fields were set out as the social and environmental value created through business.</p> <p>In light of our business strategy under the Group Vision 2030 and recent changes globally around sustainability, we additionally reviewed the "foundation of our business activities" category. We identified and sorted issues—with input from outside advisors—based on survey items from ESG assessment organizations (DJSI, FTSE, MSCI, Sustainalytics), SASB, investor stewardship principles, GRI, Future-Fit, and client company requests (Self-Assessment Questionnaire). We then mapped the material issues into two tentative categories: "Importance to society and stakeholders" and "importance to the Group."</p>
	<p>Interview outside experts and decide the material issues</p> <p>We then obtained the opinions of outside experts and reevaluated this mapping. After discussion by the Sustainability Committee based on those opinions and the revised mapping, further discussions were held by the Board of Directors which then determined the final material issues.</p> <p>Expert comments (excerpt)</p> <ul style="list-style-type: none"> •The Kawasaki Group has been hands-on in creating a business foundation to allow many companies to make the jump to 2030 and beyond. Because Kawasaki Group's own transition represents the creation of innovation for other companies, discussing that scenario in the context of value creation will make it easier to gain the understanding of investors. •I would like the Company to make visible how the "foundation of our business activities" is connected to "social and environmental value created through our business, including a time line. In the wake of the COVID-19 pandemic, investors are keeping a close eye on issues of sustainable supply chains and human rights, so these two could be elevated a bit more under social and stakeholder expectations. •The Company needs to list decarbonization and addressing TCFD among its "foundation of our business activities" issues. I think hydrogen can be considered over a somewhat longer period of time, as the technological innovations that will arise in the first half of 2030s will see the cost of hydrogen from renewable energy sources and the cost of hydrogen from fossil fuels reversed.
	<p>Formulate the plan and conduct a review</p> <p>Regarding our identified material issues, we will aim to comply with the management approach defined under GRI standards, stipulate responsible divisions and specific numerical targets, and, through steady practice and follow-up, promote activities toward the achievement of these targets. We will report the state of progress to the Board of Directors and the Sustainability Committee and endeavor to make improvements as necessary.</p>

Materiality matrix of items identified



Priority items in the foundation of our business activities category

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

forward; and 3. Mechanisms to be developed as the foundation for everything.

Further, we clarified the scope of initiatives in 1. and 2. Based on a high-level view of the entire value chain, from planning and design and product use, and from the suppliers involved to the customer.

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

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