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We are determined and committed to human capital management.

Maximizing human resource value will enhance corporate value

When I was in the human resources department in the 1990s, Japanese companies had lost their strength after the economic bubble ended and the economy was in a prolonged slump. To cut costs, many companies were seeking to reduce labor costs, and it was exasperating that my whole job seemed to be focused on that.

Now, more than 20 years later, human resources are viewed as an investment and an asset for creating value in the future. I believe this is an opportunity for Japanese companies to grow substantially on the global stage. Without a doubt, our human resources are critical to fulfilling our Group Vision 2030. As we reconfigure our organizational and corporate culture structures, our labor policy, which has mainly been centered on the management of human resources, will include active investment in employee wellness, such as revising work styles, promoting health, and creating a comfortable and safe work environment.

By managing our human capital to bring out the full value of our human resources and enhance our corporate value, we will further accelerate the Group's overall growth.

Fostering a corporate culture eager to take on challenges —Changing our employee mindset

The Kawasaki Heavy Industries Group engages in ambidextrous management in which we are simultaneously deepening our existing businesses and exploring new businesses. However, nurturing and growing new ideas into profitable businesses requires resilient individuals capable of overcoming difficult issues while cooperating with those around them. We are seeking to visualize and systematize the processes for identifying employees, developing management talent, and drawing out their full potential.

The reform of the personnel system started in April 2021 introduced a concept of "Challenge and Commitment" for recognizing employees who set high goals and who are highly motivated and committed to rapidly progressing toward attainment. The new system highlights employees who are boldly confronting changes in society and employees who even change their own practices. I believe this has brought us very close to achieving the change in corporate culture that we are seeking. The evaluation process for goal targets and results focuses on how challenging the goals were and whether they have the potential to contribute broadly to the Company. We take steps to ensure the goals and results are evaluated fairly.

Stronger mechanisms to improve employee engagement

In the Group's engagement survey, the key performance indicators (KPIs) that we look at are the percentage of employees who give high ratings for "supportive environment" and "employee engagement." The Group is seeking to raise the percentage above 50%, which is the global average. One of our main initiatives is to create a system that provides more opportunities for motivated employees to take on more active roles. We are particularly working to raise the engagement KPIs among employees in production positions and in their 30's, which have lagged in recent years' engagement surveys.

Our production staff is quite removed from our management activities and it's difficult to involve them in company-wide policies. We are therefore seeking to boost engagement by increasing communication, such as by holding more town meetings with opportunities for direct dialogue between production staff and management. We also believe that improving the working environment is an important foundation for increasing engagement. One of the main ways we will do this is by focusing on safety, not just relying on individual safety awareness, but by creating working conditions that prevent accidents before they occur.

Employees in their 30's are at a good time to start thinking about their future careers. In my 30's, I requested to be transferred out of the human resources department at the Head Office. The time I spent in the

areas of finance, corporate planning, and in different business segments gave me fresh insights and changed my values about work. I am considering ways to expand our employee support structure so it's easier to see what kind of careers are possible in our Company. To increase management commitment, we are improving engagement and, beginning in fiscal 2024, decided to use the survey results as an evaluation index for executive compensation.

Another important issue is promoting diversity, equity and inclusion (DE&I). The engagement survey revealed a gap between how management and employees perceive DE&I. Management must not be complacent and needs to start by truly listening to employees' points of view. In July 2024, we changed the name of the Diversity and Inclusion Promotive Section to the DE&I Management Section and will continue evolving until we are a company where every employee can demonstrate their strengths and achieve results.

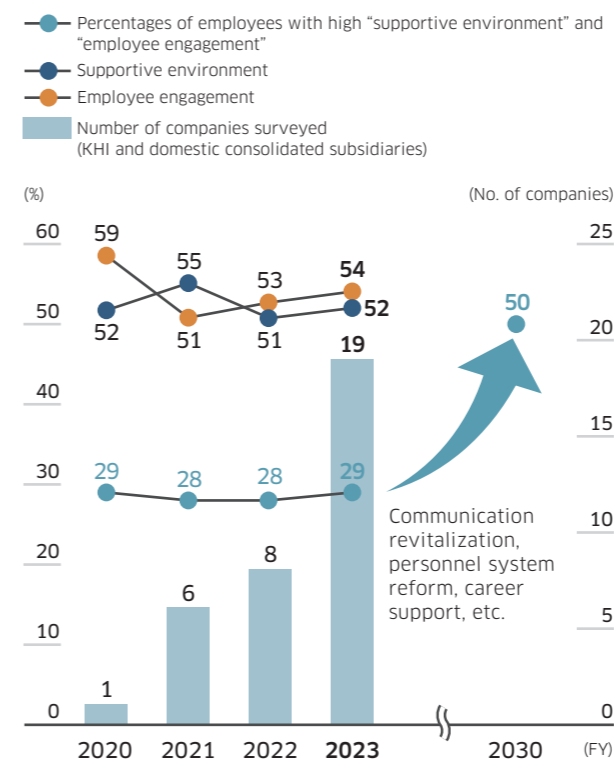
Human resources strategic action plan for sustainable business growth

Our human resources is a very diverse group, and my impression is that our employees generally take their jobs seriously and are very cooperative. The positive side of that is that everyone is helping maintain harmony in our organization. Nevertheless, I think we have to disrupt that harmony in order to be able to flexibly adapt and respond to the great changes in society and the business environment. For example, there is an increasing need for a corporate environment that identifies and unleashes the full potential of individuals with strong personalities, driving ambition, and radical ideas.

It's been four years since we adopted the Group Vision 2030. When we were creating the vision, I was the general manager of the Corporate Planning Division and working with the president to frame our targets and put them into our action plan. We are now at the stage where we need every employee to execute the plan with greater speed and accuracy.

I was appointed general manager of the Human Resources Division based on my intense desire and determination to execute the action plan. I intend to mobilize our human capital so we will fulfill the Group Vision 2030 and achieve sustainable growth for the Group.

Percentages of employees with high "supportive environment" and "employee engagement"



Human Resources Strategy

/ Toward the Realization of Group Vision 2030: Our Thinking on Human Resources

Human resources are the most important asset necessary to sustainably provide the new value required by society, and in the Group Vision 2030 as well, we have positioned the enhancement of human capital as an important element supporting our growth scenario.

Based on this understanding, the Kawasaki Group Policy on Human Resource Management declares that (1) we will assign human resources so that they can fully display their potential and aim for both the career realization of employees and the enhancement of corporate value; (2) we will respect the characters,

personalities, and values of all employees and create workplaces where employees can be both physically and mentally healthy and can be vigorously active in a manner befitting themselves; and (3) we will endeavor to prevent the violation of human rights and resolutely stand up to any form of discrimination or harassment.

Going forward, we will bolster investment to maximize the display of abilities by our human resources and aim to be a vibrant organization that cooperates with others in the solution of social issues.

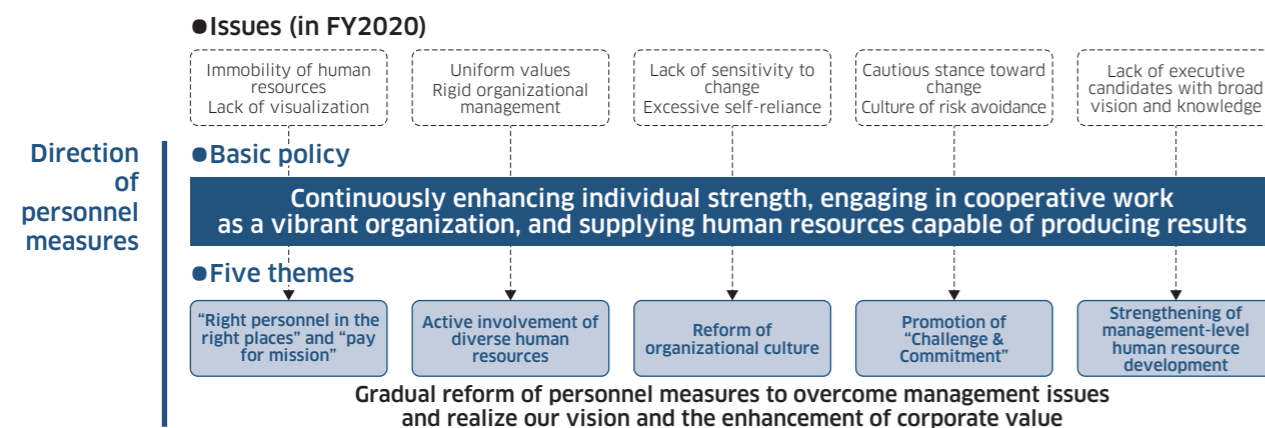


/ Basic Policy on Human Resource Strategy

In light of the establishment of our Group Vision 2030, and in accordance with the basic policy of “continuously enhancing individual strength, engaging in cooperative work as a vibrant organization, and supplying human resources capable of producing results,” in fiscal 2020 we formulated a human resource strategy indicating five directions for personnel measures.

For the achievement of our vision, it is necessary to have challenging employees, an organizational culture that supports people making challenges, and leaders who never give up, whatever the circumstances.

To promote reform from the perspectives of both people and organization, as the directions of personnel measures and plans, we stipulated (1) “the right personnel in the right places” and “pay for mission,” (2) active involvement of diverse human resources, (3) reform of organizational culture, (4) promotion of “Challenge & Commitment,” and (5) the strengthening of management-level human resource development. In this way, we are tackling personnel system reform and organizational culture reform.



/ Status of Human Resource Strategy

“Right personnel in the right places” and “pay for mission”
To set up the organizations and posts necessary for the realization of our vision (the “right places”), and to identify, acquire, and assign appropriate human resources for those duties (the “right personnel”), we have commenced a reform of our personnel system and the visualization of our human resources. As well as switching to a duty-oriented personnel system for managerial staff, we have introduced a talent management system and undertake the standardized management and visualization of various personnel-related information.

Active involvement of diverse human resources

To realize a diversity of knowledge and experience, we are committed to creating an environment where people can work flexibly and independently and fostering a corporate culture in which people feel that diverse human resources really are accepted. We are building a system and support setup so that all employees can acquire opportunities fairly, regardless of gender, age, nationality, disability, and so on.

Reform of organizational culture

By introducing an engagement survey, we have objectively visualized organizational issues and established a setup enabling measures to be planned and implemented effectively. We are promoting initiatives along the two axes of management and workplace, with important issues, such as career support and the strengthening of compliance, being tackled by companywide bodies and workplace issues by supervisors.

Promotion of “Challenge & Commitment”

We have set about personnel system reform in accordance with the concept of “Challenge & Commitment” (C&C) so as

to highly reward employees who raise their hands themselves and make challenges. Measures include reorganization of the ability-based qualification system, abolition of seniority-based treatment, and reform of the target management system. We are endeavoring to imbue an awareness of challenge by, among other steps, disclosing the C&C targets of each employee companywide in the talent management system.

Strengthening of management-level human resource development

Toward the strengthened upbringing of managers capable of continuously leading business transformation, we are selecting successor candidates with a focus on objectivity and transparency, including visualization of the behavioral characteristics required of corporate managers, the utilization of external assessment, and discussions in the Nomination Advisory Committee. In addition, we are conducting the planned training of corporate managers by implementing executive development programs for a wide range of personnel.

Future issues

We are only halfway along the road to reform of our organizational culture. Among other things, the concept of personnel system reform has still not permeated sufficiently in the Company, and in the realm of operation, the perspective of seniority remains. In particular, we realize that initiatives toward the strengthening of governance and compliance are going to be major issues from now on. While emphasizing sincere dialogue with employees, we will continue to tackle reform toward the achievement of our vision.

Regarding priority themes, the following initiatives are being implemented. Going forward, we will continue our consideration of measures.

Priority themes	Implemented measures	2021	2022	2023	2024-
1. “Right personnel in the right places” and “pay for mission”	<ul style="list-style-type: none"> ■ Reform of personnel system (managerial staff) ■ Evaluation of behavioral characteristics (managerial staff) ■ Establishment of human resource information base 		<ul style="list-style-type: none"> Implementation of written job descriptions and job value assessments for all management posts Implementation of behavioral characteristics evaluation of managerial staff through 360-Degree Surveys and visualization of appropriateness Introduction of talent management system and enlargement of human resource information 		
2. Active involvement of diverse human resources	<ul style="list-style-type: none"> ■ Promotion of diverse and flexible workstyles ■ Fostering of culture aiming for an inclusive organization 		<ul style="list-style-type: none"> Introduction of remote working program (2020); introduction of full flextime system; building of work-life balance programs and strengthening of information transmission Introduction of same-sex partner registration rule (2020); introduction of business name system; regular holding of diversity-related seminars Holding of events inside and outside the Company toward the involvement of female leaders; holding of Training Program for Female Engineers in collaboration with universities 		
3. Reform of organizational culture	<ul style="list-style-type: none"> ■ Engagement survey ■ Autonomous career support ■ Strengthening of compliance 	<ul style="list-style-type: none"> Survey introduction (2020) Introduction of Career Development Leave Program 	<ul style="list-style-type: none"> Regular holding of organizational development training; strengthening of backup support to workplaces Strengthening of support measures, such as career counseling and a Career Challenge Program 	<ul style="list-style-type: none"> Establishment of in-house and external counseling services; regular holding of harassment training for all employees 	
4. Promotion of “Challenge & Commitment”	<ul style="list-style-type: none"> ■ Reform of personnel system (general employees) ■ Abolition of seniority-based treatment ■ Reform of the management by objectives system 	<ul style="list-style-type: none"> Reorganization of ability-based qualifications; further strengthening of the performance-linked bonus system Abolition of the payment of fixed sums according to age; abolition of the retirement age extension for managerial staff and retirement age for managers; early promotion and selection of young employees In addition to regular work, introduction of management by objectives system (“C&C”) advocating challenging targets and emphasizing growth and challenge 			
5. Strengthening of management-level human resource development	<ul style="list-style-type: none"> ■ Formulation of leadership succession plan ■ Executive development programs 	<ul style="list-style-type: none"> Setting of human resource conditions required of corporate managers; strengthening of transparency and objectivity by utilizing external assessment and the Nomination Advisory Committee Implementation of executive development programs for assistant managers and above 			