

The Foundation of Our Business Activities | KPIs and Results for Materiality

Material issues (materiality) are divided into two broad categories: “social and environmental value created through our business” and “the foundation of our business activities.” We set quantitative targets and KPI for each item of the latter and are monitoring progress in our business activities.

Process for Identifying Materiality → p. 15

The foundation of our business activities		Goals of Group Vision 2030	Priority matters	Target indicators (or key performance indicators)	Fiscal 2023 results
Items of particular importance going forward (items that will have an ever-increasing impact on future finances)	Energy and Environmental Solutions (Value Chain)	<ul style="list-style-type: none"> Implement, to the maximum extent, feasible measures concerning Scope 3, to steadily work toward the milestone of becoming Zero-Carbon Ready by 2040. 	<ul style="list-style-type: none"> For category (i), reduce CO₂ emissions by suppliers of materials and parts For category (xi), pursue a lineup of CO₂-free standard solutions in all businesses 	Scope 3 (category (i))	3,829,334 t-CO ₂ (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
				Scope 3 (category (xi))	32,650,318 t-CO ₂ (The Kawasaki Group)
				Initiatives to reduce category (i) of Scope 3	Confirmed the status of carbon neutral initiatives with key suppliers
	Business and Human Rights	<ul style="list-style-type: none"> No violations of human rights throughout the value chain and no complicity in human rights violations. 	<ul style="list-style-type: none"> Implement human rights due diligence among subsidiaries and suppliers 	Number of human rights audits conducted and revised at subsidiaries	Implemented SAQ ¹ targeting four overseas subsidiaries (manufacturing sites in developed countries)
				Number of subsidiaries confirming prohibition of child labor and forced labor (implementation at subsidiaries where the company president has changed)	23 companies
				Number of participants in human rights training	Participants: 10,336 (Attendance rate: 84.7%)
	Promotion of Human Resources Activities	<ul style="list-style-type: none"> Strengthen and effectively use human capital (efficient allocation and human resource development) to achieve Group Vision 2030. Enhance employee engagement and build a company culture in which employees can continue to work with enthusiasm. Promote diversity, equity, and inclusion (DE&I) to build an organization in which a wide array of employees can maximize their individuality and potential. 	<ul style="list-style-type: none"> Implement the personnel system reform and human resource development in ways that enhance corporate value Promote DE&I 	Ratio of employees for whom both “supportive environment” and “employee engagement” are high (employee engagement survey results)	29% (Kawasaki Heavy Industries and some domestic consolidated subsidiaries [19 companies total])
				Proportion of women in managerial positions	2.7% (The Kawasaki Group [Japan])
				Rate at which women, foreign nationals, and individuals with mid-career hires are promoted to senior manager or above	8% (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
				Wage differences between male and female employees	62.0% (The Kawasaki Group [Japan])
				Rate at which male employees take childcare leave	25.0% (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
	Technological Development / Digital Transformation (DX)	<ul style="list-style-type: none"> Deliver new products and new businesses to market which contribute to the resolution of global environmental and social challenges. Successfully acquire and utilize intellectual property rights linked with business strategies. Promote process innovation, increase sophistication of processes and integrate digital technologies throughout the value chain. 	<ul style="list-style-type: none"> Promotion of open innovation Building of intellectual property strategy (strengthening of intellectual property strategy) for the co-creation of new businesses Promotion of digital transformation (DX) throughout the value chain 	Number of products and cases of commercialization in three focal fields of the Group Vision 2030	22 products and cases First delivery of the Successor-G* remotely-operated grinder robot system, etc.
				Number of cases of major external collaborations (number of cases disclosed in news releases)	5 cases The establishment of the Microsoft AI Co-Innovation Lab in Kobe City, in-orbit technology demonstration of the Debris Removal Unprecedented Micro-Satellite (DRUMS), etc.
Number of patents held (calendar year basis)				Japan: 3,049 patents Overseas: 4,511 patents	
R&D expenses				53.3 billion yen	
Certification status of quality management system (ISO9001)				73.1% (total of domestic and overseas manufacturing sites)	
Items that were emphasized in the past, but which will be steadily reinforced going forward	Product Liability/Safety	<ul style="list-style-type: none"> Deliver trustworthy and safe products and services from the customer’s perspective based on consistent quality policies covering from top management to work-site operators. 	<ul style="list-style-type: none"> Promote TQM (Total Quality Management) activities 	Number of TQM training participants	Participants: 5,052
				Number of cases of serious fraud or scandals per year	0 cases
	Compliance	<ul style="list-style-type: none"> Monitor as accurately as possible the risks of committing compliance violations. Build an inclusive and effective compliance system tailored to given risks, and continuously manage and regularly update this system. 	<ul style="list-style-type: none"> Further improve compliance awareness throughout the Group Strengthen anti-corruption measures throughout the Group 	Number of employees taking the Code of Conduct training	Compliance documents read-through activities: 29,422 persons
				Degree of compliance permeation in employee awareness surveys	71 points
				Attendance rate for compliance training for overseas	Not implemented owing to external circumstances
				Number of whistle-blowing system reports	Japan: 76 reports Overseas: 0 reports
				Number of cases of compliance violations	18 cases
	Occupational Safety and Health	<ul style="list-style-type: none"> Ensure that there are no serious occupational accidents Group-wide. Reduce the need for sick leave. Maintain and improve employee health. 	<ul style="list-style-type: none"> Implement appropriate occupational safety and health measures: to prevent work-related accidents, to reduce the need for sick leave, and to encourage employees to improve lifestyle habits 	Lost Time Injury Frequency Rate (LTIFR) (calendar year basis)	0.23 (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
				Health score ² (calendar year basis)	3.91 (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
	Information Security	<ul style="list-style-type: none"> Maintain and manage cyberattack response and the protection of customer and product information with the world’s highest level of security. 	<ul style="list-style-type: none"> Strengthen information security governance throughout the Kawasaki Group 	Number of employees taking information security training: 20,000	17,053 persons
				Frequency of targeted threat mail training: 20 times	21 times
				Number of receivers of targeted threat mail training: 4,000	6,876 persons
				Scores of 80 points or more for all domains owned by KHI from security risk rating	Percentage of domains exceeding target values: 74%
A wide range of items to be addressed (activities relating to both of the above)	Sustainable Supply Chain Management	<ul style="list-style-type: none"> Remain aware of environmental, human rights, and other risks associated with the entire supply chain and work with suppliers to promote sustainability. 	<ul style="list-style-type: none"> Revise and distribute Sustainable Procurement Guidelines Implement sustainable procurement survey of suppliers and review or audit based on their responses Initiatives including human rights due diligence, promotion of decarbonization, and efficient use of resources, in the supply chain 	Number of major suppliers responding to our sustainable procurement survey	Responses from 533 companies of the total of 685 (77.8% response rate)
				Implementation status of human rights due diligence	Identification of 12 supplier companies as targets for improvements based on the results of the sustainable procurement survey
				Number of reports from our supplier hotline	7 reports

¹ Self-assessment questionnaire
² Kawasaki’s internally generated index based on a scoring of six lifestyle habits that affect labor productivity, derived from the results of health checkups. A higher score (with a maximum of 6) reflects a healthier lifestyle.

Promotion of Human Resource Activities

Improving Job Satisfaction and Ease of Work

To realize our Group Vision 2030, we need all our employees to experience “job satisfaction,” in working with enthusiasm in a “supportive environment.” In the employee engagement survey conducted in fiscal 2023, the results of the vast majority of question items either saw increases or remained unchanged, with a particularly significant favorable improvement seen for the theme of “Pay & Benefits.”

One factor in this outcome is that our remuneration system under the new personnel system as well as performance management measures such as Challenge & Commitment are now in their third year of implementation and have achieved better levels of understanding throughout the Company.

Establishment of connections between management and employees

According to the survey results, the themes of “trust in management” and “employee career development” are of particular importance in increasing job satisfaction and ease of work at the Company. To ensure that the intentions of management are delivered to employees, comments from the President and specific future actions are included in the in-house newsletter and distributed to each and every employee after survey results have been ascertained. In this way, we take proactive measures to inform personnel, ensuring that it is not simply a “questionnaire.”

Individual business segments are also taking independent action. The Energy Solution & Marine Engineering Company, for example, conducts “meetings in a circle,” and more than 2,300 employees have

participated. In fiscal 2023, town hall meetings were held for new managers, and the same meetings are being held for production specialists working at plants in fiscal 2024. We are creating opportunities to engage in two-way communications, not only for management to directly explain policies to employees, but also for employees to directly express their opinions and pose questions to management.

Support for employee career development

In accordance with our basic policy of “supporting career development that respects the individual wishes of employees,” our Group strives to provide substantial opportunities for employees to clarify their goals in terms of skill development, and acquire the required knowledge, skills, and abilities, and gain necessary workplace experience.

For instance, to enable our employees to actively shape their careers, we provide them with information about our career development support measures through the “Career Support Guidebook” and offer theme-based career seminars and career counseling opportunities. We also conduct career support seminars for supervisors, promoting an environment where supervisors can support the growth and career development of their subordinates in the workplace. We also have a Career Challenge Program that enables employees who want to transfer to apply for positions in departments that are recruiting and are announced once each year. We introduced a Career Development Leave Program that allows employees who want to re-learn skills while making use of outside educational institutions including overseas universities, encouraging and supporting independent career development by employees.

Engaging in initiatives from two axes: Company-wide actions led by management and workplace actions led by supervisors

Company-wide actions led by management

- Establishment of connections between management and employees**
Promotion of direct dialogues with employees, including progress reports on business direction and meetings in a circle
- Support for employee career development**
In addition to career counseling, support for the career development of each and every employee by launching the Career Challenge Program and holding career seminars by generational tier
- Fair evaluations based on abilities, role, and achievements**
Implementation of appropriate evaluations in line with achievements through Challenge & Commitment as well as feedback toward improvements in work duties through dialogues with supervisors
- Resolution of respective company/divisional challenge**
Implement actions under the management tier to resolve challenges in organizational units with individually distinct backgrounds and challenges



Promoting Diversity, Equity, and Inclusion (DE&I)

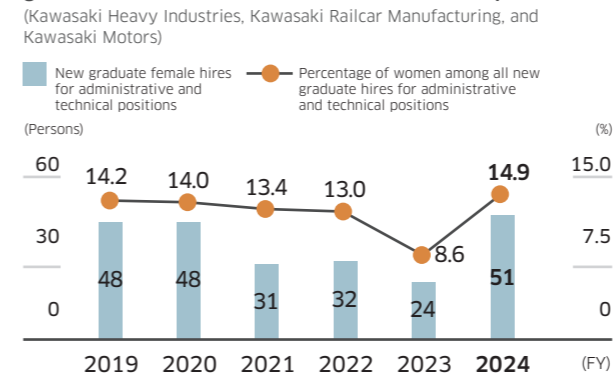
The Kawasaki Group undertakes activities to “promote the active participation of women,” “support employees balancing work with childcare and nursing care,” “support the active participation of non-Japanese employees,” “promote understanding of LGBT issues,” and “realize workstyles with an awareness of work-life balance, results, and efficiency,” as means to bring together the capabilities of diverse personnel encompassing inherent differences, such as nationality, gender, age, disability status, religion, experience, and values in order to realize our vision. We will set our sights on respecting diversity and striving to build a workplace in which all employees can live up to their full potential.

Promoting the active participation of women

The Company has set targets for fiscal 2025 to double the fiscal 2020 number of female managerial staff to over 116 and to raise the female ratio for career-track administrative positions to at least 40% and that of career-track technical positions to at least 15% among newly hired graduates.

With the aim of facilitating the retention and fostering an awareness of career enhancement for female employees, we host the “D&I Forum” for female managers to exchange views on the active participation of women at the Company through a message from the President and a panel discussion among female officers. We also gain insights on facilitating growth from role models outside the Company, and host the “Female Leadership Development Program” and the “Networking Session for Female Engineers” in cooperation with Kobe-based companies, toward building human networks outside the company. Furthermore, the Company undertakes activities to support the careers of students aspiring to science and engineering professions. In fiscal 2023, this included conducting workshops as part of the “Training Program for Female Engineers,” in collaboration with universities.

New graduate female hires for administrative and technical positions¹ and percentage of women among all new graduate hires for administrative and technical positions

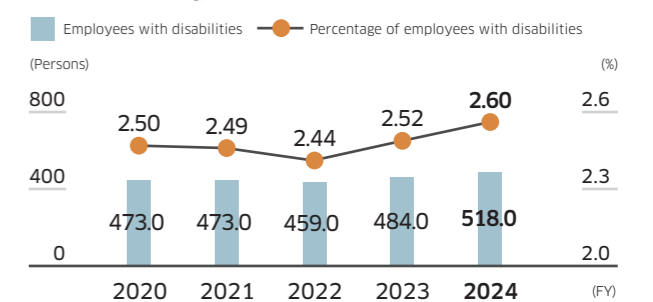


¹ As of April 1 of each fiscal year

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, with the employment of persons with disabilities standing in excess of the legally mandated employment rate, at 2.60% for fiscal 2024. We are additionally working actively to create barrier-free workplaces, and cultivate an environment in which people with disabilities are able to develop to their full potential.

Employees with disabilities^{2, 3} and percentage of employees with disabilities



² As of June 1 of each fiscal year. Respective results include those for Kawasaki Heartfelt Service Co., Ltd.
³ People working short hours are calculated as 0.5 persons. One person with a severe disability is counted as two persons.

Work-life balance

Within the Kawasaki Group, it is therefore important to create work 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 they can engage with their work at a higher level.

To support employees balancing work with childcare and nursing care, we are undertaking initiatives which exceed the relevant standards of the national government. These include 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; and “nursing care leave” available for up to three years.

Moreover, in order to foster a corporate culture in which employees are not leaving their jobs due to such reasons as childbirth or childcare and in which both men and women are able to balance work with childcare as desired, we have set the target of raising the rate at which male employees take childcare leave to at least 50% by fiscal 2025. We are also proactively working to raise awareness through seminars to promote and support the involvement of men in childcare, as well as seminars for employees returning from childcare leave and their supervisors to ensure that our employees, with their diverse attributes, have the option to choose from a diverse variety of work styles.

The Foundation of Our Business Activities

/ Human Resource Development

For our Group to continue to exist and develop as a corporation while engaged in business globally, 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” of a company 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 our Company.

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.

As a specific initiative, we hold the Kawasaki Executive Coaching Program (spanning nine months per fiscal year) for executive candidates selected from section manager equivalents. In addition to instilling participants with corporate management expertise, the program facilitates a deepened understanding of the true nature of corporate management at Kawasaki Group. This is achieved through deliberations involving external lecturers and corporate managers from outside the Kawasaki Group, as well as numerous group discussions. Using these means we aim to nurture in management-level human resources the capacity to embody our corporate philosophy by equipping them with optimal perspectives on the Group as a whole, as well as global perspectives on corporate management, toward the resolution of managerial challenges.

Development of global human resources and project managers

We have been implementing measures for global human resource development with the objective of further developing human resources who can support global business execution. In light of the Group’s business environment, 60% of which is accounted for by global business, rather than confining ourselves to the acquisition of English and other skills, we also focus efforts on training to facilitate a deeper understanding of different cultures, as well as in-site training to learn about the realities of business in overseas settings, and selective training.

Additionally, 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 to secure project managers able to execute such projects.

Strengthening on-site capabilities

The production sites of each business constitute the veritable foundation of the Group’s profit-generating operations, and enhancing our on-site capabilities is as such extremely important. For early career employees at production sites, we hold the Skills Qualification Early Acquisition Incentive Program as well as providing basic training programs on KPS* and quality control, to allow them to learn about Kawasaki’s production systems.

To bolster the leadership capacities of supervisors, we provide senior foreman training and foreman training. In addition, we are promoting the transmission and enhancement of front-line production skills through the Grand Master System, whereby production specialists possessing high levels of specialist skills are recognized as grand masters and endeavor to systematically pass down these skills to early career employees.

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

Main Human Resource Development Initiatives

	Purpose	Details	Targets
Nurturing Management Successors (Kawasaki Executive Coaching Program)	Reinforcing development of managers who can continuously lead business reform	<ul style="list-style-type: none"> ● Visualization of the qualifications required of managers, use of external assessments, and interviews conduct by the President and Senior Corporate Executive Officers ● Implementing tough assignments 	Executive candidates
	Systematic manager development	<ul style="list-style-type: none"> ● Kawasaki executive advanced programs, Kawasaki Executive Coaching Programs, Kawasaki Executive Introductory Programs, and other executive development programs 	Executive candidates
Project Manager Training	Training for project managers who can carry out projects for entire systems, including peripheral facilities	<ul style="list-style-type: none"> ● The Project Management Course to acquire a systematic knowledge of project management 	Project managers (including candidates)
Development of Global Human Resources	Further development of human resources who can support the business expansion worldwide	<ul style="list-style-type: none"> ● Global business talent seminars to instill a mental preparedness to work from a global perspective and learn skills related to overseas business ● Global basic skills seminars to instill a systematic understanding of differences in diversifying values ● Introduction of the overseas internship system and the Asian business training program with the aim of globalizing domestic human resources ● Training support for local engineering employees at overseas sites 	All employees

/ Hiring Policy

We are committed to securing personnel for new businesses and for business expansion (especially in DX, hydrogen-related businesses, and legal) by means of mid-career hiring, emphasizing skills and experience; and to securing key personnel for organizational units to continuously deepen businesses by means of new graduate hiring, emphasizing potential.

In terms of hiring ratios, the proportion of mid-career hires has been increasing each year, with mid-career hires constituting more than 60% of those recruited in fiscal 2023.

For the hiring of new graduates, we emphasize “objectivity in selection” and “diversity of hires.” Toward the realization of our Group Vision 2030, we are endeavoring to use selection methods which differ from traditional models, aiming in particular to secure “transformational talent” possessed of problem-solving mindsets in the face of prevailing circumstances, and who will act with a sense of resolute conviction.

In addition, we hold technical workshops for high school and university students organized in collaboration with educational institutions toward increasing the number of future applicants and in view of the declining birth rate and aging population as well as the burgeoning trend away from science subjects.

/ Safety and Health Promotion

The Group places great importance on the provision of safe and healthy working environments for its employees, both on physical and mental fronts. To ensure that all our employees can work with peace of mind, in pursuit of the maintenance of occupational safety, hygiene, and health, we promote measures to prevent work-related accidents; those to reduce the need for sick leave; and those to encourage employees to improve their lifestyle habits. We are also endeavoring to improve our safety management activities for the reduction of the lost time injury frequency rate (LTIFR), with an emphasis on the prevention of lost time injuries.

Implement appropriate occupational safety and health measures

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 of these systems, prevent occupational accidents, and facilitate the creation of a comfortable work environment.

The occupational safety and health management systems at all of our business sites are at an OSHMS third-party certified level (Sites with third-party certification: Kobe Works shipyard, Sakaide Works [ISO 45001], Kobe Head Office Works of Kawasaki Railcar Manufacturing Co., Ltd. [OSHMS certification according to the method of the Japan Industrial Safety and Health Association]).

Promotion of health management

We regard initiatives to maintain and improve employee health as an “investment” and promote health management, which is a management approach to implement measures to address challenges from a strategic perspective.

As one of the main activities associated with this, we organize the Collaborative Health Committee, comprising representatives of the company, health insurance union, and labor union, to discuss and plan measures with the aim of improving the health of employees. This committee compiles a health report for each business site and related company based on employee health-related data administered by the health insurance union and company so that the committee can adopt effective measures and obtain better results. Regarding issues made clear by the results of the health reports, we decide the theme for each year and set about tackling it on a Group-wide basis.

In fiscal 2023, we reviewed the system including the contents and targets of various aspects of health education such as diet and exercise and provided education at all business sites in order to enable the provision of requisite education for each age group. In fiscal 2024, we are planning a walk rally event in cooperation with business sites with the aim of improving exercise habits.

Feedback from a participant in the Kawasaki Executive Coaching Program

I intensively studied core knowledge at an MBA level over a short period of time through this selective training. I notably acquired theoretical and practical skills in strategic thinking, financial analysis, and HR policies, which I could promptly apply to my day-to-day duties, thus giving me a real sense that I have grown as a manager. Additionally, I have broadened my horizons and network through interactions with like-minded colleagues, with this experience proving both stimulating and of great value for my future career.



Human Rights Due Diligence

/ Policies Relating to Human Rights Due Diligence

The Kawasaki Group Policy on Human Rights

The Kawasaki Group adopted the Kawasaki Group Policy on Human Rights in fiscal 2019 to complement the Kawasaki Group Code of Conduct, and then revised it in 2023. We recognize how essential it is for the realization of our Group Mission that the human rights of all stakeholders be fully respected and that the Kawasaki Group's employees uphold high ethical standards; and we have established policy to be actively engaged in such key issues of human rights as prohibition of forced labor and child labor, prohibition of discrimination and harassment, diversity and inclusion, approving freedom of association and the right to collective bargaining, and ensuring a safe and healthy working environment.

Group Policies for Material Procurement and Sustainable Procurement Guidelines

The Kawasaki Group set forth the Kawasaki Group Policies for Material Procurement, which contains the Group's sustainable-procurement philosophy, and its expectations for its suppliers in that regard, as well as the Kawasaki Group Sustainable Procurement Guidelines, which further fleshes out the content of the aforementioned policy by stipulating by-laws on its expectations for its suppliers. Among these, based on growing social demands for sustainability initiatives in the supply chain, the guidelines were revised in fiscal 2022 with reference to the RBA¹ Code of Conduct. The revisions included a variety of items, including

consideration for compliance, human rights, labor, occupational health and safety, and the global environment. On that basis, the Kawasaki Group Code of Conduct was incorporated to clarify the Group's policy to enhance the sustainability of its entire supply chain.

¹ Responsible Business Alliance (RBA): International initiative promoting corporate social responsibilities across the global supply chain

/ Human Rights Due Diligence Process

The Kawasaki Group established a human rights due diligence process based on the Kawasaki Group Policy on Human Rights with the objective of identifying, preventing, and mitigating adverse impact on human rights resulting from our corporate activities. When necessary, we take corrective action with full responsibility.

Specifically, we assess the impact of identified human rights risks based on the Group's business activities and endeavor to take appropriate action to prevent and mitigate human rights risks based on the results. We also conduct ongoing monitoring including follow-up surveys relating to the status of implementation of corrective action and ongoing impact assessments of human rights risks.

Furthermore, in cases where—through dialogue with stakeholders and grievance mechanisms—it becomes clear that the Kawasaki Group has caused an adverse impact on human rights or been involved in such, we will work to redress the situation through appropriate procedures.

Assessment of the human rights impacts connected to workers at overseas Group sites

Based on the results of monitoring based on SAQ focused on overseas Group companies, in May 2024 at Kawasaki Motors Enterprise (Thailand) Co., Ltd. (KMT) we conducted direct interviews with managers and workers with the goal of assessing whether there were any actual or potential human rights risks and the degree of their impact. For the worker interviews, 50 individuals were selected in an all-encompassing way based on gender, department, and employment status (full-time worker, temporary worker, and trainee). As to implementation, grounded in the Dhaka Principles (principles for the responsible recruitment and employment of migrant workers) and based on a questionnaire covering human rights issues that workers face, the third-party non-profit organization Caux Round Table Japan (CRT Japan) conducted an interview-based survey prioritizing items with particular relevance to the attributes of the workers and the environments in which they were placed.

The results of the interviews on the whole were satisfactory, and no human rights violations such as forced labor or discrimination in the workplace were corroborated. At KMT, they will make use of the comments received from workers during the interviews calling for improvements; continue with their efforts to develop employment and workplace environments that are more respectful of worker rights and improve their responses to workers; and furthermore work hard to establish relationships of trust with them.



Conducting an interview with workers

/ Mechanism for Addressing Human Rights Related Grievances

The Kawasaki Group has established multiple consultation systems for employees as grievance mechanisms. The Company promises that no employee will suffer disadvantageous treatment for voicing a grievance.

To promote procurement activities that conform to our thinking about sustainability such as compliance and giving consideration to human rights, occupational safety and health, and the global environment, we have created a point of access (supplier hotline) for receiving reports from business partners when they become aware of (or have concerns about) any behavior by any Group officers or employees with whom they are involved that violate any laws or regulations, the Kawasaki Group Sustainable Procurement Guidelines, and the Kawasaki Group Code of Conduct.

Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)

Since fiscal 2024, our Group has joined as a regular member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), which provides an external engagement and remedy platform.

Besides our existing internal and external consultation point systems, our Group will receive complaints and grievances related to human rights from a wide range of stakeholders including overseas suppliers through JaCER's platform and endeavors to improve access to remedies and redress grievances by leveraging the expertise of third parties.



/ Impact Assessments / Corrective Measures

	Impact assessments	Corrective measures
Main initiatives in fiscal 2023 targeted at Group companies	<ul style="list-style-type: none"> Confirmation of the prohibition of child labor and forced labor at domestic and overseas Group companies Ratified by the presidents of each Group company during changes of president Monitoring using SAQ² created in-house based on the RBA Code of Conduct Implemented at four Group companies overseas engaged in production activities in the US, the UK, and Korea 	<ul style="list-style-type: none"> Corrective measures based on the monitoring results Requested improvements separately at a total of five companies with regard to carrying out training and management structures Carried out third-party interviews focused on workers based on the fiscal 2022 results from monitoring of Group companies overseas located in countries where human rights risks are considered to be high
Main initiatives in fiscal 2023 targeted at suppliers	<ul style="list-style-type: none"> Questionnaire survey for major domestic suppliers Reassessed the details of the questionnaire based on the fiscal 2022 revisions to our Sustainable Procurement Guidelines Responses from 533 companies, including 531 of our significant suppliers 	<ul style="list-style-type: none"> Formulation of plans for corrective measures based on the questionnaire results Formulated plans for corrective measures based on agreements between some suppliers and our Company, and supported their implementation As necessary conducted on-site assessments whose goal is to confirm the status of sustainability-related initiatives

² Self-assessment questionnaire

Capacity building for suppliers

Depending on the needs of each business, for our suppliers we offer training sessions aimed at improving performance with respect to sustainability. We also provide opportunities for direct briefings on Kawasaki's approaches to sustainability; inform suppliers of the important issues in supply chain management, such as human rights and the environment; and request that suppliers enhance their sustainability initiatives.

In April 2024, the Group held a briefing on carbon neutrality for 102 companies selected from among our main suppliers. The Group's President himself explained its initiatives and guidelines aimed at achieving a carbon-neutral society, and requested to implement initiatives to reduce their CO₂ emissions. Furthermore, at carbon neutral seminars held in July and August 2024, the Group explained the initiatives it will be pursuing together with its suppliers and conducted seminars on support for decarbonization management from government and financial institutions.

Going forward, we will encourage collaboration with our suppliers by continuing to hold study sessions appropriate to the level of their initiatives.



Holding the briefing on carbon neutrality

Compliance

Compliance Promotion Structure

The Company-wide Compliance Committee is chaired by the Kawasaki president. The committee meets at least twice a year. Its functions are to discuss and determine measures to ensure strict compliance within our Group and to monitor the status of achievement and compliance. All members of the Board of Directors attend meetings of the Company-wide Compliance Committee and supervise compliance-related matters. To ensure that the objectives of the Company-wide Compliance Committee extend to all corporate structures, Business Segment Compliance Committee meetings are held at the Head Office and internal companies at least twice a year to promote compliance throughout the Group.

In addition, the Kawasaki Group formulates annual Group-wide compliance activity plans with various measures that, following the approval of the Company-wide Compliance Committee, it carries out.

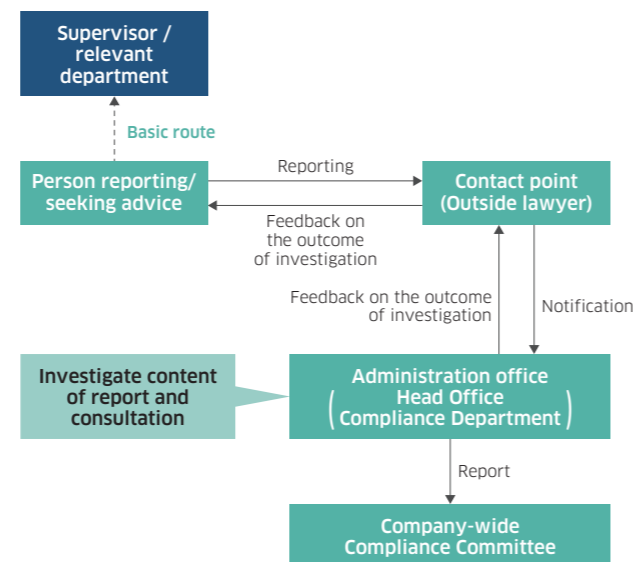
Main Initiatives in Fiscal 2023

Compliance education measures	In Japan, in addition to e-learning on compliance for managerial staff, measures involving reading compliance materials together were also conducted at each worksite.
Compliance awareness survey	The results of the awareness survey conducted in fiscal 2022 were analyzed and reported at the Company-wide Compliance Committee. Also, the analysis results of the awareness survey conducted in Japan were reported in the internal bulletin for employees.
Development of anti-bribery systems	Anti-bribery e-learning was conducted in Japan, and information was disseminated on internal anti-bribery rules.
Enhancement of whistle-blowing system	We investigated and made preparations to increase by one the number of outside lawyers serving as contacts (a three-lawyer structure began operating in April 2024).

Whistle-Blowing System and Consultation Points

We have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact, so that executives and employees of the Company and domestic subsidiaries can report or seek consultation regarding suspected violations of compliance practices relating to their operations. The system accepts anonymous reports and consultations with the objective of fostering a corporate culture and creating mechanisms that effectively self-correct by making the system more user friendly.

Compliance reporting and consultation system flow chart (domestic)



Under the Compliance Reporting and Consultation System, an outside lawyer responds directly to inquiries from employees reporting or consulting by email or other means. 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 the investigation of reports or consultations not made anonymously, the name of the employee who used the system 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.

To enhance the efficacy and reliability of this system, we revise it as needed, working to make it easier for employees to use. In addition, the number of reports made to the Compliance Reporting and Consultation System as well as the details of specific consultation matters are reported to the Company-wide Compliance Committee, ensuring that the system is operating effectively.

Since 2020, we have been introducing the Global Internal Reporting System at overseas subsidiaries, and introduction at more than 90% of overseas subsidiaries was completed through fiscal 2023. Under the Global Internal Reporting System, external law firms and internal administrative offices function jointly as contact points, accepting both anonymous and non-anonymous reports.

Misconduct in submarine repair and marine engine businesses

The Group deeply regrets the significant concern and inconvenience it has caused as a result of the serious incidents of misconduct that have come to light. We sincerely apologize from the bottom of our hearts. We take these incidents very seriously and have established a Special Investigative Committee made up of outside experts pursuant to a resolution of the Board of Directors to investigate the facts, analyze causes, and recommend measures to prevent a recurrence. Additionally, we have established a Special Compliance Promotion Committee led by the President. We are cooperating with the Special Investigative Committee to rebuild compliance and governance systems and taking comprehensive measures to prevent recurrence throughout the Company, by creating systems that prevent misconduct, strengthening detection capabilities, and reforming our organizational culture and awareness.

Overview of the misconduct

Submarine repair business (announced July 2024)
Fictitious transactions between the Kobe Shipyard's Ship Repair Department and business partners were discovered during a tax audit. In addition, it was confirmed that Kawasaki employees and submarine crews are suspected of involvement in the use of money generated by such fictitious transactions on goods and food expenses.

Marine engine business (announced September 2024)
Incidents of misconduct that occurred during shop trials of engines for commercial vessels were discovered during an investigation conducted at the request of the Ministry of Land, Infrastructure, Transport and Tourism. Of the 674 engines subject to NOx regulations for marine vessels that were investigated (after the keels for all vessels were laid on or after January 1, 2000), misconduct in the inspections occurred as a result of the alteration of data relating to 673 two-stroke engines for commercial marine vessels. At this time, no incidents affecting the safety of KHI engines have been confirmed during sea trials or actual use, and it has been confirmed that no misconduct occurred with respect to any engines other than those indicated above.

Progress of the investigation

The Special Investigative Committee is investigating the number of people who were involved in the issue and the actual flow of money and goods.

Based on the internal investigation conducted to date, it is believed that the main motives behind the unauthorized alteration of test data were (1) to keep engine fuel consumption values within the required ranges of customer specifications and (2) reduce the discrepancies in fuel consumption performance and other performance in order to avoid having to make explanations to customers. In addition, corrective measures were implemented to address the inspection irregularities and measurement processes by the Quality Assurance Division, which plays no direct role in product inspections, and the effectiveness of the measures was confirmed.

The Special Investigative Committee is proceeding with its investigation into the detailed facts and elucidating the causes.

Information Security

Approach to Information Security

The Group provides products to a diverse range of customers, from business, the public sector, and general consumers to the Self-Defense Forces, and constantly works toward maintaining and improving its information security to protect information relating to our customers and suppliers as well as information on our businesses to suit the requirements of each customer sector. The Group recognizes that ensuring information security is a corporate social responsibility and considers it an important management challenge related to business continuity. In order to manage and protect information handled by the Group as an important asset, we have established the following Information Security Policy and aim to ensure proper operations in our business activities.

In compliance with our Information Security Policy, the Group strives to ensure, maintain, and improve information security by complying with laws and regulations, establishing information security management systems, conducting education and training, and responding when information security incidents occur.

Detailed information regarding the Group's information security measures can be found in the Information Security Report. This report is published with the purpose to disclose the Kawasaki Group's initiatives on information security for our stakeholder's understanding. It is based on "Cybersecurity Management Guidelines Ver.3.0" made by the Ministry of Economy, Trade and Industry, Japan.

➔ [Information Security Report \(https://global.kawasaki.com/en/corp/sustainability/library/infosec_report/index.html\)](https://global.kawasaki.com/en/corp/sustainability/library/infosec_report/index.html)

Legend: Internal (male) Internal (female) Outside (male) Outside (female) Presiding officer

Corporate Governance

/ Basic Views on Corporate Governance

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. Our Group is striving to further strengthen and enhance corporate governance systems as appropriate for its businesses and scale.

/ Corporate Governance System

Kawasaki is a company with an Audit & Supervisory Committee and has voluntarily established a Nomination Advisory Committee and a Compensation Advisory Committee as advisory bodies to the Board of Directors as well as a Management Committee, an Executive Officers Committee, and other governance bodies.

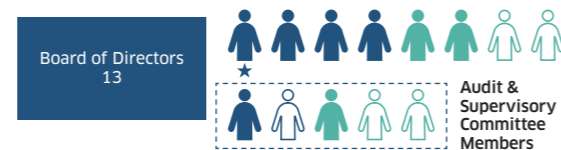
Our main deliberative bodies and their details are as follows.

Board of Directors

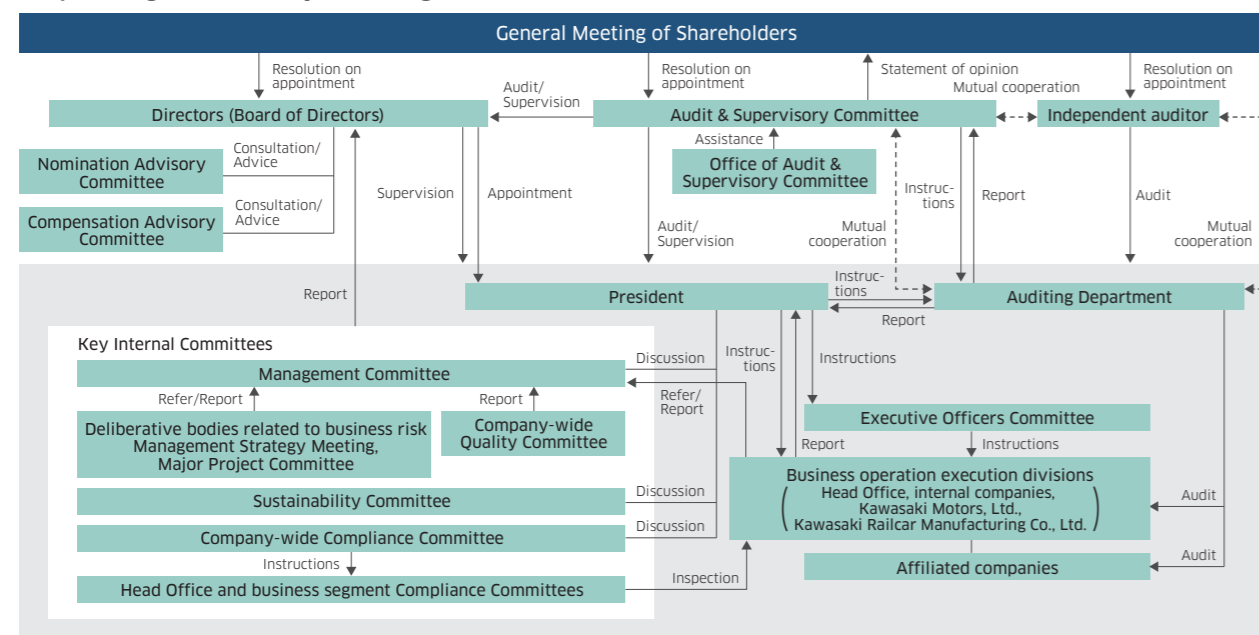
The Board of Directors comprises 13 Directors (of whom five serve as Audit & Supervisory Committee Members), and seven of the 13 Directors are Outside Directors (of whom three serve as Audit & Supervisory Committee Members), comprising a majority of the Board. In addition, the Company's first female Internal Director (Audit & Supervisory Committee Member) was appointed to the Board in June 2024. Currently, five of

the Directors are women and two are foreign nationals, providing a balance of knowledge, experience, and skills, promoting diversity, and creating a system that enables more multifaceted decision making. By avoiding having Directors serve concurrently as officers responsible for specific businesses (the internal company presidents, etc.), the Company seeks to enhance the separation of management oversight and business execution and thereby further reinforce the Board of Director's oversight functions. Chairman of the Board serves as the presiding officer pursuant to a resolution of the Board.

In addition to deliberating on individual proposals submitted in accordance with the decision-making rules, the Board of Directors also discusses topics set based on the results of evaluations of the effectiveness of the Board. In fiscal 2023, the Board discussed issues including promotion of management that focuses on strengthening group governance, reinforcing compliance, promoting the advancement of women, capital costs, and stock prices. We also created a system whereby the Board adopts resolutions on fundamental policies on key management issues, such as sustainability, compliance, risk management, and quality control, and can request reports on the status of these issues from the business execution side.



Corporate governance system diagram (as of June 26, 2024)



Nomination Advisory Committee & Compensation Advisory Committee

The Nomination Advisory Committee and the Compensation Advisory Committee have been established for the purpose of improving the transparency and objectivity of its deliberations. The Nomination Advisory Committee deliberates on the policies and standards regarding the appointment and dismissal of Directors and the appropriateness of such, and the Compensation Advisory Committee deliberates on the policies and systems regarding the compensation of Directors and the appropriateness of the individual compensation, and reports or advises the Board of Directors, respectively.



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. To ensure the reliability of financial reports, at least one person with sufficient knowledge of finance and accounting is appointed to the Committee.



Business Execution Framework

Kawasaki has adopted an executive officer system in order to facilitate response to rapid changes in the business environment. To accelerate decision making, a great deal of authority over business execution decisions is delegated to the executive officers, who are appointed by the Board of Directors.

Management Committee

Kawasaki established a Management Committee consisting of Representative Directors, presidents of internal companies, and others as an advisory body to the President on overall Group management. The Committee deliberates on important matters related to business execution. The Company also established the Management Strategy Meeting and the Major Project Committee to engage in multifaceted discussions of strategies, action plans, and risk assessment and countermeasures for each business and project, thereby creating a system that enables more appropriate and efficient decision making and business execution.

For the sake of auditing business execution, Directors who serve as full-time Audit & Supervisory Committee Members also attend the committee's meetings.

Executive Officers Committee

The Executive Officers Committee, chaired by the President and consisting of all executive officers, has been established. In addition to issuing business execution policies based on decisions made by the Board of Directors, the Committee also exchanges opinions on management issues in an effort to unify decision making in Group management.

For the sake of auditing business execution, Directors who serve as full-time Audit & Supervisory Committee Members also attend the committee's meetings.

Major Project Committee

To manage risk before bidding on and making investment decisions regarding major projects that could significantly impact operations and performance, Kawasaki maintains a Major Project Committee, attended by representatives from related Head Office divisions and divisions related to specific projects, with the general manager of the Corporate Planning Division serving as the presiding officer. The Major Project Committee evaluates and considers ways of addressing the risks of such projects.

Management Strategy Meeting

The Management Strategy Meeting, chaired by the President and attended by Representative Directors, internal company presidents, and General Managers of Planning & Control Division, was newly established in fiscal 2023 to formulate and review management strategies and management plans for each business segment. This is a modified version of the Short-Term Plan Conference and Mid-Year Review Conference conducted until fiscal 2022, where the formulation and revision of management plans were considered. At the Management Strategy Meeting, they discuss Company-wide business strategies and action plans based on analysis of the business environment of each business segment.

Company-wide Quality Committee

To reinforce quality control throughout the Company, Kawasaki maintains a Company-wide Quality Committee, comprising representatives from the Corporate Planning Division, Corporate Technology Division, and the related divisions of the internal companies and other related companies, with the Senior Corporate Executive Officer in charge of technology serving as the presiding officer. The Company-wide Quality Committee discusses Company-wide quality control policy, ensures its application, and shares information.

Sustainability Committee

To promote the sustainability of society, the environment, and the Kawasaki Group, Kawasaki maintains a Sustainability Committee, comprising the Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of sustainability, the general managers of the

The Foundation of Our Business Activities

Head Office divisions, and others, with the President serving as the presiding officer. The Sustainability Committee discusses and decides measures to promote sustainability and monitors the achievement of targets and compliance with such policy.

Outside Directors also attend the committee's meetings for the sake of reflecting external insights and opinions in the committee's decisions. In addition, Directors who serve as Audit & Supervisory Committee Members also attend the committee's meetings for the sake of auditing business execution.

Company-wide Compliance Committee

To ensure rigorous compliance throughout the Kawasaki Group, Kawasaki maintains a Company-wide Compliance Committee, comprising the Directors (excluding the

Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of compliance, the general managers of the Head Office divisions, and others, with the President serving as the presiding officer. The Companywide Compliance Committee discusses and decides measures to ensure thorough compliance and monitors the achievement of targets and compliance with such policy.

Outside Directors also attend the committee's meetings for the sake of reflecting external insights and opinions in the committee's decisions. In addition, Directors who serve as Audit & Supervisory Committee Members also attend the committee's meetings for the sake of auditing business execution.

Legend: Internal (male) Internal (female) Outside (male) Outside (female) Presiding officer

Approach Regarding the Balance, Diversity, and Size of the Board of Directors

Candidates for Director are nominated by the Board of Directors in accordance with its established "Qualifications Expected of Directors." As the Company has various business segments with different business activities, the Board of Directors appoints Internal Directors with broad experience as managers of each business and head office function, and Outside Directors with rich experience in corporate management, legal affairs, and public administration, respectively. As a result, the Company has secured a diverse Board of Directors,

taken on the whole, with the needed balance of knowledge, experience, and ability, as well as gender, race, nationality, and other attributes, as summarized in the following table.

The items listed in the skills matrix are based on the definition of the areas of supervision necessary to realize Group Vision 2030 as "vision, strategic thinking, and governance to increase enterprise value," "business structure transformation," and "growth initiatives related to infrastructure development." To realize Group Vision 2030, the following areas* designate expectation and experience required of each director.

* Areas in which the Board of Directors is expected to use its knowledge and experience to lead discussions

Initiatives to Strengthen Corporate Governance

Background of improvement measures

Year	Initiatives
2001	<ul style="list-style-type: none"> Adopted the executive officer system Reduced the number of Directors from 26 to 11
2002	<ul style="list-style-type: none"> Increased the number of Outside Audit & Supervisory Board Members to two Adopted a performance-based compensation system
2005	<ul style="list-style-type: none"> Abolished the retirement benefit system for Directors
2013	<ul style="list-style-type: none"> Appointed an Outside Director
2015	<ul style="list-style-type: none"> Increased the number of Outside Directors to two Took steps in response to the introduction of Japan's Corporate Governance Code Established the Nomination Advisory Committee and Compensation Advisory Committee Began evaluations of the effectiveness of the Board of Directors
2016	<ul style="list-style-type: none"> Added stock purchase funds to Director's compensation
2017	<ul style="list-style-type: none"> Increased the number of Outside Audit & Supervisory Board Members to three Revised matters requiring resolution by the Board of Directors (expanding the scope of delegation to executives)
2018	<ul style="list-style-type: none"> Increased the number of Outside Directors to three Revised the Director and executive officer system
2019	<ul style="list-style-type: none"> Reduced the number of Directors from 12 to 11
2020	<ul style="list-style-type: none"> Transitioned to a company with an audit & supervisory committee Reduced the number of Directors not serving as Audit & Supervisory Committee Members from 11 to 8 Eliminated overlap between Directors and officers responsible for specific businesses
2021	<ul style="list-style-type: none"> Revised the Director compensation system (adopted a performance-based stock compensation plan)
2022	<ul style="list-style-type: none"> Reduced the number of internal Directors not serving as Audit & Supervisory Committee Members from 5 to 4 Proportion of Outside Directors set to reach 50%
2023	<ul style="list-style-type: none"> Increased the number of Outside Directors to seven Proportion of Outside Directors set to be a majority
2024	<ul style="list-style-type: none"> Revised the Director compensation system Appointed the first female Internal Director (Audit & Supervisory Committee Member)

Changes in the number of Directors and the proportion of Outside Directors

Year	Number of Directors	Proportion of Outside Directors
Until 2001	26 or more (Internal Directors only) 	0%
2001	11 (Internal Directors only) 	0%
2013	10 (nine Internal Directors and one Outside Director) 	10%
2018	12 (nine Internal Directors and three Outside Directors) 	25%
2020	13 (seven Internal Directors and six Outside Directors) 	46%
2022	12 (six Internal Directors and six Outside Directors) 	50%
2023	13 (six Internal Directors and seven Outside Directors) 	54%
2024	13 (six Internal Directors and seven Outside Directors) 	54%

Position at the company Name	Areas of expectation							Required experience			
	Business strategy	Governance	Finance and accounting	Personnel & organizational management	Monozukuri (technology, development, production & quality)	Sales & marketing	IT, DX & security	Corporate management	Global	Legal & administration	Finance & research organizations
Yoshinori Kanehana Chairman of the Board	✓	✓			✓	✓		✓	✓		
Yasuhiko Hashimoto Representative Director	✓	✓		✓	✓	✓	✓	✓	✓		
Katsuya Yamamoto Representative Director	✓	✓	✓	✓				✓	✓		
Hiroshi Nakatani Representative Director	✓	✓			✓		✓	✓			✓
Jenifer Rogers Outside Director	✓	✓	✓						✓	✓	✓
Hideo Tsujimura Outside Director	✓	✓		✓	✓	✓		✓	✓		
Katsuhiko Yoshida Outside Director	✓	✓				✓		✓			
Melanie Brock Outside Director	✓	✓				✓			✓		
Nobuhisa Kato Director Audit & Supervisory Committee Member	✓	✓	✓					✓	✓		
Atsuko Kakiyama Director Audit & Supervisory Committee Member	✓	✓				✓			✓		
Atsuko Ishii Outside Director Audit & Supervisory Committee Member	✓	✓		✓						✓	
Susumu Tsukui Outside Director Audit & Supervisory Committee Member	✓	✓								✓	
Tomoko Amaya Outside Director Audit & Supervisory Committee Member	✓	✓	✓							✓	✓

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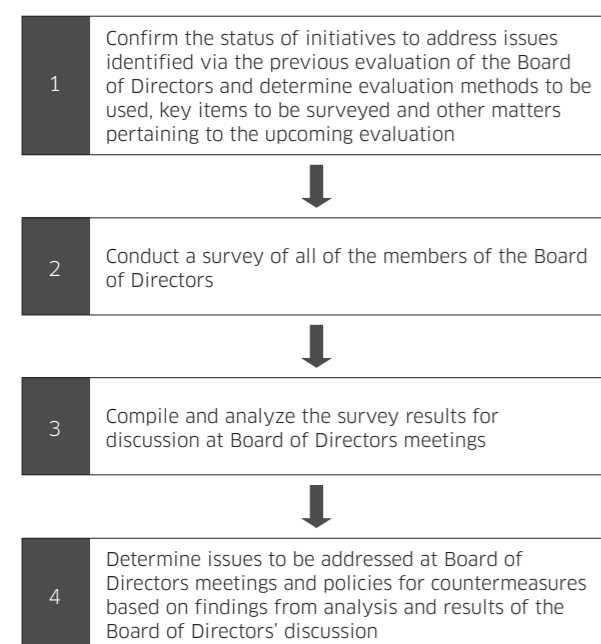
Evaluating the Effectiveness of the Board of Directors

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 and reach appropriate management decisions. As part of these efforts, since fiscal 2015, the Board of Directors annually evaluates and analyzes the effectiveness of its operations.

Efficacy evaluation methods

The evaluation was conducted via anonymous questionnaire to all directors with the advice and assistance of external experts.

The specific evaluation procedure is as follows.



Items surveyed

The survey questions (main items) are as follows, with a 5-point scale and free writing section. Also, these questions take into account the changes made in the revision of the Corporate Governance Code while maintaining continuity with previous surveys.

Survey Question Items

- (1) Optimal status of the Board of Directors
- (2) Composition of the Board of Directors
- (3) Operation of the Board of Directors
- (4) Discussions of the Board of Directors
- (5) Monitoring function of the Board of Directors
- (6) Training
- (7) Interactions with shareholders (investors)
- (8) Actions by the respondent
- (9) Audit & Supervisory Committee
- (10) Summary

Evaluation results and results of deliberation by the Board Based on those results

The analysis of survey results found that the Board of Directors' operations were evaluated highly overall, as was the case in the previous year, and the additive average values for all questions (excluding the free writing section) were approximately the same as in the previous year.

The item with the highest score was "Does the Board engage in free and constructive discussions and exchanges of opinions?" Many of the respondents highly evaluated the active and non-formal discussions conducted by the Board of Directors. Also, the item with the greatest score improvement was "Approaches and targets for ensuring diversity of core human resources such as promoting women, foreign nationals, and mid-career hires to managerial positions, human resource development policies, and internal environment development policies." This result is recognition of the multiple discussions conducted during Board of Directors meetings and the actions taken based on the results of those discussions.

In addition, among the items raised as issues for the Board in fiscal 2023, the score for "Securing diversity among core human resources" improved significantly, and this is believed to be the result of steady progress in discussions and action to address this issue.

On the other hand, the item relating to "Overseeing the implementation of digital transformation" received the lowest score. As a result, it is desirable that the Board discuss management policies concerning the future and direction of the Company, including AI, recruiting human resources, and other issues. (For details on specific measures, refer to "Measures to Address Prior Issues" on next page.)

In light of these results, we will continue to make efforts for improvement. (For details on issues and efforts to strengthen measures, refer to "Initiatives to Further Improve Effectiveness" on next page.)

As a result of discussions at the Board of Directors meeting based on the results of the above analysis and other factors, the operations of the Board of Directors have been deemed effective.

Measures to address prior issues

Issues identified in the course of preceding evaluations	Status of initiatives
Firmly establishing leadership succession plans	We created various lists including short and long lists of candidates and defined the succession process. We evaluated shortlist candidates from the perspective of competencies and incorporated the evaluations into the job and human resource requirement statements for each executive position. We are also clarifying development issues in the process of evaluating candidates and allocating challenging assignments based on those points as appropriate.
Securing diversity among core human resources	Within succession plans, we are investigating mechanisms that can select personnel from a pool of officer candidates through more diverse channels than ever before, and we are promoting the identification and promotion of diverse human resources on the executive level based on evaluation criteria (assessment of behavioral characteristics) with a focus on actions desired to achieve the Company's vision. In addition, promoting the advancement of women is an important topic in terms of diversity, and the Board of Directors shared information on the current status and issues and discussed perspectives necessary for reinforcing promotion. Based on those discussions, we are investigating and have started implementing specific measures.
Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies	In fiscal 2023, management that focuses on strengthening group governance, reinforcing compliance, active participation by diverse human resources (promoting the advancement of women), organization of corporate principles, capital costs, and stock prices was raised and discussed as a priority issue.
Strengthening group-wide internal control systems within quality control	We promoted awareness among all employees by disseminating messages within the Company and conducting training through e-learning while taking action to identify issues at an early stage, such as conducting employee awareness surveys. In addition, we are promoting the application of total quality management (TQM) methods as a foundation for streamlining business processes so that we can effectively utilize TQM methods in business activities.

Initiatives to further improve effectiveness

Issues identified via the latest evaluation	Initiatives
Firmly establishing leadership succession plans	We will make improvements while ensuring stable operation of the structures for the human resource hiring process currently in use. We will also raise the effectiveness of training plans for future successor candidates (executive positions) through dialogue with company presidents. In addition, we will continue to take action to instill competencies (behavioral attributes) in all officers while employing job and human resource requirement statements and conducting evaluations.
Securing diversity among core human resources	In fiscal 2024, we will continue our efforts to diversify the pool of officer candidates with a focus on a systematic developmental scheme for female line managers and on identifying and developing business exploration human resources. We will also deepen awareness of the importance of ensuring diversity in relation to achieving management goals including achieving our vision through the HR Management Committee and reflect this in companywide and division initiatives in the future.
Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies	At its meetings, the Board will continue to select and discuss topics in line with important issues for achieving the Group Vision 2030, deploy the decided policies to the execution side, and further reinforce measures that will lead to specific action. Priority Themes That We Plan to Investigate This Fiscal Year <ul style="list-style-type: none"> ● Re-examination of business structures with an awareness of capital efficiency ● Active participation by diverse human resources ● Reinforcement of group governance ● Implementation of DX ● Intellectual property strategies, etc.
Reinforcing monitoring of initiatives to promote quality and compliance	In fiscal 2023, we continued efforts to reinforce company-wide quality management by streamlining and standardizing business processes centered on Total Quality Management (TQM), identifying similar matters relating to compliance, and taking other actions. We are also creating systems to eliminate misconduct and errors by reviewing Group governance systems and internal control systems.

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Director Compensation

The compensation system for Directors is based on the following basic policy with the aim of achieving the Group Vision 2030, "Trustworthy Solutions for the Future," established in November 2020.

Basic Policy

Placing stronger emphasis on contribution to the Company's goals, the revised compensation system is designed to reward each recipient based on their responsibilities and accomplishments. To this end, it not only provides short-term incentives but also rewards Directors for their contributions to medium- to long-term improvement in corporate value. In this way, we aim to promote the sharing of value between Directors and stakeholders, including shareholders.

Compensation for Directors (Excluding Audit & Supervisory Committee Members and Outside Directors)

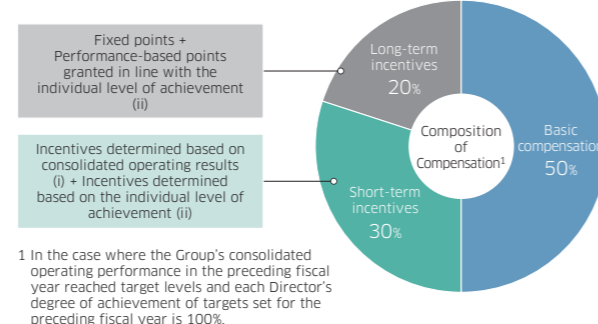
Compensation for Directors consists of basic compensation, short-term incentives, and long-term incentives. Basic compensation and short-term incentives are paid in cash. Long-term incentives are paid in the form of performance-based stock compensation to promote the sharing of benefits and risks between the Directors and shareholders in addition to more strongly incentivizing medium- to long-term contribution to corporate value.

For long-term incentives, points granted may be revoked in whole or in part by resolution of the Board of Directors, in given circumstances such as when an

eligible Director is dismissed or resigns due to damage caused to the Company.

These three components of Director compensation account for approximately 50%, 30%, and 20%, respectively, of the total, assuming that the Group's consolidated operating results in the preceding fiscal year reached target levels and that each Director's degree of achievement of targets set for the preceding fiscal year is 100%.

Composition of Director compensation



1 In the case where the Group's consolidated operating performance in the preceding fiscal year reached target levels and each Director's degree of achievement of targets set for the preceding fiscal year is 100%.

(i) Payment ratio based on profit attributable to owners of parent

Profit attributable to owners of parent ²	Payment ratio (%)
Less than 0	—
0 to less than ¥25 billion	0 to 45
¥25 billion to less than ¥45 billion	50 to 95
¥45 billion to less than ¥70 billion	100 to 195
¥70 billion or more	200 or more

2 Considering that current WACC is in the 4% to 5% range, the targets for profit attributable to owners of parent have been set at ¥45 billion, the level that will enable the Group to achieve after-tax ROIC commensurate with the WACC, and ¥70 billion, the level that will result in after-tax ROIC that exceeds the WACC by approximately 3%.

Composition of Director compensation (excluding Audit & Supervisory Committee members and Outside Directors)

	Payment method	Details
Basic compensation (fixed compensation)	Cash	Each Director's pay grade is determined based on the missions assigned to them.
Short-term incentives (performance-based compensation)	Cash	Performance-based compensation is determined in line with single-year operating results and other indicators. Specifically, the amount of this compensation is determined based on consolidated operating results and the level of achievement of each Director's individual performance targets. Profit attributable to owners of the parent is used as the indicator for assessing consolidated operating results, with the aim of providing incentives for the steady accomplishment of single-year operating results targets and promoting the sharing of value with shareholders. The payment ratio applied to this performance-based compensation is determined based on the profit attributable to owners of the parent for the year, as presented in (i), above. Details of the process for determining the level of achievement are presented in (ii), on the following page. As one aspect of management that takes into consideration the weighted average cost of capital (WACC) and share price, the Group considers after-tax ROIC to be one objective indicator for determining the status of achievement of financial management objectives and sets the level of profit attributable to owners of the parent for the year based on after-tax ROIC.
Long-term incentives (fixed portion and performance-based portion)	Stock	Long-term incentives utilize a stock benefit trust and are determined based on fixed points granted to Directors in line with their periods of service as well as performance-based points granted for their accomplishments vis-à-vis individual performance targets. In principle, these incentives are paid to the recipients in the form of both Company shares and cash (the latter being in an amount equivalent to the value of a portion of said shares after conversion) at the time of their retirement as Director. Points granted are divided into fixed points and performance-based points. With regard to fixed points, value is shared with shareholders by granting a certain number of shares based on the term of service. Also, performance-based points are given as incentives to increase corporate value over the medium to long term by granting shares based on the degree of achievement of targets by each eligible director. The degree of achievement of targets by each eligible director is the degree of achievement of targets concerning medium- to long-term issues of the entire company and the organizations and business for which each director is responsible set for each director in the previous fiscal year. The proportions of fixed points and performance-based points are designed to account for 50% each when the recipient's level of achievement is at a standard level. For the time being, the ratio of the fixed portion and the performance-based portion will be set at 50%:50%, but in the future, the ratio of the performance-based portion will be raised to increase incentives to enhance corporate value over the medium to long term. Details of the process for determining the level of achievement are presented in (ii), on the following page.

(ii) Process for determining level of achievement of individual performance targets

Setting of targets	Methods for assessing the level of target achievement
Each Director sets their own targets in terms of addressing short-, medium- and long-term issues, including those associated with business units and operations under their supervision and Company-wide issues, with the degree to which these are achieved reflected in short-term and long-term incentives. These include targets pertaining to important financial indicators as well as targets associated with initiatives aimed at realizing the United Nations Sustainable Development Goals (SDGs), efforts to improve employee engagement, and other aspects of non-financial performance. Targets for the short- and medium-term issues are as described below, and actions and achievement levels for respective targets to be implemented by each Director toward their realization are established. <ul style="list-style-type: none"> ●Targets for short-term issues: Targets to be achieved by the end of the fiscal year ●Targets for medium- to long-term issues: Targets to be achieved in light of the Group Vision 2030 	The targets set by Directors are assessed at the end of each fiscal year, and the degree of achievement is reflected in compensation. The assessment of each Director is determined as described below. <ul style="list-style-type: none"> ●President: All Outside Directors who serve as members of the Compensation Advisory Committee conduct individual, face-to-face interviews with the President and make a determination through deliberations among those Outside Directors. ●Senior Corporate Executive Officers: Outside Directors who serve as members of the Compensation Advisory Committee conduct individual, face-to-face interviews with the Senior Corporate Executive Officers and make a determination through deliberations among those Outside Directors and the President. ●Other Directors: The President conducts individual, face-to-face interviews with the individual Directors jointly with the Senior Corporate Executive Officers, and formulates an assessment through deliberations with the Senior Corporate Executive Officers, before referring the matters to the Compensation Advisory Committee for a decision.

Revisions to the Compensation System

At a meeting held in May 2024, the Board of Directors adopted a resolution to revise the compensation system for the Company's Directors (excluding Audit & Supervisory Committee Members and Outside Directors) and executive officers as set forth in the chart below. Because the annual compensation period runs from July through June of the following year, compensation through June 2025 is calculated based on policy in place prior to implementation of the revisions. As of the annual compensation period beginning July 2025, compensation will be calculated based on post-revision policy.

Compensation of Audit & Supervisory Committee Members and Outside Directors

To ensure their professional independence, compensation for these individuals consists only of fixed compensation and is not linked with performance.

Methods for Determining Compensation

The total maximum amount of compensation for Directors (excluding Audit & Supervisory Committee Members) is set by a resolution passed at the General Meeting of Shareholders. Within this limit, the amount of compensation is determined by the resolution of the Board of Directors based on the deliberations of the Compensation Advisory Committee. The presiding officer and a majority of the members of the Compensation Advisory Committee are Outside Directors.

The Board of Directors may also resolve to entrust the President with the responsibility of determining the amount of compensation for each Director. In such cases, however, the President is required to honor the conclusions reached via the deliberations of the Compensation Advisory Committee and comply with policies regarding the determination of the amounts of Director compensation and methods for calculating such compensation.

Compensation for Audit & Supervisory Committee Members is determined by deliberations among Directors who serve as Audit & Supervisory Committee Members.

Details of revisions to the Director compensation system (applicable starting in July 2025)

	Details
Reinforced linkage with performance	The ratios of fixed compensation accounted for by monetary compensation and stock compensation will be reduced to strengthen the link between compensation and performance.
New evaluation indicators set	The targets relating to the highly effective employee ratio, ESG, and improvement in share price that until now have been set individually for eligible Directors will be set as common standards and reflected in performance-based compensation as independent evaluation indicators as indicated below. <ul style="list-style-type: none"> ●Employee engagement indicators: With the objective of drawing out even greater performance from human resources who work for the Company, the payment rate will be determined according to the ratio of employees who give high scores to both "supportive environment" and "employee engagement" in the Employee Engagement Survey. Payment rates will be set at 100% for levels in excess of the average score for companies in Japan in the previous fiscal year and at 200% for levels of the global corporate average score. ●ESG indicators (CO₂ reduction and third-party institution evaluation): To encourage overall ESG-related efforts including CO₂ reduction, the payment rate will be set based on achievement of the Company's CO₂ reduction targets through our business activities and the provision of solutions for achieving carbon neutrality, taking into consideration a third-party institution evaluation (the Dow Jones Sustainability Index³). <ul style="list-style-type: none"> 3 A share index developed jointly by S&P Dow Jones Indices and RobecoSAM ●Share price: To reinforce awareness regarding improvement of corporate value, the target share price will be made visible and incentives to raise the share price will be increased. The payment rate will be set each year according to the degree of achievement with the objective of bolstering measures intended to improve corporate value.
Reflection in short-term incentives	
Reflection in long-term incentives	
Composition of compensation	The ratios of basic compensation, short-term incentives, and long-term incentives within Director compensation account for approximately 33.3% respectively of the total, assuming that the Group's consolidated operating results and each indicator in the preceding fiscal year reached target levels, that each eligible Director's degree of achievement of targets set for the preceding fiscal year is 100%, and that conversion is performed at the share price level at about the time of the May 9, 2024 Board of Directors meeting when the resolution revising the compensation system was adopted.

The Foundation of Our Business Activities

/ Establishment of a Risk Management Framework

The Kawasaki Group has established a Group-wide enterprise risk management (ERM) framework to render any risks more transparent and to ensure that they are effectively addressed. 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.

In order to appropriately handle diverse risks, Kawasaki has established the owners of risk (Company-wide/functional internal committees and internal divisions of each business segment) as our first line of defense, depending on the type of risk. While streamlining and implementing management methodology and management systems, we have devised a system for the centralized monitoring of the effectiveness and workability of such management systems, thereby managing risks both individually and comprehensively. In addition, we have also set up a second line of defense in the form of the Risk Management Department, an organization that stands independent of Company-wide/functional internal committees and business segments that are responsible for the first line of defense. The Risk Management Department compiles analysis reports on our risk management status and global risk trends surrounding the Company through risk monitoring, and the Director responsible for risk management reports this information to the Board of Directors four times annually. After the Board of Directors deliberates and selects the important risks that the Company should pay close attention to currently, those risks are reported to the Management Committee and reflected in the measures

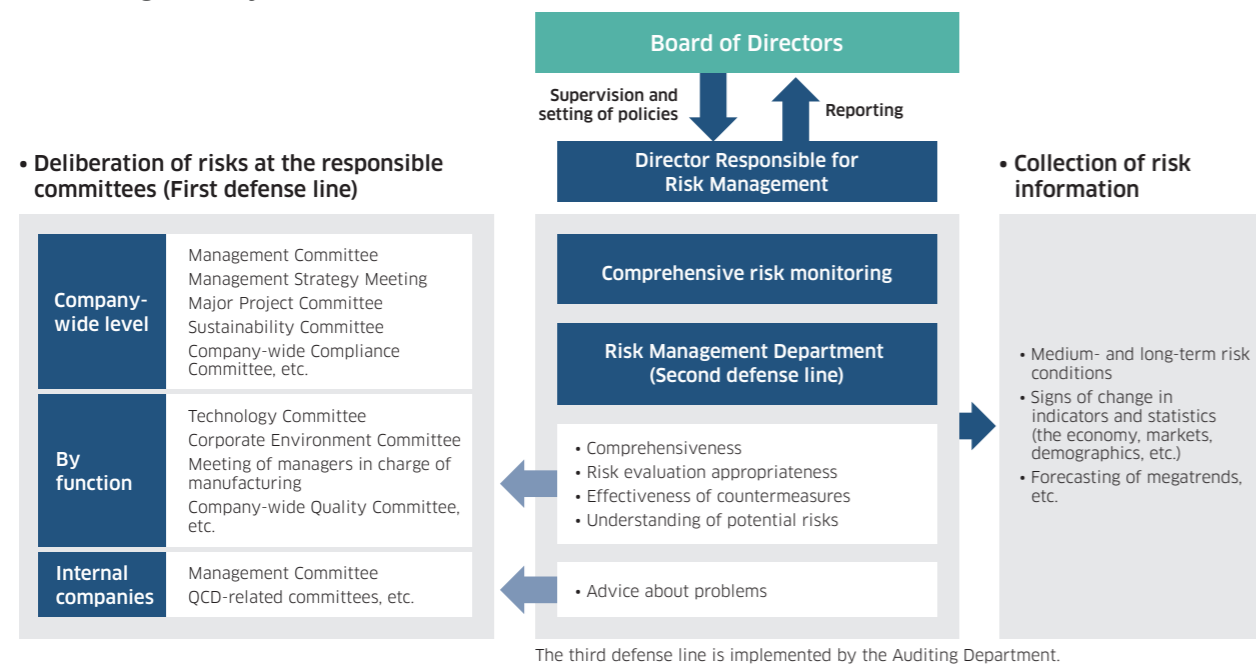
of the operating divisions. In order to deliberate and promptly address any rapidly emerging risk from the recent geopolitical issues as well as climate, governmental, and economic instability, Board of Director meetings are held on an as-needed basis. The Auditing Department, which is independent from the first and second lines of defense, assess the effectiveness of risk management and governance as a third line of defense.

Of serious risks, especially in the execution of large-scale projects, we have been strengthening our advance risk check functions based on our recognition that it is important to conduct risk detection and proper risk assessment and to implement appropriate risk avoidance measures prior to the acceptance of orders. In addition, we have incorporated lessons learned from previous heavy loss cases and so on as strict company rules and have promoted the introduction of a risk control approach to keep the total risk of losses within a scale befitting the financial condition of the organization.

Moreover, in a form that embraced the existing Project Risk Management Committee, we introduced the Monthly Management Overview Report and endeavored to shift to and consolidate a system of monthly reports to the Management Committee and the Board of Directors concerning not only the progress of individual ongoing projects but also the state of orders received, market conditions, and matters that have the possibility of exerting a major impact on management plans and management results.

Thanks to these initiatives, a framework is being maintained by which we can understand signs of change and risks in the business environment in a broad and speedy manner. Going forward, we will strive to further strengthen our risk management setup through monitoring in the Board of Directors.

Risk management system



/ 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 positive effects associated with strategic and other risks.

The Company’s risk management process consists

of a version of the COSO framework and ISO 31001, customized for the Company’s environment and circumstances.

Risk monitoring activities are reported to the Board of Directors four times a year, and the Board selects and sets priority risks that the Company should pay close attention to currently, and based on the results, feedback is provided to the departments at risk. Further, for items judged to be high risk by the Board, we focus on risk monitoring activities called “checking the appropriateness of risk management activities.”

Risk factors currently covered in the scope of risk management

Types of risks					
External environment	Government/Regulatory authorities	Laws and regulations	Internal environment	Business strategy	Vision (strategies and policies) Corporate governance, etc.
	Financial institutions/ Investors	Raising capital		Business functions	Legal affairs (contracts and lawsuits) Intellectual property, security, etc.
		Market expectations		Management and efficiency	Project management Finance and accounting, personnel management, etc.
	Customers / Consumers / Competitor companies / New entrants	Emergence of competitors, market changes Technological innovation		Technological innovation	Product development, etc.
	Job seekers	Securing human resources		Product defects	Quality management and quality assurance, etc.
	Suppliers	External procurement		Production capacity	Process control, etc.
	Business partners	Supply chain and logistics		Governance and compliance	Organizational fraud, harassment, internal control etc.
	Nature / Social culture / Population	Disasters, environmental pollution, SDGs, CSR, climate change, biodiversity, etc.			

Risks that the company should pay close attention to currently

As a result of company-wide monitoring activities, the Kawasaki Group has determined the following risks that should currently be paid close attention to in the order of severity.

Priority risks to pay close attention to	Degree of severity (risk ranking) ¹		Hazard assessment			
	Status of manifestation	Timing of impact ²	Impact on profit	Difficulty of taking action		
Quality management	Extremely high	1	Highest	Highest	Highest	High
Contracts, IP	Extremely high	1	Highest	Highest	Highest	High
Compliance	Extremely high	3	Highest	Highest	High	High
Geopolitics, international circumstances (economic security), distribution difficulties, rising materials cost, inflation, etc.	High	4	Highest	High	High	High
Progress and misuse of technologies (AI and cyber security)	High	5	High	Highest	Medium	High
Shortages of human resources and personnel	Medium	6	High	High	Medium	High
Carbon neutrality (Climate change)	Medium	6	High	Medium	High	High
Natural disasters in Japan	Medium	8	Medium	Medium	High	High
China/Taiwan relations	Medium	8	Medium	Medium	High	High

¹ The degree of severity is assessed based on the status of manifestation, timing of impact, impact on profit, and difficulty of taking action.

² Set to “high” in cases where the period of impact until the impact manifests is short, and set to “low” when the period is long.