Focal field 1 Energy and environmental solutions

For stable supply of clean energy

1. The coming of a hydrogen and carbon-neutral society

Hydrogen to Support Japan's Energy Policy

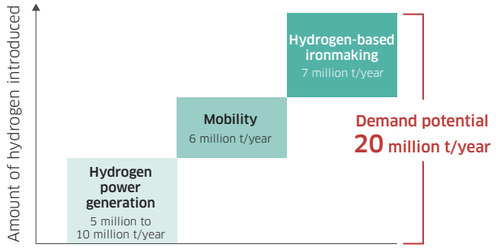
Crucial to Japan's energy policy are its "S+3E" objectives. The major premise is "Safety," with work being done to achieve a balance between "Energy Security," "Economic Efficiency," and "Environment." Hydrogen is seen as being one of the types of energy that will achieve these objectives.

The importance of hydrogen continued to be emphasized in the 7th Strategic Energy Plan decided upon by the Cabinet in February 2025 as well. Efforts aimed at realizing a hydrogen society are ongoing, based cooperation between the public and private sectors.

That said, the volume of the hydrogen supply that can be covered domestically is limited due to geographic constraints. Accordingly, large quantities of low-cost hydrogen imports from overseas will be essential to the hydrogen society of the future.

We believe that liquefied hydrogen will be an effective solution for the issues of long-distance maritime transport, which is a requisite for hydrogen imports from overseas. Toward that end, we are pushing forward on developing technology and expanding infrastructure.

Hydrogen demand forecast for 2050



Prepared by Kawasaki based on materials from the Agency for Natural Resources and Energy

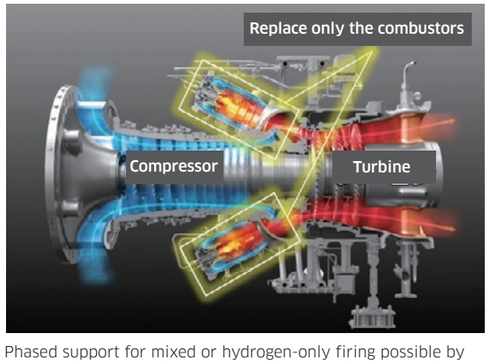
Furthering the Smooth Transition from Natural Gas to a Hydrogen Society

Media reports have noted a move back to natural gas in the energy markets in recent years owing to policy changes and so forth in the United States. However, in the long-term, there is no change to unavoidable, shared global goal of dealing with climate change. The current promotion of carbon neutrality is irreversible. In the early years of the hydrogen society, blue hydrogen[1]—which is highly compatible with natural gas—will quite likely encourage the propagation of hydrogen through how it supports the introduction of green hydrogen.[2]

As this unfolds, we are developing so-called hydrogen-ready technologies and products, such as gas turbines and gas engines that can be switched from mixed firing with natural gas to hydrogen-only firing. We are preparing a system that will also be able to handle the period of the transition from natural gas to hydrogen.

1 Blue hydrogen: Produced from fossil fuels, CO_2 captured before emission
2 Green hydrogen: Produced by the electrolysis of water, using renewable energy

Examples of transitional solutions



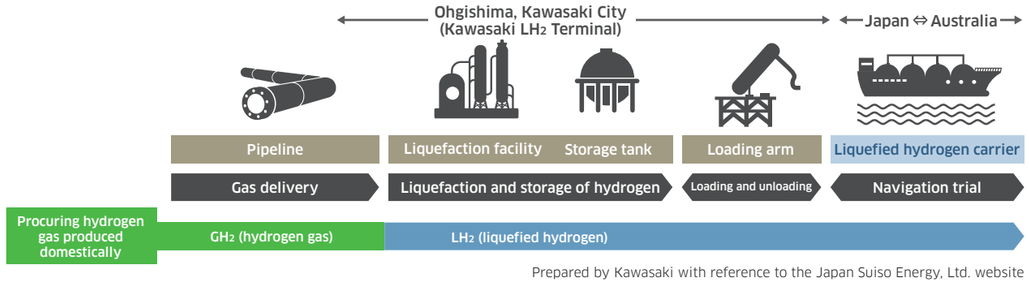
Phased support for mixed or hydrogen-only firing possible by replacing the combustors of conventional gas turbines (natural gas fuel)

Progress in the Commercialization Demonstration of a Liquefied Hydrogen Supply Chain

With our eyes on the coming of the hydrogen society, commercialization demonstrations by our subsidiary Japan Suiso Energy, Ltd. (JSE) are progressing steadily. In May 2025, JSE began construction of the international hydrogen supply chain's Japan terminal—the world's first commercial-scale facility—in Ohgishima, Kawasaki City, Kanagawa Prefecture. In August, it began constructing above-ground flat-bottom cylindrical liquefied hydrogen storage tanks with a storage capacity of 50,000 m³ to be installed at the terminal.

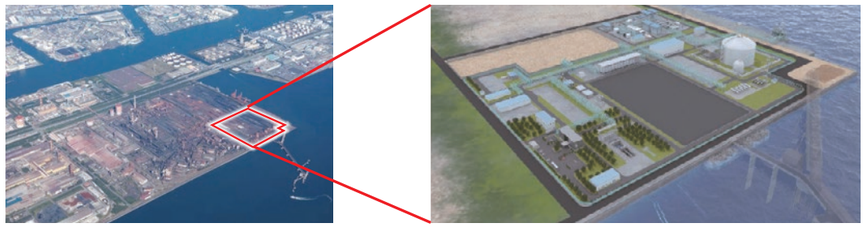
Furthermore, in September JSE and JFE Engineering Corporation signed a basic design contract for a hydrogen pipeline, and infrastructure development in the Kawasaki Coastal Area began in earnest.

Scope of commercialization demonstration



Prepared by Kawasaki with reference to the Japan Suiso Energy, Ltd. website

Japan terminal for the international hydrogen supply chain (under construction) in Ohgishima, Kawasaki City, Kanagawa Prefecture



Highlight

Launching fabrication of large liquefied hydrogen storage tanks at the plant: Toward building a liquefied hydrogen supply chain

In August 2025, we passed the design review under the High Pressure Gas Safety Act for our above-ground flat-bottom cylindrical liquefied hydrogen storage tank with a storage capacity of 50,000 m³ and began its manufacture at the Harima Works.

We have a track record of delivering spherical liquefied hydrogen storage tanks for Tanegashima Space Center and Kobe Airport Island, and we have an abundance of design and manufacturing know-how for flat-bottom cylindrical LNG storage tanks accumulated over the years. The tank being built now will be the world's first commercial-scale, above-ground flat-bottom cylindrical tank. It will be capable of storing more liquefied hydrogen than even conventional spherical tanks owing to its unique structure and cooling system.

The tank is scheduled to be installed at the Japan terminal (Ohgishima, Kawasaki City), which is being built for the Green Innovation Fund of the NEDO project's commercialization demonstration of a liquefied hydrogen supply chain.

Illustration showing the completed liquefied hydrogen storage tank

/ Forging an Ever-Expanding Circle of Partners

The circle of partners being forged for the building of a hydrogen supply chain is also expanding. In June 2025, with Imabari Shipbuilding Co., Ltd., and Japan Marine United Corporation, we began a joint study toward the creation of a system for the construction of the liquefied hydrogen carriers that are essential for bulk shipments of hydrogen. In August, JSE received investments from six companies* from various industrial sectors.

In September, five Japanese and German companies signed a memorandum of understanding (MOU) on cooperating to build a joint binational hydrogen supply chain. Furthermore, JSE signed an MOU involving three Japanese and Australian companies to collaborate on the building of a binational hydrogen supply chain. By forging partnerships both domestically and internationally, we are significant advances toward realizing a hydrogen society.

* EBARA Corporation, Obayashi Corporation, Tokyo Century Corporation, Development Bank of Japan Inc., Mizuho Bank, Ltd., and Mitsubishi Kakoki Kaisha, Ltd.

Highlights

Beginning a joint study on the construction scheme for liquefied hydrogen carriers

In June 2025, with Imabari Shipbuilding Co., Ltd., and Japan Marine United Corporation, we decided to begin a joint study to establish a construction scheme for liquefied hydrogen carriers.

This study examines the feasibility of a collaborative construction scheme that efficiently utilizes their respective resources, such as facilities and human resources, for the construction of liquefied hydrogen carriers following the first commercial carrier to be designed and built by Kawasaki.

Five Japanese and German companies sign a memorandum of understanding to build a joint binational hydrogen supply chain

In September 2025, we signed an MOU on the building of a joint binational hydrogen supply chain with Toyota Motor Corporation, Kansai Electric Power Co., Inc. (KEP), Daimler Truck AG, and Hamburger Hafen und Logistik AG.

The MOU was signed at the Hydrogen Energy Ministerial Meeting hosted by the Ministry of Economy, Trade and Industry. It aims to promote the international utilization of hydrogen across the boundaries between countries and industries. It also aims to create a hydrogen supply chain that is highly efficient economically by combining Japanese and German demand.

Thanks to our signing of this MOU, we are making further advances geared to the practical application and commercialization of international hydrogen transport in such industrial sectors as mobility—including ports and logistics, as well as commercial vehicles—and power generation.

Signing ceremony at the Hydrogen Energy Ministerial Meeting

Signing a memorandum of understanding regarding collaboration toward building a liquefied hydrogen supply chain between Japan and Australia

In September 2025, our subsidiary JSE signed an MOU with Australian energy giant Woodside Energy and KEPCO to pioneer the development of a liquefied hydrogen supply chain between Australia and Japan.

Under the MOU, the parties will embark on the creation of an innovative supply chain in which liquid hydrogen, produced at Woodside's proposed H2Perth Project in Western Australia, would be shipped in liquid hydrogen carriers to receiving terminals in Japan.

Signing ceremony of the MOU in Osaka

/ Contributing to Realizing a Carbon-Neutral Society

Promoting the CO_2 separation and capture business

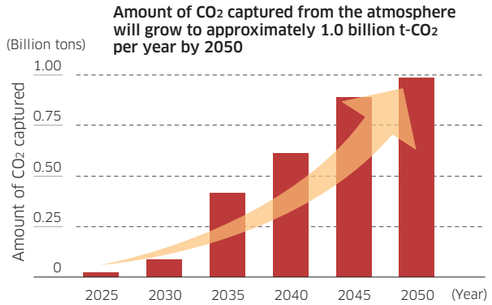
Realizing carbon neutrality requires achieving negative emissions by storing captured CO_2 underground. Consequently, expectations for Direct Air Capture (DAC) of CO_2 are increasing. By 2050, the demand for CO_2 captured through DAC is expected to reach approximately 1.0 billion t-CO_2 per year.

We have perfected over many years a technology to remove CO_2 exhaled in closed space such as submarines and space stations. We supply DAC systems that utilize our Kawasaki CO_2 Capture (KCC) technology, which itself puts that removal technology to practical use. At the same time, in collaboration with various energy providers, we aim to deploy Carbon dioxide Capture, Utilization, and Storage (CCUS) business services.

In 2025, we completed work on getting the DAC demonstration plant at our Kobe Works up. By roughly 2030, we will begin operating large-scale DAC facilities in priority areas. Furthermore, we plan to expand the business scale through licensing by 2050.

Illustration of a large-scale DAC facilities (approx. 0.5–1 million t-CO_2/year)

DAC demand



Demonstration facility for new low-concentration CO_2 capture technology

In October 2025, we introduced a demonstration facility at our Kobe Works for our newly developed low-concentration CO_2 capture technologies. This facility is demonstrating two technologies in parallel: Direct Air Capture (DAC) to capture CO_2 from the atmosphere, and Post-Combustion Capture (PCC), which will capture CO_2 from exhaust gas of the high-efficiency gas engine (GE) power plant installed at the Kobe Works.

For DAC, we have employed for the first time a modular-construction system in anticipation of handling larger applications in the future. The facility established here is among the biggest in Japan. The facility makes it possible to deploy flexible systems appropriate to the installation locations and processing capacity, and lays the foundations for future business expansion. Meanwhile, for PCC this marks our first application of capturing CO_2 from exhaust gas from a distributed power plant facility. Our aim is to make use of the unutilized heat contained in the gas engine exhaust gases to generate steam and thereby improve the efficiency of the absorption process.

Utilizing these two facilities, we will conduct technical demonstrations directed toward handling larger deployments in the future. In collaboration with our in-house R&D department, we aim for faster and more reliable commercialization by continually developing sorbents and making improvements to facilities. Furthermore, we are elevating the reliability and economic efficiency of our technologies based on the operational data and performance assessments obtained from these demonstration facilities.

Through these initiatives, we will accelerate improving the sophistication of our CO_2 capture technologies and commercializing them to address decarbonization needs domestically and internationally, and also fulfill our responsibilities toward realizing a sustainable society.

New DAC and PCC demonstration facilities

	DAC	PCC
Capture target	Atmospheric (0.04% CO_2)	Exhaust gas from the gas engine (4.5% CO_2)
Capture capacity	100 to 200 t-CO_2/year/module	360 t-CO_2/year
Temperature for desorption	60°C (improving efficiency through heat pump heat capture)	

Focal field 1 Energy and environmental solutions

For stable supply of clean energy

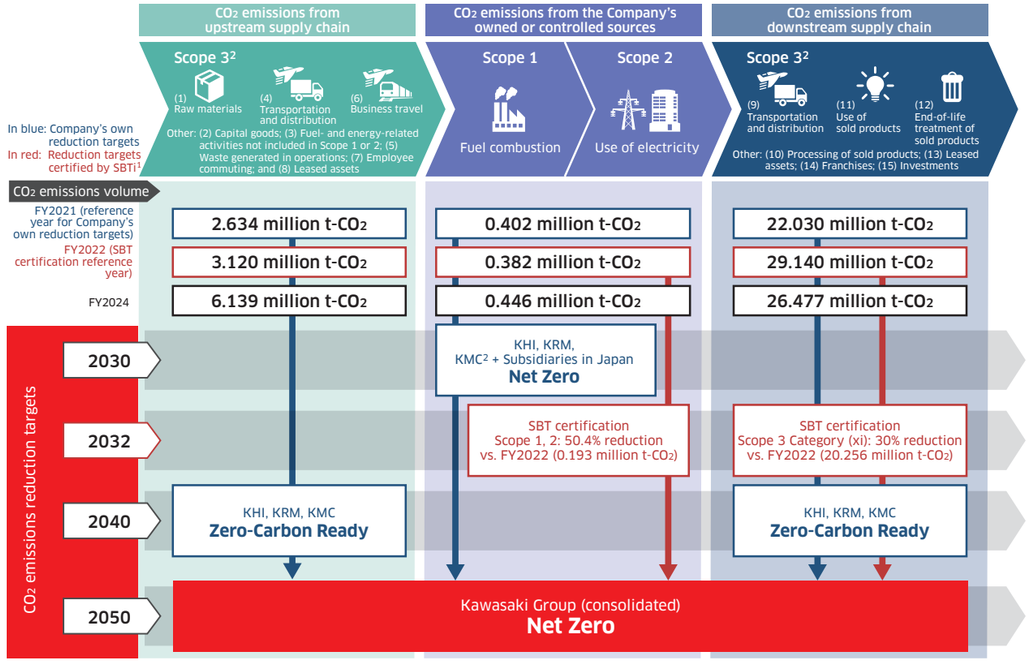
2. Initiatives to achieve zero CO_2 emissions

Carbon neutrality targets

The Kawasaki Group aims to realize the objective set down in the Paris Agreement of limiting the increase in the average global temperature to 1.5ºC above pre-industrial levels. Under Group Vision 2030, we aim to achieve carbon neutrality at the Group and our domestic consolidated subsidiaries by 2030 through the further advance of energy saving, the introduction and expanded use of renewable energies, and the expansion of waste-to-energy power generation, as well as independent initiatives focusing on hydrogen power generation.*

Furthermore, we will expand the Group's decarbonization solutions to society, our business partners, and our customers, contributing to the early achievement of carbon neutrality around the world. Toward that end, we are dealing with many products and services essential to transition from fossil fuels to carbon neutrality, such as highly efficient power generation equipment and gas turbines for mixed firing with hydrogen, and will thereby make significant contributions in this fields as well.

* We are reviewing the timing for achieving carbon neutrality, taking into account the recent trend toward a return to LNG in energy markets and the circumstances of our main partners.



1 SBTi: An international initiative jointly established in 2015 by CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). It defines and promotes best practices for science-based target setting and independently evaluates corporate targets.
2 Regarding Scope 3, the calculation method has changed and the scope of aggregation expanded in recent years to ensure more accurate emissions data. For more details, refer to ESG Data in the Sustainability section of our website.

WEB **ESG Data**
https://global.kawasaki.com/en/corp/sustainability/esg/data.html

Scope 1, 2

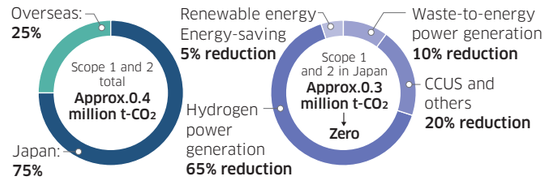
Scope 1, 2 In-house fuel and power use

Carbon Neutrality in Japan by 2030

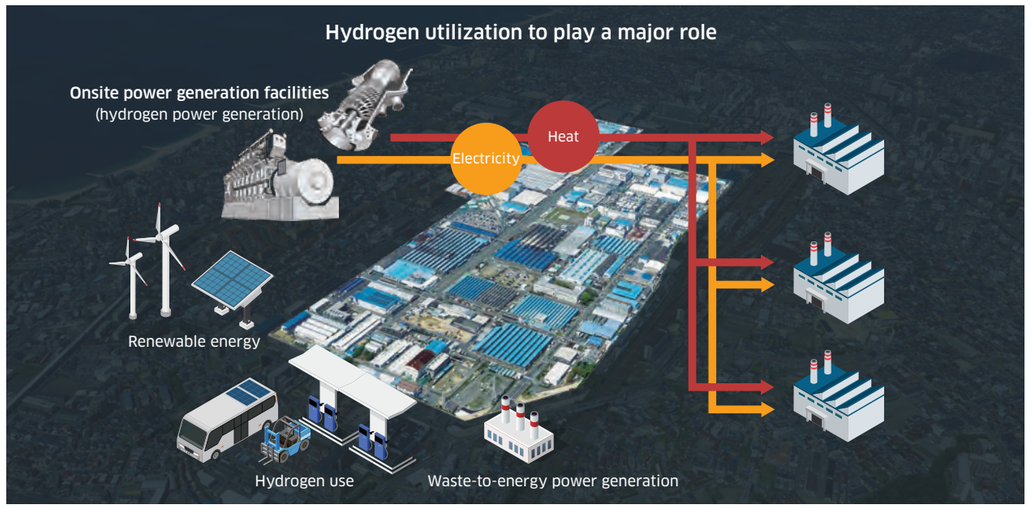
As shown to the right, the Kawasaki Group's Scope 1 and 2 CO_2 emissions are approximately 400,000 tons annually, of which Japan account for three-quarters.

We will continue efforts to save even more energy and promote electrification and the use of renewable energy, such as solar power generation, to reduce CO_2 emissions. We will also introduce in-house hydrogen-fueled power generation facilities and achieve zero-emissions plants by combining this with power generation from waste, renewable energy, and other energy sources. Through these initiatives, we plan to achieve independent carbon neutrality with zero CO_2 emissions by the Group in Japan. We are also working to reduce CO_2 emissions overseas.

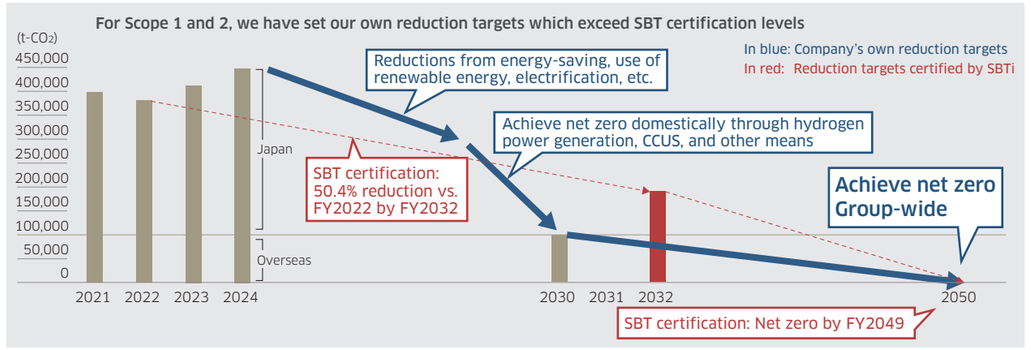
CO_2 emissions reduction plan in Japan



Zero-emission plant



CO_2 emissions and reduction targets (Scope 1 and 2)



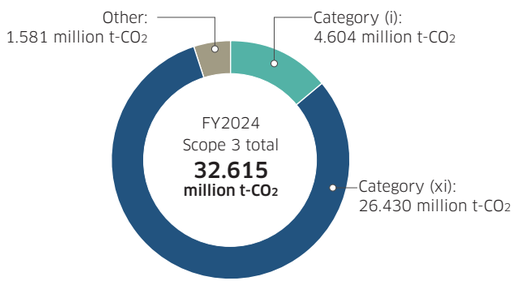
Scope 3

/ Leading Society by Advancing Toward Zero-Carbon Ready

Scope 3 Net Zero can only be achieved when all parties in the value chain including trading partners and clients become Zero-Carbon Ready. The Company will implement the maximum possible measures concerning Scope 3 to become Zero-Carbon Ready by 2040. Specifically, for category (i), we will slash CO_2 emissions by suppliers of materials and parts by 80%, and for category (xi), we will develop a lineup of CO_2-free standard solutions in all businesses. Moreover, we will reduce CO_2 emissions by more than the Company's own Scope 3 emissions by working toward achieving a hydrogen-based society and engaging in the CCUS* business, thereby contributing to the early achievement of carbon neutrality around the world.

* CCUS (Carbon dioxide Capture, Utilization and Storage): Capture CO_2 emissions + Store underground + Utilize CO_2

Scope 3 breakdown by category



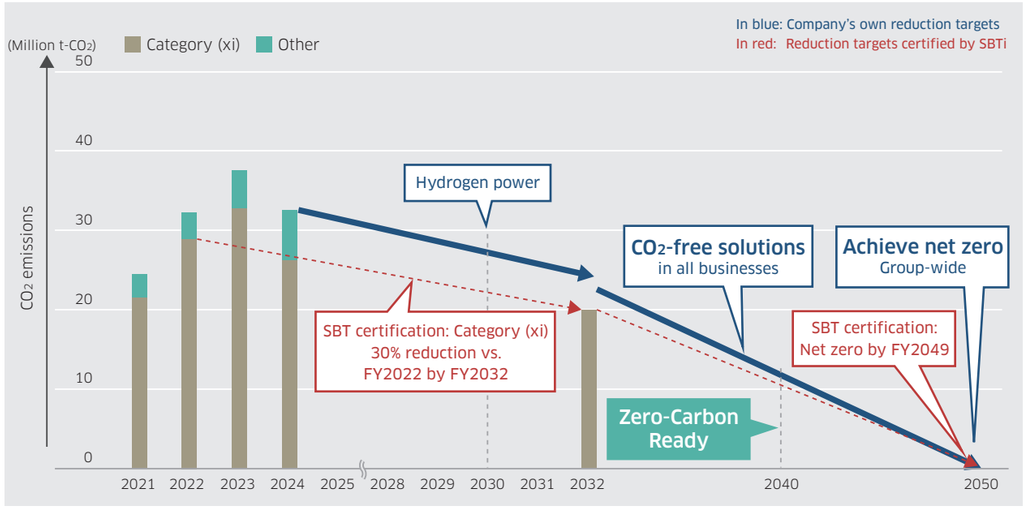
Scope 3 CO_2 emissions reduction targets

2040 Zero-Carbon Ready (KHI, KRM, KMC*)

Reduce CO_2 at least 100% in real terms by engaging in the CCUS business
- Category (i): 80% reduction (compared with fiscal 2021)
- Category (xi): Develop a lineup of CO_2-free standard solutions and facilitate global CO_2 reductions

* KHI: Kawasaki Heavy industries, Ltd. (The Company, i.e., non-consolidated)
KRM: Kawasaki Railcar Manufacturing, Co., Ltd.
KMC: Kawasaki Motors, Ltd.

CO_2 emissions and reduction targets (Scope 3)

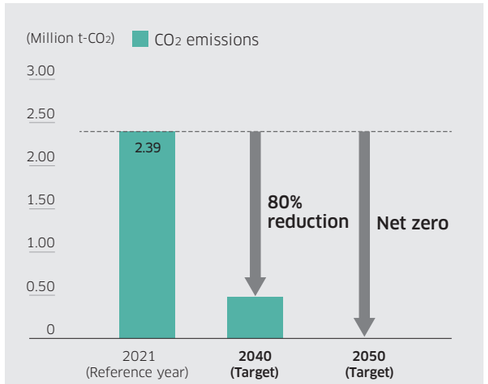


Scope 3 Category (i) CO_2 emissions from procurement of materials and parts

Support industrial initiatives with hydrogen and CUS solutions to further accelerate reductions

The Company will deepen collaboration with business partners that supply materials and parts, including sharing emissions data, offering support for CO_2 reductions and striving for early achievement of zero emissions. This will be achieved by means not limited to in-company utilization by the Group of solutions such as hydrogen power, hydrogen fuel, and other alternative fuels, as well as CCUS, but also by providing these solutions to business partners.
In promoting CO_2 emissions reductions from purchased goods, in fiscal 2024 we held a briefing on carbon neutrality and study session with the goal of collaboration between our suppliers and the Group in our efforts to reduce emissions. As our next step, we are moving forward in our efforts by getting our suppliers to set their respective CO_2 reduction targets as well as providing support and engaging in dialogue to help them achieve their goals.

Scope 3 Category (i) (CO_2 reductions scenarios)



Scope 3 Category (xi) Providing customer solutions

Provide CO_2-free solutions to all customers

We will take action to decarbonize products and services with hydrogenation, electrification, green power grids, alternative fuels, and CCUS as our keywords.

• Initiatives in the leadup to 2030 (short term)

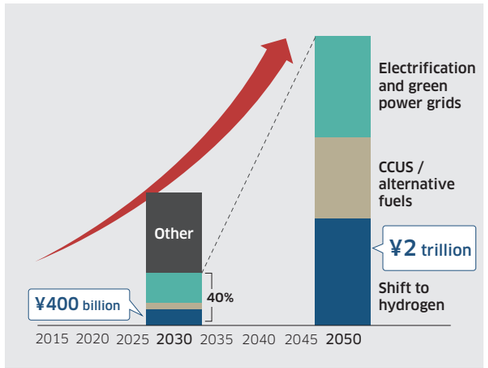
Through Kawasaki Ecological Frontiers, a program for certification of environmentally friendly products, and other initiatives, we will continue to reduce the energy consumption and improve the efficiency of existing products and promote the shift to hybrid electric and battery electric motorcycles and other vehicles as part of the transition to a decarbonized society. We will also conduct development for the commercialization of hydrogen energy and expand the use of hydrogen in gas turbines, gas engines, and other equipment. Furthermore, we will work toward the development of Kawasaki CO_2 Capture and DAC for the capture and use of CO_2.

• Initiatives in the leadup to 2040 (medium to long term)

The Group will actively further the following three major initiatives.
(1) We will provide CO_2-free fuels and electrical power to society with a focus on the hydrogen business.
(2) We will make a selection of choices for electrification and CO_2-free fuels available to customers utilizing our various solutions including mobility and robots.
(3) In addition to CO_2 capture, we will promote the effective use of CO_2 including the manufacture of synthetic fuels and chemical products to achieve a circular CO_2 society.

With these three pillars, the Group will make choices available to our customers of products and services (excluding defense and related; emergency products business) that contribute to the achievement of carbon neutrality by 2040, and promote global reductions in CO_2.

Envisioned scale of business by future solution



Information Disclosures Based on TCFD (Climate Change) and TNFD (Biodiversity) Recommendations

WEB **TCFD Report 2025**
https://global.kawasaki.com/en/corp/sustainability/library/tcfd_report/

Based on its Group Vision 2030, the Group will address the worldwide challenges of climate change and biodiversity by doing its part to realize a sustainable society through its businesses.

The inhibition of climate change (realization of a carbon-neutral society: CO_2 FREE), the preservation and recovery of biodiversity (realization of a society coexisting with nature: Harm FREE), and resource circulation (realization of a recycling-oriented society: Waste FREE) are critical social challenges that are closely interrelated. We will proceed to tackle these challenges by providing new technological developments and solutions in addition to promoting environmental preservation.

Here, we conduct disclosures of information in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and Task force on Nature-related Financial Disclosures (TNFD) recommendations.

Governance TCFD TNFD

(Organizational governance of climate change and biodiversity-related risks and opportunities)

In the Kawasaki Group, the Board of Directors is the highest decision-making body that deliberates and decides fundamental sustainability policies and the fundamental plans throughout the Group. A Sustainability Committee chaired by the President has been placed under that body to decide on various measures and report their progress based on the basic plans set forth by the Board.

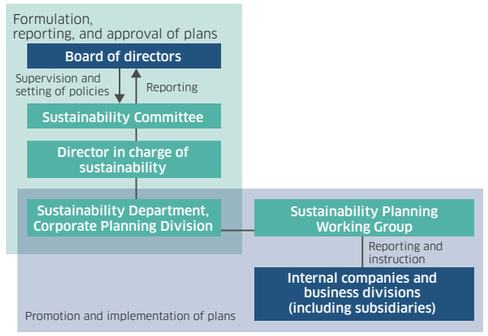
Additionally, environmental management strategies, including risks and opportunities related to climate change and biodiversity, are deliberated on at meetings of the Sustainability Committee as part of fundamental sustainability policies for the entire Group, and the Sustainability Committee delivers regular reports on activities related to environmental management to the Board of Directors.

Recently, in order to further promote initiatives aimed at biodiversity, we established the Kawasaki Group Policy on Biodiversity with the approval of the Board of Directors (June 2025).

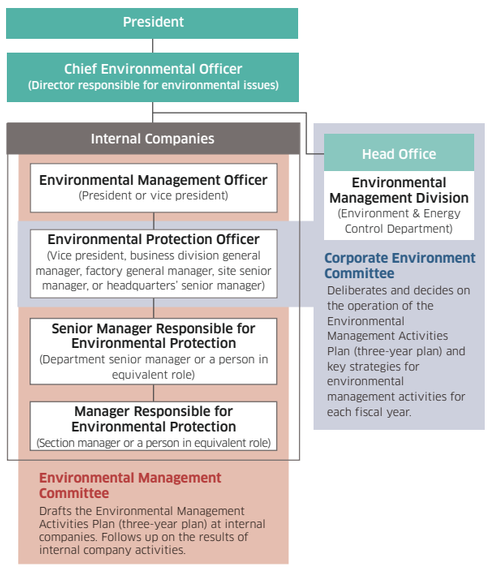
For environmental management, in order to smoothly promote environmental management activities, an environmental management system with the Director responsible for environmental issues serving as the chief officer of those issues has been established.

Each year, a meeting of the Corporate Environmental Committee chaired by the Chief Environmental Officer (Director responsible for environmental issues) is held to deliberate and decide on the operation of the Environmental Management Activities Plan and associated key strategies. Further, an Environmental Management Officer, Environmental Protection Officer, Senior Manager Responsible for Environmental Protection, and Manager Responsible for Environmental Protection are assigned to each internal company to put a system in place in which the business segment of each can independently carry out the Environmental Management Activities Plan. Through this system, the Group works as one to promote environmental management activities.

Sustainability promotion system



Environmental management system



Risk Management TCFD TNFD

(Methods for identifying, assessing, and managing climate change and biodiversity-related risks)

The identification and assessment of risks related to sustainability, including climate change, and the evaluation of dependencies/impacts and risks pertaining to biodiversity are conducted by the Sustainability Committee. Changes in the business environment and in the demands and expectations from stakeholders are evaluated from a risk management perspective, and deliberated and reported on as necessary responses.

With respect to regular reviews of materiality as well, risk assessments regarding various issues are conducted based on the results of these scenario analyses.

The results of these risk assessments and the identified risks are reported to the Board of Directors which, based on their deliberations over the approach to addressing them, provide the necessary feedback to those departments subject to those risks.

Metrics and Targets TCFD

(Indicators and targets employed when assessing and managing climate-related risks and opportunities)

The Group has established CO_2 emissions reduction targets, as shown in the right chart.

For domestic Scope 1 and 2, including Group companies, our goal is to achieve self-sustaining carbon neutrality by 2030 through initiatives centered primarily around hydrogen power generation. For Scope 3, targets have been established for main categories (i) and (xi).

Our goal is for zero CO_2 emissions across the Group as a whole by 2050, in line with the CO_2-free target set out in the Kawasaki Global Environmental Vision 2050.

We obtained SBT (Science Based Targets) certification in August 2024, accelerating our efforts to achieve the Paris Agreement's goal of limiting temperature rise to 1.5°C or below.

Focusing on hydrogen, Carbon Capture and Storage (CCUS), and Direct Air Capture (DAC), we are advancing the decarbonation of products and services across the Company and throughout the entire value chain, including suppliers and customers.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Kawasaki Group CO_2 emissions reduction targets

Scope 1, 2	Scope 3
2030 Carbon Neutrality Scope: Domestic Group companies	2040 Contribute to carbon negative by realizing a hydrogen-based society and promoting commercialization of CCUS Category (i): 80% reduction Category (xi): Promote CO_2 reductions in the world Scope: Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, Kawasaki Motors

2050 Carbon Neutrality
Scope: Entire Group (consolidated)

Reduction targets that have received SBT certification

Targets		Reduction targets receiving certification
Short-term target NEAR-TERM	Scope 1 Scope 2	By fiscal 2032, reduce greenhouse gas emissions by 50.4% versus fiscal 2022 levels (aligned with the 1.5°C target)
	Scope 3	By fiscal 2032, reduce use in products sold (Category 11) by 30% versus fiscal 2022 levels (well below 2°C target)
Long-term target NET-ZERO	Scope 1, 2, 3	Bring greenhouse gas emissions to net zero (NET-ZERO) across the Group's value chain by fiscal 2049

For more details of carbon neutral targets, refer to p. 45.

Measurement Metrics and Targets TNFD

Based on the analysis results according to the LEAP approach indicated on p. 52, the Group has set forth the following targets as metrics pertaining to biodiversity.

Additionally, we will actively pursue initiatives aimed at realizing Nature-Positive by 2030 and achieving the 30by30 target (conserve at least 30% of land and sea areas as healthy ecosystems and halt and reverse biodiversity loss by 2030), which were set forth in The National Biodiversity Strategy and Action Plan of Japan 2023–2030.

Targets pertaining to biodiversity

Item	Reduction targets
Water	Water withdrawal: 1% reduction per unit of sales
Waste	Landfill disposal rate* of 1% or less * Direct-to-landfill waste generation ÷ total waste generation Industrial waste: 1% reduction per unit of sales
Harmful chemical substances	Proper management of harmful chemical substances
Greenhouse gas	As stated in the TCFD
Protecting biodiversity	Investigation of registration of Nationally Certified Sustainably Managed Natural Sites

Strategy TCFD

(Actual and potential impacts of climate-related risks and opportunities on business, strategy and financial planning)

In energy and environmental solutions, one of three focal fields defined in the Group Vision 2030, the Group is actively advancing business aimed at realizing a decarbonized society primarily through the hydrogen business, CCUS, and DAC.

Recorded below is the scenario analysis process conducted in the formulation of Kawasaki's climate change strategy.

Scenario analysis process

Scenario analysis is conducted through a process that entails (1) Selection of target businesses, (2) Evaluations of risk severity, (3) Definition of scenario groups, (4) Evaluations of business impacts, and (5) Definition of responses to be taken.

In (3) Definition of scenario groups, considering consistency with the Group Vision 2030, the year 2030 was set as the target year, and the 1.5ºC and 4ºC scenarios were adopted.

The business impacts of the 1.5ºC and 4ºC scenarios and the results of the considerations on the measures to be taken are described below.

Going forward, we will regularly conduct reviews and advance the sophistication of the scenario analysis.

Process for scenario analysis (1.5ºC scenario, 4ºC scenario)

Results of scenario analysis (1.5ºC scenario, 4ºC scenario)

Financial impact[1] ··· ★: less than ¥10 billion; ★★: ¥10 billion or more, less than ¥100 billion; ★★★: ¥100 billion or more

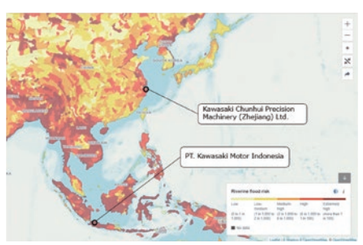
Target: 2030 1.5ºC scenario		Energy Solution & Marine Engineering	Aerospace Systems	Powersports & Engine	Precision Machinery & Robot	Rolling Stock
Opportunities		• Hydrogen related • CCUS and alternative fuels • Electrification				
Risks		• Falling demand for LNG power generation facilities, aircraft, gasoline-powered vehicles, and diesel construction machinery • Increase in R&D and capital investments				
Financial impact[1]	Revenue	• Carbon neutrality-related revenue, including hydrogen: ¥650 billion (FY2030)				
		★★★ Sales of hydrogen-related products will rise	★ Creation of hydrogen aircraft will come around 2040 or later	★★★ Move first with the shift from gasoline-powered vehicles to EV/HEV, and shift to e-fuel and hydrogen will progress	★★	★
	Investment amounts	• Carbon neutrality-related investments: ¥350 billion (FY2020–FY2030)				
		★★★ Including use of GI Fund	★★ Including use of GI Fund with respect to the development of hydrogen aircraft	★★★ Investment of ¥150 billion for the period FY2023–FY2027	★★	★

Target: 2030 4ºC scenario	Energy Solution & Marine Engineering	Aerospace Systems	Powersports & Engine	Precision Machinery & Robot	Rolling Stock
Financial impact[1]	• ¥650 billion in sales opportunities will be lost from carbon neutrality-related revenue, including hydrogen • Recovery of investments will be delayed (R&D and capital investments related to hydrogen projects, hydrogen aircraft development, and EV/HEV motorcycles, etc.) • Physical losses[2]: Minimum losses will be ¥4 billion for damages at production sites (loss of fixed assets) and ¥24 billion for damages from a halt in operations due to supply chain disruptions (sales decrease) • Food risks, water risks, economic instability, supply chain chaos, and other factors produced by temperature rise will have an enormous impact on operations.				

1 Carbon neutrality-related revenue in 2030, including hydrogen, revised upward from ¥600 billion to ¥650 billion to reflect target revenue from the DAC business.
2 Physical losses: Expected damages for 2030 calculated by multiplying the hypothesized cost of damage at high-risk sites based on damage reports, by the growth rate of damage to the GDP.

Example of physical loss assessment under the 4°C scenario

Example of domestic production sites (20 sites)



Example of overseas production sites (16 sites)

WEB **Sustainability Report (PDF version)**
https://global.kawasaki.com/en/corp/sustainability/library/sustainability_report/

Strategy TNFD

(LEAP approach: an analysis consisting of four steps: Locate, Evaluate, Assess, and Prepare)

We are conducting evaluations and making determinations in the below manner as a result of implementing the LEAP approach.

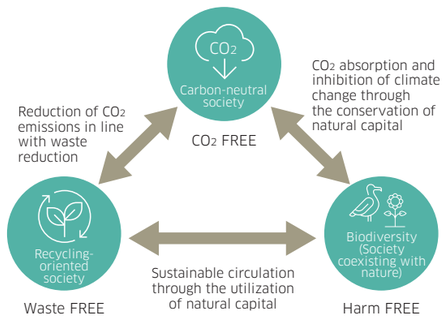
Evaluate (Evaluate Your Dependencies and Impacts on Nature)	We have determined that our business configuration indirectly affects biodiversity through GHG emissions and water use.		
Locate (Locate Your Interface with Nature)	In Japan, risk is comparatively low. In India, China, and Mexico, water risk is relatively high. In Brazil, the risk to biodiversity is relatively high.		
Assess (Assess Your Nature-related Risks and Opportunities)	At overseas sites, we have determined "water" and "waste (resource circulation)" to pose potential opportunities and risks.		
	Production sites	Opportunities	Risks
	India, China, others	•Water resource scarcity improvement technology •Demand for monitoring •Demand for resource sorting systems	•Water resource scarcity •Water pollution
Prepare (Prepare to Respond and Report)	Helping to address the world's water issues, realizing sustainable sewage treatment plants, promoting resource circulation with the use of the K-Repros, an AI-equipped resource sorting support system and other means, and inhibiting climate change through the hydrogen utilization and CO_2 capture		

Factoring in analysis results according to the LEAP approach as well, based on the recognition that the preservation and recovery of biodiversity are closely interrelated with the inhibition of climate change and promotion of resource circulation, we will endeavor to minimize our environmental load while keeping the entire value chain pertaining to our business activities in our sights. Simultaneously, we will strive to provide solutions aimed at the preservation and recovery of biodiversity through new technological developments.

Additionally, we will formulate and implement countermeasures that first address production activities and the environment at our business sites in the order of avoidance, minimization, rehabilitation, and offsetting based on the mitigation hierarchy approach, and endeavor to minimize society's environmental load.

Approach to biodiversity

Aiming to realize the three FREEs (CO_2 FREE, Waste FREE, and Harm FREE)



Contributions to the preservation and recovery of biodiversity through the provision of technologies and solutions

Hydrogen utilization and CO_2 capture (inhibition of climate change)

K-Repros, an AI-equipped resource sorting support system (sorting for resource circulation purposes)

Mega MAG Turbo aeration pump (sustainable sewage treatment)

Activities at business sites

Examples of production activities geared toward minimizing the environmental load (reduction of hazardous chemical substances)

Establishment of a biotope inside a business site and the protection of a rare species (water clover)