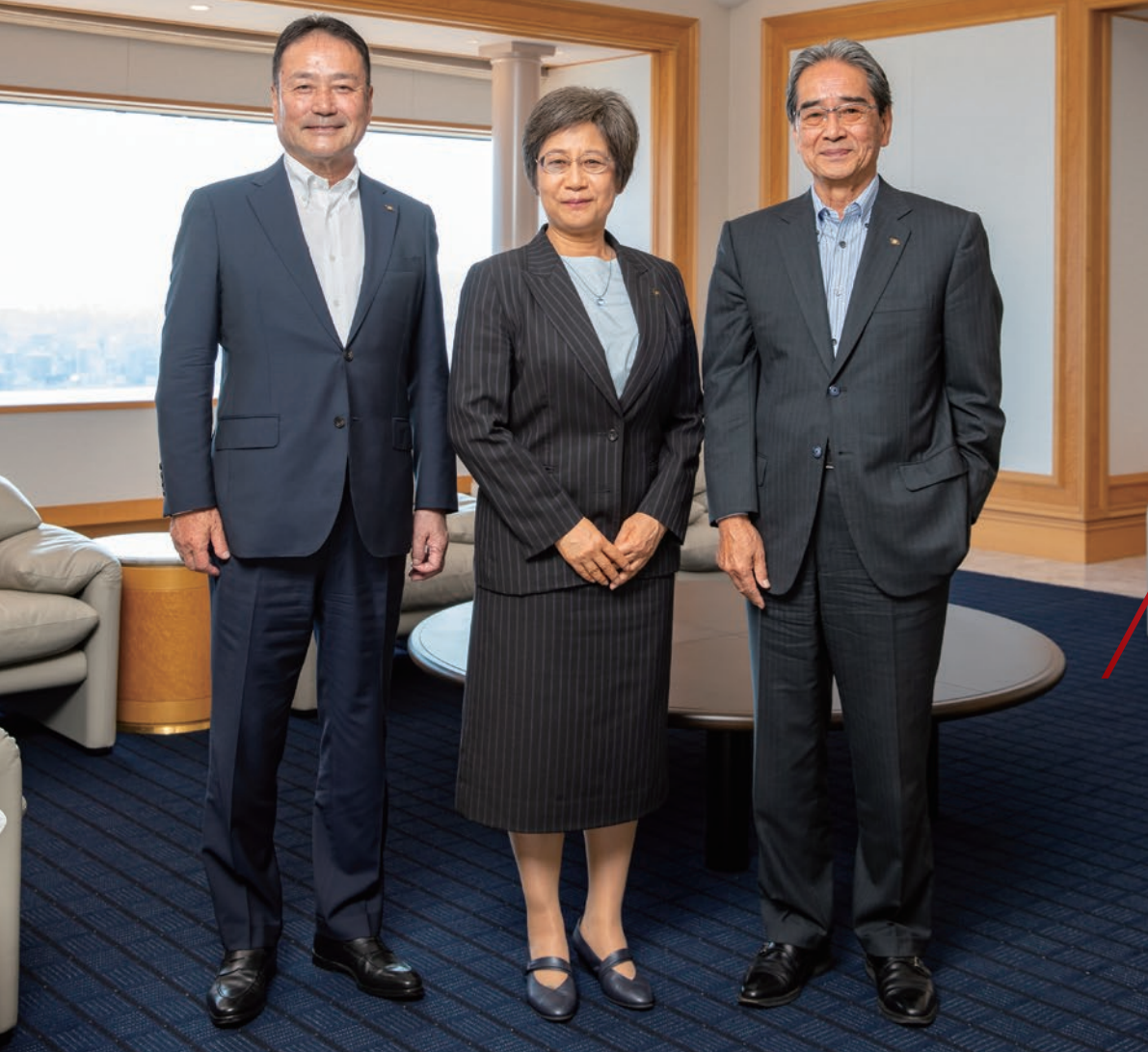


To realize the Group Vision 2030, we will strengthen the supervisory power of the Board of Directors and maximize corporate value.



From left

Yoshinori Kanehana
Chairman of the Board

Tomoko Amaya
Outside Director
(Audit & Supervisory Committee Member)

Hideo Tsujimura
Outside Director

Atmosphere of the Board of Directors meetings

Q. How would you characterize the atmosphere at meetings of the Board of Directors?

Amaya: Before becoming an outside director, I had heard Kawasaki board meetings were free and open, but they exceeded expectations. Members actively voice opinions, and executives seriously consider questions and comments, then, sometimes provide counterarguments. This creates highly substantive discussions.

Tsujimura: It is rare to find a board where so many opinions are voiced. As you say, a major factor is that the executives are genuinely receptive. We feel encouraged to speak because we trust our views will be sincerely considered, not just dismissed as from outsiders.

Kanehana: Outside directors with diverse backgrounds share opinions from very different perspectives. Internal directors are often surprised by these unexpected insights, and this leads to very animated discussions.

Compliance issues

Q. What discussions did the Board have about the misconduct incident?

Kanehana: The Board held intensive discussions about the cases of misconduct that came to light last fiscal year. I'm sure the executives faced a harsh time, but I believe they very sincerely addressed the issues.

Tsujimura: The Board devoted significant time to investigating the root causes, verifying other departments, and considering preventive measures. It concluded that the fundamental solution was to address organizational culture itself. The misconduct was unacceptable, but it also became a catalyst for transforming the Company.

Amaya: I have seen many misconduct incidents in the past, and I primarily focus on whether top management responds with a sense of urgency. Kawasaki did, and perhaps even showed an exceptionally strong sense of urgency. My concern was that their strong sense of urgency might lead to impatience and a rush for "easy solutions." Introduction of strict rules and training programs alone can lead to overly complex, ineffective systems and distort the organization. I was determined to prevent that from happening. I also assume that those involved in last year's cases took inappropriate actions as they thought there were no other ways to solve the problems they faced for the sake of the Company, not from personal motivations. That is why, from the outset, I stressed the importance of creating an organizational culture that shields employees from vulnerable situations where they might feel forced to compromise their integrity and allows them to speak openly with their colleagues and superiors.

Kanehana: The individuals held back from speaking to their managers because they expected to only get an angry response to "figure it out on your own." They didn't speak up because they felt they couldn't. The incidents likely would not have occurred if there had been a culture where managers listened to concerns and issues were either worked through together or brought higher up.

Tsujimura: Difficulty approaching bosses is common in companies. As I understood it, the manufacturing site silently accepted requests from the design department, which escalated over time until the specifications ultimately became impossible. That seems to be what happened. Kawasaki is now preventing that by implementing concurrent engineering, involving the manufacturing, quality, and procurement departments from the initial design stage, which I believe will also help reform the organizational culture.

Amaya: At the recent Compliance Committee meeting, I noticed that the executives' perceptions have been changing. They do not blame employees for not reporting problems and concerns, but they ask themselves what is missing to make employees speak up. Despite that, employees may still not believe management will take their concerns seriously because of past negative experiences. The real challenge is how to make people at the worksites believe that a substantial change has occurred. I think trust in superiors should be measured in the WinDEX employee engagement survey.

Kanehana: We are doing just that—linking the WinDEX scores to manager performance evaluations. It's a simple step, but I believe it will be effective in driving culture reform. The WinDEX surveys will help managers understand what their subordinates are dissatisfied with or struggling with; and this awareness will help them identify the changes they need to make themselves.

Amaya: Over the past year, we have strengthened the internal fraud detection system and recurrence prevention measures, but the key is to continue pursuing improvements. Employees will be disappointed if we stop here. Although the Board of Directors cannot continue to devote all its time to this issue, we must remain vigilant.

Board of Directors effectiveness

Q. As an outside director, how will you contribute to Kawasaki Heavy Industries Group management?

Amaya: I believe my most important contribution over the past year was advising the management team, in addressing the misconduct case, that taking strict measures alone would not solve the problem—they needed to pay full attention to what employees at the worksites say and how they feel. Management fully



Yoshinori Kanehana
Chairman of the Board

Roundtable Discussion with the Chairman and Outside Directors

understood that strict responses alone would not address the underlying problems. Still, they might feel compelled to stress the strict measures to the public. I thought management would feel reassured and listen closely to employees' voices when an outside director emphasized the need to do so. My position as an outsider to the Company enabled me to express this perspective.

Kanehana: I recall you telling the Board repeatedly that simply distributing written explanations of the investigation results and preventive measures is not a solution. I think the executives greatly appreciated hearing that.

Tsujimura: Although I come from a different industry, my experience at a manufacturer with development, manufacturing, quality, and other operations gives me some understanding of the challenges the executive managers may be facing. I am eager to draw on that experience to offer constructive counsel, while maintaining the appropriate distance so as not to overstep into the executive role. One of my main areas of focus is quality. Quality is the lifeblood of any manufacturer, and I have emphasized many times the need for the Company to be absolutely thorough in risk management related to quality. I also focus on technology investment. President Hashimoto often says, "Technical ability is not enough." It is true that technical capability alone does not guarantee success. Yet at the same time, a manufacturer without a technological advantage is certain to face excessive competition. That is why I continue to stress the importance of sustained investment.

Kanehana: Your counsel is extremely valuable to us, as is your presence as the chair of the Nomination Advisory Committee.

Tsujimura: In the Nomination Advisory Committee, I strongly emphasize the importance of a succession plan for selecting the next generation of management. Performance results are only the starting point when evaluating candidates. President Hashimoto and Senior Corporate Executive Officer Yamamoto personally

interview all candidates for executive officer positions and above. These interviews are recorded, and the Nomination Advisory Committee reviews the recordings to assess each individual. Although this can be demanding, sometimes involving as many as 40 candidates, I believe it is highly effective for becoming familiar with each person. The committee's monthly meetings are always lively, and we report the results of these discussions to the Board of Directors.

Kanehana: In the Board of Directors effectiveness survey, one outside director noted that it was difficult to grasp the details of committee discussions. Addressing that concern was a very positive change, as it allowed us to share with the Board how the committee also engages in deeper discussions occasionally with outside consultants, and to convey more clearly the substance and depth of the content.

Amaya: I was honestly surprised that such a large number of interviews were recorded and shared openly with the outside directors, but that approach gave me a strong sense of reassurance.

Tsujimura: In fact, the three outside directors, including myself, also interviewed the president and senior corporate executive officers, who felt that "in terms of fairness, we should be evaluated as well." That attitude is commendable. Evaluating top management is not easy, but we provide our honest opinions, even when they are sometimes harsh.

Future issues and outlook

Q. What areas are you focused on for improving corporate value into the long term?

Tsujimura: The Company conducts ambidextrous management, meaning that we work to both deepen existing businesses, including by revising the business portfolio, and to explore and create new businesses. For existing businesses, we have specific goals and roadmaps in line with Group Vision 2030. Although the pace of progress varies across businesses, overall advancement has been generally smooth. At the same time, developing new businesses takes time, and we are building them up gradually. Because we are at that stage, it is important to be discussing now which areas we should be investing in. We also need to nurture these businesses in different ways, not only through top-down projects led by the president, but also through bottom-up activities to get them off the ground and sustain their growth. For that reason, I have been telling management that greater focus on in-house venture initiatives is essential. To do this, and to encourage bold ventures, the organization must provide a safety net. At my previous company, we often spoke

of the "sin of inaction," the idea that not trying is worse than failing. A person is not at fault for taking on a major challenge that ends in loss. In hindsight, it is often those very people who go on to be more successful. Motivation rises when a company values and supports taking on challenges.

Kanehana: Certain aspects of existing businesses can be largely entrusted to the professional expertise of the executives. Capital investment, for instance, involves a clear division of roles: executives formulate the business plan and explain the underlying assumptions and rationale, while the Board of Directors verifies the plan's viability. The boundaries between supervisors and executives are less clearly defined, however, when it comes to new businesses. Executives may express a desire to pursue a particular business, but the Board naturally questions the rationale, feasibility, and potential of the proposal. While the executives may be eager to manage the entire process themselves, the Board members also want to discuss these new business ideas with the same passion as the executives.

Amaya: I am anxious about the development of new business opportunities on top of the hydrogen. While risk is inherent in any new venture, I believe the greatest risk is that, following hydrogen, no major projects worthy of pursuit will emerge in the future.

Kanehana: It is no easy task to identify a large new business project that could grow to become a business division in its own right. That is why I believe it vital to focus diligently on the hydrogen business while at the same time cultivating a range of other venture ideas.

Generating ongoing business growth

Q. What expectations do you have for the Kawasaki Heavy Industries Group?

Tsujimura: As I mentioned earlier, there are hurdles to overcome in the three focus areas set out in the Group Vision 2030, but overall, I believe we are making steady progress. I have high expectations that the top management at each business division is increasing its commitment to profitability. Initiatives related to ESG and other non-financial capital are also steadily advancing, as reflected by last year's inclusion in the Dow Jones Sustainability World Index.

Kanehana: As we establish business sustainability, we also need to steadily generate profits. We have positioned hydrogen as a key driver of decarbonization. While expanding the hydrogen business to further reduce society's CO₂ emissions, we also must ensure it remains profitable. Achieving this balance will be like solving a complex equation, but clearly communicating our vision to society will undoubtedly enhance our corporate value, which will then be reflected in our stock price.



Tomoko Amaya

Outside Director (Audit & Supervisory Committee Member)

Amaya: The foundation for all of this is our human resources—our human capital. In Japan today, simply securing the necessary number of personnel is a major challenge and, going forward, we need to consider how to recruit and develop talent for our evolving businesses as well as for creating new businesses. The Company is already actively developing its talent, but I believe it will become increasingly important to consider how the Company itself can adapt to continue attracting the highest-level human resources.

Kanehana: Changing the organizational culture requires incorporating diverse perspectives from outside the Company. Kawasaki's workforce has always been dedicated and hard-working. When I was president, we launched a full-fledged mid-career recruitment program, hiring what we called "innovative and unique talent," professionals who lead and inspire. Today, the number of midcareer hires even exceeds that of new graduates. With midcareer job changes becoming more common in Japan, we also established an alumni network to maintain connections with retired Kawasaki employees, some of whom have returned to work. The Board of Directors is seeking to create an open organizational culture where diverse talents can come together, foster new business opportunities and drive sustainable growth.



Hideo Tsujimura
Outside Director



Board of Directors activities in fiscal 2024

Last year, the Board of Directors devoted a considerable amount of time to addressing the misconduct incidents. These incidents prompted us to reconsider the essence of our governance and to initiate efforts to rebuild our organizational culture.

In addition, we addressed and held lively discussions about a wide range of other issues, including corporate transformation, group governance, and the review of executive personnel and compensation systems.

Evaluation of Board of Directors effectiveness

When explanations from management appear insufficiently considered, outside directors with deep expertise in the relevant field often raise questions that take potential risks into account. I find it very reassuring that such discussions have become firmly established in Board meetings. Hearing the reservations and doubts gives the executives an opportunity to pause and ensure the discussions remain focused on the core issues. Outside directors have provided insights on issues ranging from the responses to misconduct incidents to quality, human capital, and new business ventures—views that are both objective and often

difficult for executives familiar with the Company's past to see. I believe, over the past few years, the Board of Directors has steadily deepened the overall quality of its discussions and become a more effective supervisory body.

This has highlighted a challenge: more active Board discussions sometimes mean that certain topics cannot be fully covered within the allotted time. I view this as a positive sign of the Board's growing effectiveness, as it demonstrates that the exchanges of opinion are serious and substantive. At the same time, we recognize the need to adjust, so we are reviewing agenda priorities and adopting greater flexibility in discussion times to further enhance the quality of our deliberations.

To enhance corporate value over the medium to long term

How the Board chair leads meetings is also key to enhancing Board effectiveness. In corporations like our Group, which operates numerous businesses, the chair must facilitate discussions based on a broad understanding of the businesses and the overall picture. I always strive to maintain that big-picture perspective and encourage meaningful dialogue by inviting members with relevant expertise to share their views, so we can hear frank and open opinions.

I look forward to fulfilling my responsibilities as Chairman of the Board of Directors while respecting diverse opinions as we continue to evolve and grow as a company trusted by society. Our Group will continue to enhance medium- to long-term corporate value with effective governance as its foundation. At the same time, we will place even greater importance on dialogue with stakeholders as we steadily advance toward transformation.

Main agenda items at Board meetings held in fiscal 2024 (Excluding regular agenda items)

Corporate transformation	● Discussion on the direction of each business for increasing corporate value ● Business tie-up between Kawasaki Motors and Itochu Corporation ● Discussion on strategic policies for the hydrogen business
Governance, internal controls, and compliance	● Incidents of misconduct in the submarine repair and marine engine businesses ● Discussion on reinforcement of group governance ● Revision of the Basic Internal Control System Policy ● Formulation of Basic Policies concerning Legal Matters and Compliance ● Discussion on reinforcing auditing and compliance systems
Quality	● Report on work process reform activities and total quality management (TQM)
Executive personnel and compensation	● Revision of the Director compensation system ● Reports on meeting activity of the Nomination Advisory Committee and Compensation Advisory Committee