

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

Corporate Governance

Basic Views

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 Systems

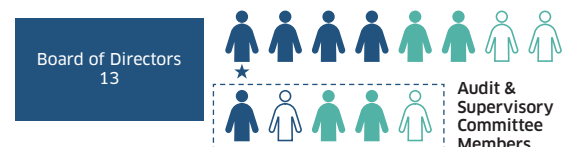
Kawasaki is a company with an Audit & Supervisory Committee and has voluntarily established a Nomination Advisory Committee and a Compensation Advisory Committee as advisory bodies to the Board of Directors as well as a Management Committee, an Executive Officers Committee, and other business execution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

Our main deliberative bodies and their details are as follows.

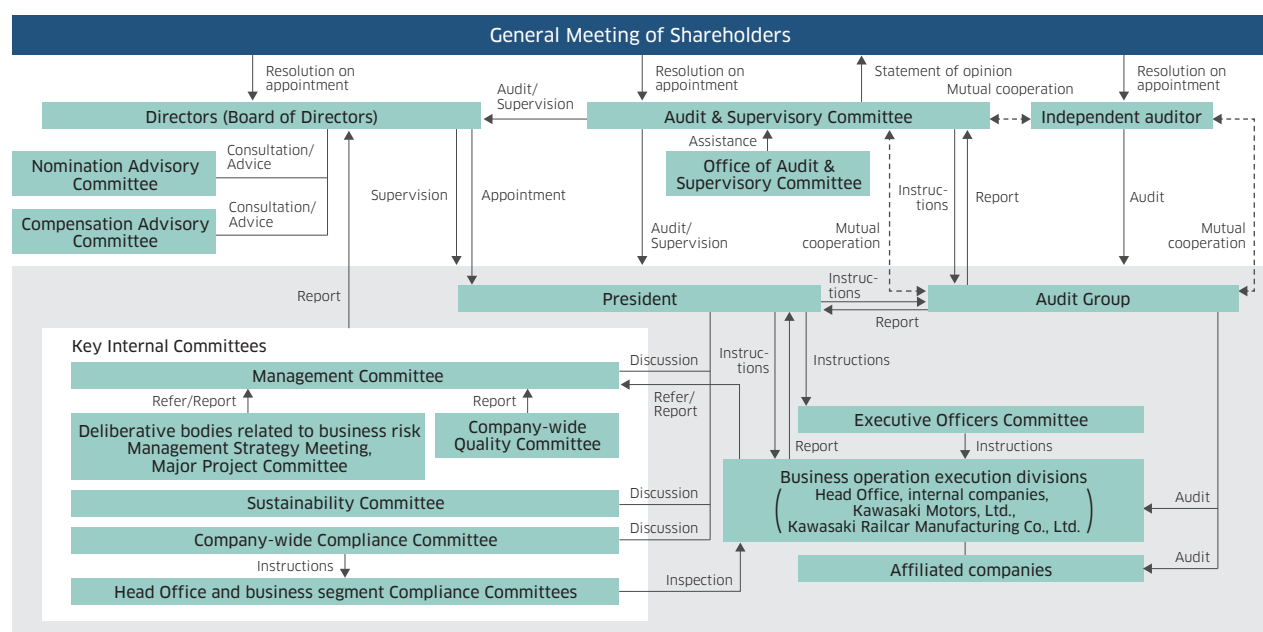
Board of Directors

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, four 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. Chairman of the Board serves as presiding officer the pursuant to a resolution of the Board.

In addition to deliberating on individual proposals submitted in accordance with the internal rules, the Board of Directors also discusses topics set based on the results of evaluations of the effectiveness of the Board. In fiscal 2024, the Board discussed issues including our vision for group governance, strengthening of audit and compliance system, and business direction to enhance enterprise value. 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, 2025)



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 presiding officers and a majority of members of each committee are Outside Directors. 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.



Main deliberative bodies in business operation execution divisions

Name	Role	Presiding officer
Management Committee	A meeting body that assists the President as an advisory body with regard to overall Group management. Discusses important business execution issues.	The President
Executive Officers Committee	Issues instructions on business execution policy based on management policy and management plans determined by the Board of Directors as well as information on important matters decided by the Management Committee, and also reports on and communicates necessary and important information regarding business execution and holds exchanges of opinions.	The President
Sustainability Committee	Discusses and decides on various measures to promote social, environmental, and Group sustainability, and also monitors adherence to such measures and the achievement of their aims.	The President
Company-wide Compliance Committee	Discusses and decides on various measures to ensure thorough compliance throughout the Kawasaki Group, and also monitors adherence to such measures and the achievement of their aims.	The President
Company-wide Quality Committee	Discusses Company-wide quality control policy and ensures its application for the purpose of reinforcing Company-wide quality control systems, and also shares information about quality control among the Head Office, internal companies, and other related companies.	The Senior Corporate Executive Officer in charge of technology
Management Strategy Meeting	Discusses Company-wide business strategies and action plans based on analysis of the business environment of each business segment for the purpose of formulating and reviewing management strategies and management plans for each business segment.	The President
Major Project Committee	Evaluates and considers ways of addressing the risks of major projects that could significantly impact operations and financial performance for the purpose of managing risk before bidding on and making investment decisions regarding such projects.	The general manager of the Corporate Planning Division

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.

The Company 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.

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 information on other main deliberative bodies, see the table below.

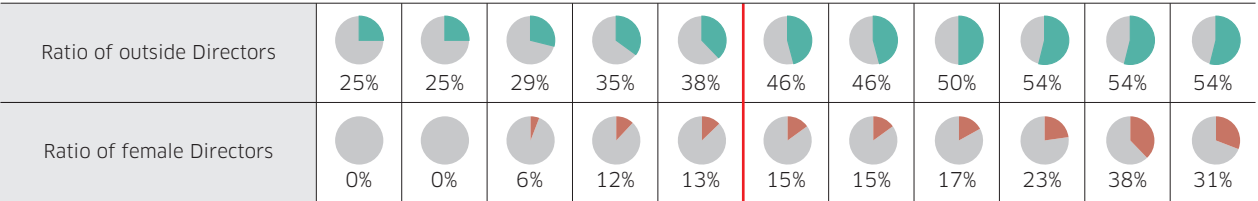
Initiatives to Strengthen Corporate Governance

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Organizational design	Company with an Audit & Supervisory Board					Company with an Audit & Supervisory Committee					
Clarification of the functions and roles of the Board of Directors		● Took steps in response to the introduction of Japan's Corporate Governance Code ● Began evaluations of the effectiveness of the Board of Directors		● Revised the Director and executive officer system		● Transitioned to a company with an audit & supervisory committee ● Eliminated overlap between Directors and officers responsible for specific businesses ● Revised matters requiring resolution by the Board of Directors Expanding the scope of delegation to executives					
Enhancement of the soundness of managerial decisions (independence and diversity)	● 2013 Appointed an Outside Director	● Increased the number of Outside Directors to two		● Increased the number of Outside Directors to three ● Appointed a foreign Outside Director		● Reduced the number of internal Directors not serving as Audit & Supervisory Committee Members from 5 to 4 Proportion of Outside Directors reached 50% ● Increased the number of Outside Directors to seven Proportion of Outside Directors reached a majority ● Increased the number of foreign Outside Directors to two ● Appointed the first female Internal Director (Audit & Supervisory Committee Member)					
Director nomination and compensation		● Established the Nomination Advisory Committee and Compensation Advisory Committee ● Added stock purchase funds to Director's compensation				● Revised the Director compensation system Adopted a performance-based stock compensation plan ● Revised the Director compensation system Reinforced performance-based compensation, established indicators relating to ESG and other matters					

Number of Directors (including Audit & Supervisory Board Members)*	Internal												
	Outside												
	Internal (Audit & Supervisory Committee Member)	—											
	Outside (Audit & Supervisory Committee Member)	—											
	Internal Audit & Supervisory Board Member						—						
	Outside Audit & Supervisory Board Member						—						
	Total	16	16	17	17	16	13	13	12	13	13	13	
	Female	0	0	1	2	2	2	2	2	3	5	4	
	Foreign nationals	0	0	0	1	1	1	1	1	2	2	2	

Ratio of outside Directors											
25%	25%	29%	35%	38%	46%	46%	50%	54%	54%	54%	

Ratio of female Directors											
0%	0%	6%	12%	13%	15%	15%	17%	23%	38%	31%	



* Including Audit & Supervisory Board Members until fiscal 2019

Changes in organizational design

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

The Board of Directors defined the Qualifications Expected of Directors and selects directors with extensive and broad experience, insight, and expertise. Furthermore, it promotes diversity in gender, ethnicity, nationality, and so forth to create a system that enables more multi-faceted decision making. The status of that system is summarized in a skills matrix.

When selecting the skills and experience included in the skills matrix, we defined the areas of supervision as “vision, strategic thinking, and governance,” “business structure transformation,” and “growth initiatives related to infrastructure development” from the perspective of enhancing the Group’s sustainable corporate value by providing solutions to social problems, and we defined the skills and experienced required in each supervisory area as follows.

Skills and experience required in each area of supervision

Area of Supervision	Required Skills	Expected Experience
Vision, strategic thinking, and governance	Business strategy Governance IT, DX & security	
Business structure transformation	Business strategy Monozukuri (technology, development, production & quality) Sales & marketing	Corporate management Global
Growth initiatives related to infrastructure development	Business strategy Finance & accounting Personnel & organizational management Manufacturing (technology, development, production & quality) Sales & marketing IT, DX & security	Legal & administration Finance

Reasons for selecting required skills

Required Skills	Reasons for Selection
Business strategy	Because with regard to supervising growth strategies based on ambidextrous management, we expect knowledge and expertise in planning and implementing business strategies that entail reviewing business models, portfolio reform, and collaboration with national and local governments, other companies, and research institutions.
Governance	Because with regard to supervising the establishment of a governance structure that will be the foundation for continuous improvements to corporate value, we expect a broad range of knowledge and expertise in governance-related issues, including corporate governance, risk management, human rights, and compliance.
Finance & accounting	Because with regard to the laying of a firm financial base and supervising the furthering of growth investments and the strengthening relationships of trust with stakeholders such as shareholders, we expect knowledge and expertise regarding financial affairs and accounting.
Personnel & organizational management	Because with regard to supervising the formulation and implementation of personnel strategies for obtaining talented human resources and getting the most out of the talents of a diverse workforce, we expect knowledge and expertise regarding personnel and organizational management from a management perspective.
Manufacturing (technology, development, production & quality)	Because with regard to supervising the formulation and advancement of manufacturing strategies that will continue to present society with valuable solutions, we expect a broad range of knowledge and expertise regarding manufacturing including technology, development, intellectual property, production, quality, and safety.
Sales & marketing	Because with regard to supervising business development and information dissemination for innovations created from a market-in perspective, we expect knowledge and expertise in sales and marketing.
IT, DX & security	Because with regard to supervising the creation and advancement of solutions based on the use of AI and promotion of DX, we expect knowledge and expertise about IT, DX, and security.

Reasons for selecting required experience

Required Experience	Reasons for Selection
Corporate management	Because the director will use their corporate management experience in order to supervise management of the entire company, including business strategies, corporate governance, sustainability, and personnel strategies.
Global	Because the director will use their experience in global strategy and policy formulation and their hands-on, overseas experience in business and organizational management to supervise global business growth and risk management.
Legal & administration	Because the director will use their experience in legal circles and government institutions in order to supervise governance, risk management, business strategies, etc.
Finance	Because the director will use their experience in financial institutions to supervise financial strategies, manufacturing, business strategies, etc.

Directors skills matrix

Position at the company Name	Required skills							Required experience			
	Business strategy	Governance	Finance and accounting	Personnel & organizational management	Manufacturing (technology, development, production & quality)	Sales & marketing	IT, DX & security	Corporate management	Global	Legal & administration	Finance
Yoshinori Kanehana Chairman of the Board	✓	✓		✓	✓	✓		✓	✓		
Yasuhiko Hashimoto Representative Director, President, and Chief Executive Officer	✓	✓		✓	✓	✓	✓	✓	✓		
Katsuya Yamamoto Representative Director, Senior Corporate Executive Officer	✓	✓	✓	✓				✓	✓		
Hiroshi Nakatani Representative Director, Senior Corporate Executive Officer	✓	✓			✓		✓	✓			
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)	✓	✓				✓			✓		
Susumu Tsukui Outside Director (Audit & Supervisory Committee Member)	✓	✓								✓	
Tomoko Amaya Outside Director (Audit & Supervisory Committee Member)	✓	✓	✓						✓	✓	✓
Toshiaki Itagaki Outside Director (Audit & Supervisory Committee Member)	✓	✓	✓			✓	✓	✓	✓		

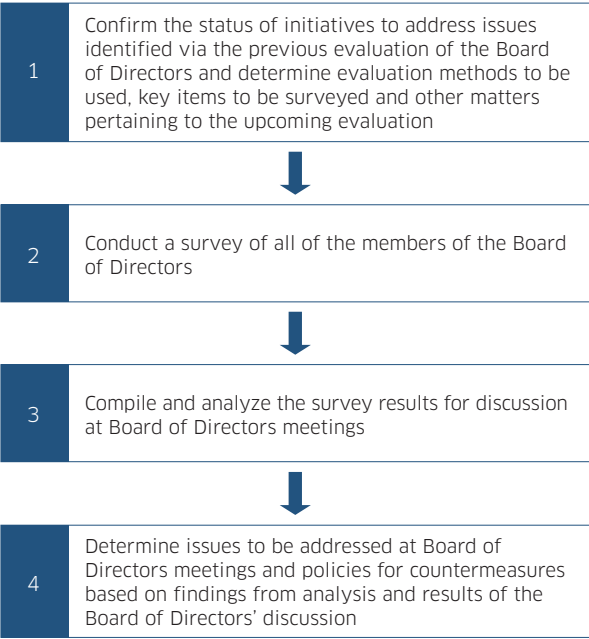
Evaluating the Effectiveness of the Board of Directors

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 Item
(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 fiscal 2024, and the additive average values for all questions (excluding the free writing section) were approximately the same as in fiscal 2024.

The item with a high 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. At the same time, some of them cited their wish for greater preliminary briefings that take into account agenda priority and other elements for ensuring enough discussion time.

In contrast to that, the item with a low score was “Supervision and Monitoring of the Operation of Internal Control Systems,” with respondents claiming the need to closely watch measures to prevent the reoccurrence of the compliance incidents that came to light in fiscal 2024, the establishment of mechanisms to prevent misconduct at the working level, and so forth.

Additionally, the item whose score remarkably improved was “Management Compensation Schemes and Incentives,” indicating high recognition of changes made to those schemes such as stronger performance linkage and a higher ratio of long-term incentives.

Among items raised as issues at fiscal 2024 Board of Directors meetings, Involvement in the Formulation and Operation of Succession Plans reflected an improved score. A conceivable reason for this is the steady implementation of cooperation with the Nomination Advisory Committee and actions to train successors.

In light of these results, we will continue to make efforts for improvement.

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	In both shortlists and longlists, alongside receiving reports on evaluations of candidates for each and reviews of additions of new candidates, we monitored discussions on the status of candidate training and current issues through dialogue with internal company presidents. Additionally, we supervised the status of the instilling of competencies (behavioral attributes) in all officers through the administration of job and human resource requirement statements and evaluations utilizing Challenge & Commitment.
Securing diversity among core human resources	In fiscal 2024, we reaffirmed the meaning of promoting DE&I (Diversity, Equity & Inclusion) in the Group, verified reviews of associated policy and concrete measures, and gave our opinions in order to accelerate initiatives aimed at women's empowerment. Additionally, we also monitored the status of the review and implementation of initiatives to support higher career aspirations and career building by women, including reviews of career enhancement programs and the enhancement of the Childcare Rescue System.
Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies	In fiscal 2024, with compliance and the hydrogen business as key themes, in addition to the regular discussions by the Board of Directors, we held discussions covering the reinforcement of Group governance, the direction of a corporate transformation aimed at improving enterprise value, audit and compliance systems, and other themes.
Strengthening group-wide internal control systems within quality control	Following the inappropriate incidents at the submarine repair workplace and improper marine engine inspections that came to light in fiscal 2024, we established a Special Compliance Promotion Committee and investigated the causes through a Special Investigative Committee comprised of attorneys. In addition, we discussed initiatives for measures to prevent reoccurrence based on the three pillars of “creating systems that preclude occurrences of misconduct,” “enhancing misconduct detection,” and “reforming our organizational culture and mindsets,” as well as the inputting of those measures into internal control systems.

Initiatives to further improve effectiveness

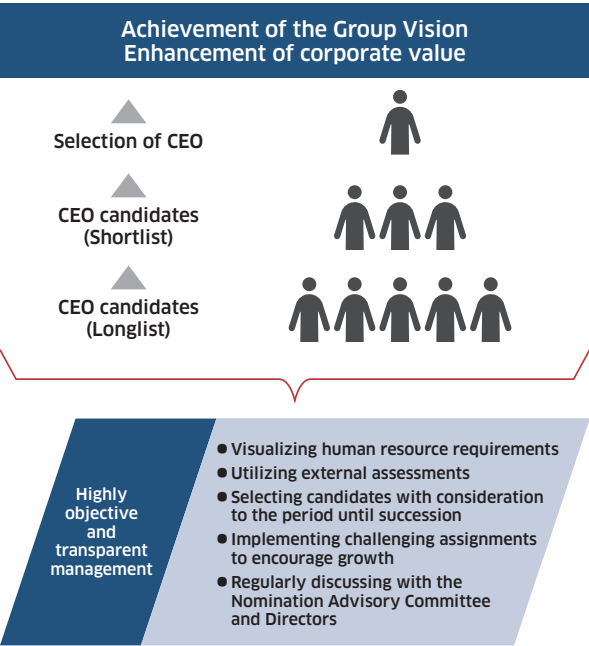
Issues identified via the latest evaluation	Initiatives
Reinforcing monitoring of initiatives to promote quality and compliance	Through the Special Compliance Promotion Committee, while factoring in the recommendations of the Special Investigative Committee, we will formidably promote measures to prevent reoccurrence based on the three pillars of “creating systems that preclude occurrences of misconduct,” “enhancing misconduct detection,” and “reforming our organizational culture and mindsets” as well as perform the regular monitoring of the progress of those measures at meetings of the Board of Directors. Additionally, through the Board of Directors, we will discuss mechanisms and measures for the reinforcement of governance that also get to the heart of working-level perspective and deploy them to the execution side. Additionally, regarding company-wide quality management, we will promote the streamlining and standardization of business processes and the introduction of AI and digital platforms while maintaining a focus on total quality management (TQM).
Firmly establishing leadership succession plans	In addition to ensuring to continue to operate the existing scheme, we will further information-sharing and discussions with the Board of Directors. Simultaneously, we will pursue initiatives for expanding successor candidates (including outside ones as well) and enhancing challenging assignments, among other initiatives, to further improve effectiveness. Also, for fiscal 2025, with respect to the CEO Succession Plan, we will disclose the basic policy, human resource requirements, and selection, training, and evaluation processes through the Annual Securities Report and other means.
Securing diversity among core human resources	For fiscal 2025, in addition to pursuing workstyle reforms, we will monitor initiatives to diversify core human resources and enhance their abilities through the introduction of methodical training programs for female managerial staff and company-wide education to boost IT literacy, the identification and development of business exploration human resources, and other efforts. Additionally, we will administer awareness surveys on DE&I and analyze the results to revise and enhance initiatives to ensure diversity.
Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies	We will continue to select themes aligned with management issues and deploy policies discussed in Board of Directors meetings to the executive side in order to pursue initiatives that can be tied to concrete action. Themes we should cover going forward Direction of corporate transformation aimed at enhancing enterprise value, empowerment of diverse human resources, reinforcement of Group governance, etc.
Improving the environment for conducting effective discussions at Board of Directors meetings	At meetings of the Board of Directors as well as other briefings and so forth, we will assign an order of priority to agenda according to their level of importance to make it possible to dedicate time to important agenda. Simultaneously, we will consider a revision of criteria for submitting agenda to Board of Directors meetings and other actions as well. Additionally, alongside continuing to enforce the sharing of materials in advance, we will also align the content and volume of those materials with discussions to be had at meetings of the Board of Directors, and will strive to optimize deliberation times for each item of agenda at those meetings.

/ CEO Succession Plan

Basic policy

Through the formulation of a CEO Succession Plan, the Company aims to promote the further reinforcement of its corporate governance as well as to methodically train candidates through developing their ability by giving them challenging assignments and, in doing so, have the Kawasaki Group sustainably enhance its enterprise value.

Through that CEO Succession Plan, going forward, the Company will continue to smoothly and firmly carry out succession to the next generation so that it may contribute to the solution of social issues.



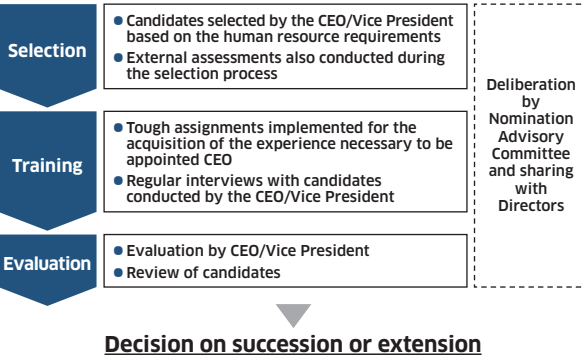
Human resource requirements for CEOs

In the CEO Succession Plan, the Company has established the following three criteria as essential human resource requirements among leaders. We evaluate management and business execution capabilities as CEO based on the essential human resource requirements which the Company emphasizes and monitor the status of their development.

Evaluation items	Keywords
Conceptual ability (Philosophy)	The candidate has a highly developed philosophy and takes a bird's-eye view of current situations with a view to the solution of societal challenges, while demonstrating the purpose and significance of Kawasaki for future society.
Executorial ability	The candidate takes the initiative in leading changes while having a highly developed awareness of compliance in actively engaging with the organization and human resources.
Explanatory ability	The candidate gains the understanding and empathy of diverse stakeholders and builds deep relationships of trust through sincere and transparent mutual communication.

Selection, training, and evaluation of CEO candidates

The CEO and Vice President undertake the selection of candidates based on the CEO human resource requirements and confirm their evaluations through external assessments designed to ensure greater objectivity in the selection process. In addition, the Nomination Advisory Committee deliberates annually on the selection, development, and evaluation of candidates, and shares its evaluation and outcomes with the Directors to ensure transparency and allow the Board of Directors to confirm the statuses of respective candidates in a timely manner.



/ Director Compensation

Basic policy

The compensation system for Directors (excluding Audit & Supervisory Committee Members and Outside Directors) is placing stronger emphasis on contribution to the Company's goals, and the 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 eligible 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.

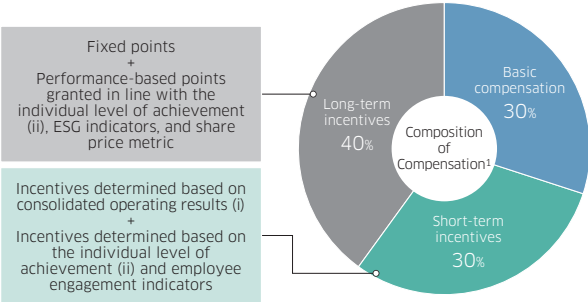
Methods for Determining Compensation

The total maximum amount of compensation for Directors* 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.

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

Composition of director compensation



1 In the case where the Group's consolidated operating performance and each indicator 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%.

Composition of director compensation

	Payment method	Details
Basic compensation (fixed compensation)	Cash	Each eligible 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, the level of achievement of each eligible Director's individual performance targets, and employee engagement indicators. With the aim of providing incentives for the steady accomplishment of single-year operating results targets and promoting the sharing of value with shareholders, profit attributable to owners of the parent is used as the indicator for assessing consolidated operating results, and set based on an after-tax ROIC equivalent to the standard of achieving the weighted average cost of capital (WACC) to maintain an awareness of capital efficiency. 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), above. For employee engagement indicators, the payment ratio is determined according to the ratio of employees who give high scores to both "Engagement (job satisfaction)" and "Enablement (productive work environment)" in the Employee Engagement Survey, with the objective of encouraging even greater levels of performance among the human resources working at the Company.
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, ESG indicators (CO ₂ reduction and third-party institution evaluation), and share price metric. 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, ESG indicators, and share price metric. 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. For ESG indicators, evaluations are conducted based on the degree of achievement of CO ₂ reduction targets through the Company's business activities and solutions provision, with the payment ratio determined in conjunction with third-party evaluations (Dow Jones Best-in-Class Index*), to encourage overall ESG-related initiatives, including those for the reduction of CO ₂ . For share price metric, the payment ratio is established based on the degree of achievement of share price targets, to reinforce awareness regarding improvement of corporate value. The proportions of fixed points and performance-based points are set at 30%:70% each when the recipient's level of achievement is at a standard level. Details of the process for determining the level of achievement are presented in (ii), above. * Stock index related to sustainability by S&P Global Inc.

(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 profit less than WACC equivalent	50 to 95
WACC equivalent profit to profit less than WACC + 3% equivalent	100 to 195
Profit more than WACC + 3% equivalent	200 or more

2 The targets for profit attributable to owners of parent are set based on the level that will enable the Group to achieve after-tax ROIC commensurate with WACC and the level that will enable the Group to achieve after-tax ROIC that exceeds WACC by approximately 3%.

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

Setting of Targets	Each eligible 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 non-financial indicators. 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 eligible Director toward their realization are established. ● 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 Group Vision 2030
Methods for Assessing the Level of Target Achievement	The targets set by each eligible Director are assessed at the end of each fiscal year, and the degree of achievement is reflected in compensation. The assessment of each eligible Director is determined as described below. ● 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.

Establishment of a Risk Management Framework

In today’s world, characterized by a societal and business environment which is changing dynamically due to factors including political and economic trends and climate change, managing risks accurately as part of daily business operations is essential. The Kawasaki Group has thus established a Group-wide enterprise risk management (ERM) framework to identify and respond to major risks with the potential to have serious impacts on our operations and is working to enhance risk management as outlined in the Kawasaki Group Management Principles. Additionally, we have established a secretariat function within the Risk Management Department at the Head Office’s Corporate Planning Division for the promotion and support of Group-wide risk management in collaboration with all Head Office departments. At the same time, each business segment has created an equivalent framework, with the business division managers designated as the responsible officers, thereby supporting our Group-wide management activities.

To enable the appropriate handling of diverse risks, Kawasaki has established and is making effective use of management methods and systems under the Group-wide ERM framework, with Company-wide/functional internal

committees and internal divisions of each business segment designated as the first-line risk owners, according to the type of risk. In addition, the Risk Management Department, which fulfills the second-line role, has devised a system for centralized monitoring of the effectiveness and workability of respective management systems, by which means we manage risks on both an individual and an integrated basis.

Furthermore, 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 two 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 our business measures. In order to deliberate and promptly address any rapidly emerging risk from the recent geopolitical issues as well as climate change, governmental and economic instability, Board of Director meetings are held on an as-needed basis.

In addition, the Audit Group, which is the internal audit department at Kawasaki, fulfills the third-line role, in which it assesses the effectiveness of the organization’s risk management and governance.

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 Group’s risk management process consists of a version of the COSO framework and ISO 31001, customized for the Group’s environment and circumstances.

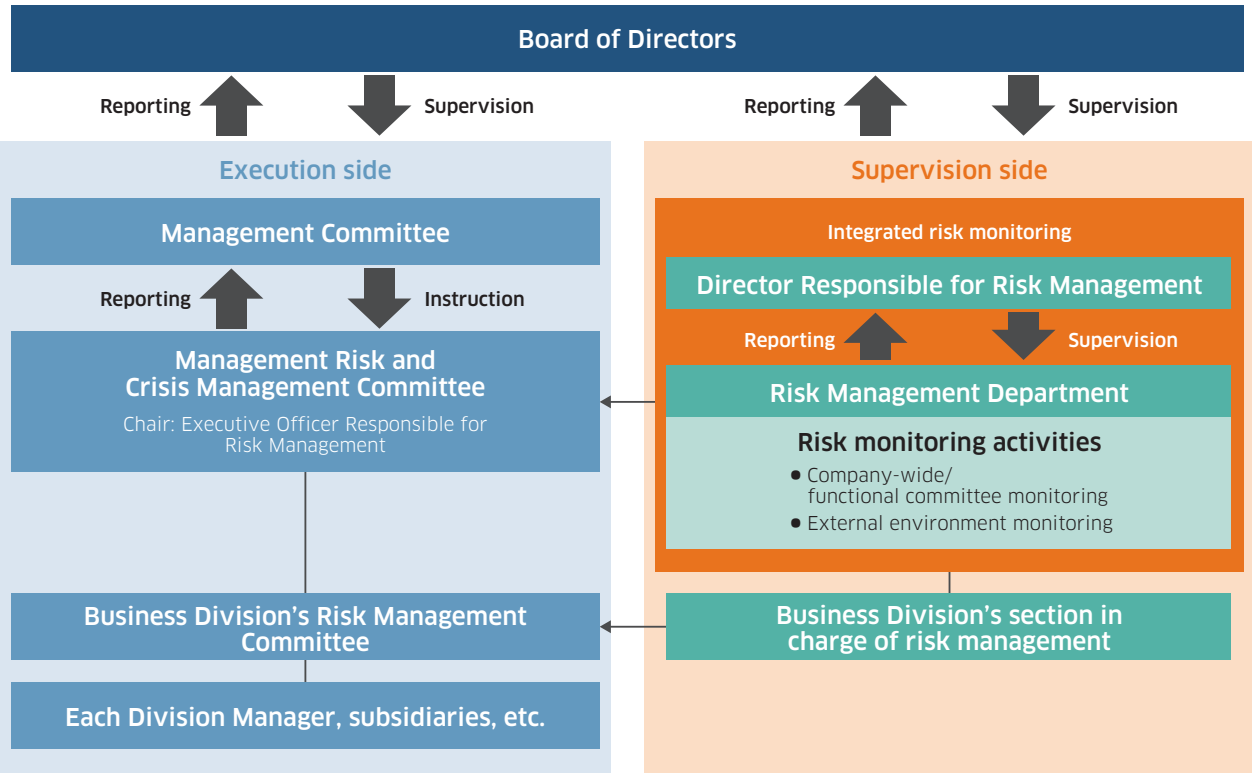
Risks that the Group should pay close attention to currently

As a result of company-wide monitoring activities in fiscal 2024, the 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
Compliance	Extremely high	1	Highest	Highest	Highest	High
Quality management	Extremely high	1	Highest	Highest	Highest	High
Geopolitical situation	High	3	Highest	High	High	High
Uncertainties in the international economic situation due to protectionism	High	3	Highest	High	High	High
AI and cyber security	High	5	High	Highest	Medium	High
Carbon neutrality (Climate change)	Medium	6	High	Medium	High	High
Natural disasters in Japan	Medium	7	Medium	Medium	High	High
China/Taiwan relations	Medium	7	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 Timing of impact is 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.

Risk management system



Risk response status (Risks with the highest status of manifestation)

Risks to pay close attention to	Overview of risk	Risk response measures
Compliance	●Cases in which a Kawasaki Group officer or employee has violated laws, regulations, or corporate ethics have the potential to impact business performance due to indemnity for damages claims, loss of societal credibility, or product boycotts. Since 2022, a series of serious nature have occurred with the prevention of further occurrences of this nature representing a pressing issue to be addressed.	●The Kawasaki Group has established the Special Compliance Promotion Committee, led by the President, guided by our determination to root out all corrupt practices within the Group. The Committee is promoting three major reforms across the entire Group, namely: creating systems that prevent misconduct; strengthening detection capabilities for misconduct, and reforming our organizational culture and awareness, as part of our initiatives to eradicate cases of misconduct.
Quality management	●The Kawasaki Group provides a wide range of products and services to cater to customer needs and contribute to the resolution of societal challenges. Cases of unforeseen product or service defects or quality deficiencies have the potential to impact business performance due, for example, to indemnity for damages claims.	●The Kawasaki Group conducts strict quality management in accordance with internal and external standards as part of its manufacturing and service provision processes, and implements company-wide total quality management (TQM) activities; design and manufacturing process innovation (KDPX: Kawasaki Design Process Transformation); promotion of production improvement activities (KPS: Kawasaki Production System); and personnel education and development as key strategies to prevent reoccurrence of major quality issues.
Geopolitical situation	●External circumstances such as tensions in US/China relations, the Russia-Ukraine situation, and conflict in the Middle East have the potential to give rise to business impacts, including major increases in raw materials costs and significant logistical disruption.	●The Kawasaki Group closely monitors geopolitical risks in the Group’s overall supply chain as well as overseas projects, and incorporates necessary countermeasures into its business operations.
Uncertainties in the international economic situation due to protectionism	●The increased prevalence of protectionism throughout the world is causing major changes in the international business environment, which have the potential to lead to business stagnation and increased costs due to supply chain disruptions.	●The Kawasaki Group promotes information collation and analysis activities relating to developments in respective countries in key regions, and undertakes initiatives to enhance business continuity through far-sighted risk response measures.