

Last Update: June 24, 2022

Kawasaki Heavy Industries, Ltd.

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Securities Code: 7012

<https://global.kawasaki.com/en/>

The corporate governance of Kawasaki Heavy Industries, Ltd. (KHI or the Company) is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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

Reasons for Non-compliance with the Principles of the Corporate Governance Code

This report conforms with the revised Corporate Governance Code that came into effect in June 2021.

Disclosure Based on the Principles of the Corporate Governance Code Update

The Company's disclosure is based on the revised code of June 2021.

(Principle 1-4 Cross-Shareholdings)

To improve capital efficiency, the Company will gradually reduce cross shareholdings after sufficient dialogue with the relevant parties. In addition, the Board of Directors annually reviews the significance of each shareholding and whether the benefits and risks associated with the holding are commensurate with the cost of capital. Voting rights shall be exercised in a manner that leads to the sustainable growth of each respective company and the enhancement of enterprise value from a medium- to long-term perspective. In addition, the Company will oppose proposals that damage shareholder value.

(Principle 1-7 Related Party Transactions)

In the event of transactions with the Company's officers, major shareholders, the Board of Directors, etc. approves and confirms such transactions in accordance with the provisions of laws and regulations and the materiality standards set forth in its internal rules.

(Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources)

The Company believes that it is extremely important to ensure the diversity of its human resources in order to provide innovative solutions in a timely manner to an ever-changing social needs, to continuously improve its enterprise value, and to achieve new growth.

Approach and Voluntary Measurable Goals to Ensure Diversity in Core Human Resources

The Company places importance on creating an organization where employees with diverse perspectives and values can fully demonstrate their abilities and maximize their achievements, and actively and continuously hires and promotes diverse human resources such as women, non-Japanese employees, and mid-career hires with wide-ranging work experience. The Company will endeavor to further strengthen its

composition by appointing diverse human resources to at least 20% of the leadership positions at senior manager level and above by 2030.

The Company is currently focusing on the promotion of women's activities and has set goals to double the number of female managerial staff to more than 116 by 2025 from the fiscal 2020 level, increase the ratio of female new graduates to at least 30–40% for administrative career-track positions and 5–15% for engineering career-track positions, and increase the rate of male employees taking childcare leave to 30%.

Further information is disclosed on our website in the ESG Data Book.

ESG Data Book > Society > Diversity:

<https://global.kawasaki.com/en/corp/sustainability/esgdatabook.html>

Implementation of Human Resource Development Policies and Internal Environment Policies to Ensure Diversity

The Company recognizes the importance of human resource strategies to ensure diversity, including human resource development and enhancement, and launched a new personnel system in April 2021 that eliminates age-based factors and reinforces treatment based on duties and performance.

The Company conducts engagement surveys of Group employees, including those of overseas subsidiaries, re-examining its personnel system and strengthening human resource information infrastructure using digital transformation as part of the Company's efforts to strengthen its human resource strategy. The Company discloses its human resource development policy and internal environment improvement policy for ensuring diversity on its website (*Kawasaki Report* and ESG Data Book).

Kawasaki Report > Human Resource Strategy

https://global.kawasaki.com/en/corp/ir/library/annual_report.html

ESG Data Book > Society <https://global.kawasaki.com/en/corp/sustainability/esgdatabook.html>

(Principle 2-6 Roles of Corporate Pension Funds as Asset Owners)

The Company has adopted a defined benefit corporate pension plan.

The Company has established a Pension Committee consisting of relevant departments to assign and develop appropriate human resources, and to build a system to realize stable asset formation and an appropriate corporate pension system.

The Company has established a basic policy for the management of reserve funds and the optimal asset composition ratio for the future. Based on this and other policies, suitable institutions are entrusted to manage these assets, with regular monitoring conducted.

The Company confirms the approach to the exercise of voting rights of each investment fund manager to ensure there are no conflicts of interest between the Company and the beneficiaries of corporate pension plans.

(Principle 3-1 Full Disclosure)

1. Management Philosophy, Management Indicators and Management Plan

The Company's management philosophy and policies are announced on its website and in its Annual Securities Report.

Management Policies: <https://global.kawasaki.com/en/corp/ir/policies/index.html>

2. Basic Stance and Basic Policy on Corporate Governance

The Company's basic policy on corporate governance is disclosed in "I. 1. Basic Views" and "II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" of this report, as well as on the Company's website, in the Annual Securities Report, *Kawasaki Report* (integrated report), and other publications.

Corporate Governance System: <https://global.kawasaki.com/en/corp/sustainability/mgmt/system.html>

3. Policies and Procedures for Determining Remuneration for Directors and Corporate Officers

The policy and method of determining the remuneration of the Company's directors are disclosed in "II. 1. Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of this report and in the Annual Securities Report. Director remuneration is determined in accordance with the policy on the determination of the amount of remuneration, etc. for directors or the method of calculation thereof, which is delegated by the Board of Directors and decided by the President, based on the results of deliberations by the Compensation Advisory Committee, of which the presiding officer and the majority of members are Outside Directors.

4. Policies and Procedures for Nominating Candidates for Directors and Corporate Officers

5. Explanation for Individual Selection and Nomination of Candidates for Directors and Corporate Officers

The appointment of the President and Chief Executive Officer and other executive officers and the nomination of candidates for directors are based on the "Qualifications Expected of Executive Officers" and "Qualifications Expected of Directors" below, as determined by the Board of Directors. The nomination of executive officers is decided by resolution of the Board of Directors based on a comprehensive evaluation of the knowledge, experience, and ability to properly execute the role required of each position, as well as the performance of the Company and the individual, in accordance with the nomination criteria established in advance.

In addition, the backgrounds of candidates for directors and the reasons for their nomination are disclosed in the notice of the General Meeting of Shareholders.

The policies for the election and dismissal of executive officers and the nomination of candidates for directors, as well as the proposed election and dismissal of executive officers and the proposed nomination of directors, shall be deliberated by the Nomination Advisory Committee, of which the majority of the members shall be Outside Directors. Based on the results of deliberations by the Nomination Advisory Committee, the nomination of directors who are members of the Audit & Supervisory Committee is resolved by the Board of Directors after obtaining the consent of the Audit & Supervisory Committee.

Qualifications Expected of Executive Officers

1. Possess an in-depth understanding and support for the KHI Group's management philosophy and vision.
2. Be able to make positive contributions towards sustainable growth and the enhancement of enterprise value over the medium and long term.
3. Possess a wealth and breadth of experience and a high level of insight and expertise for the appropriate execution of business.
4. Be able to demonstrate strong leadership and decisiveness from a Company-wide perspective to realize management policies and strategies.

Qualifications Expected of Directors

1. Possess in-depth understanding and support for the KHI Group's management philosophy and vision.
2. Be able to make positive contributions towards sustainable growth and the enhancement of enterprise value over the medium and long term.
3. Maintain a Company-wide perspective and bring the wealth and breadth of experience, insight and expertise to do so.
4. Be able to supervise the management and execution of business operations from an independent and objective position as a member of the Board of Directors.
5. Be able to exercise one's authority in an active and positive manner, and appropriately voice opinions at Board of Directors meetings or to management.

* To ensure the effectiveness of audits, Directors serving as Audit & Supervisory Committee Members must be familiar with the Company's business or have deep insight and expertise in corporate management, legal affairs,

finance and accounting, government and other fields. At least one Director serving as an Audit & Supervisory Committee Member must have substantial knowledge of finance and accounting.

(Supplementary Principle 3.1.3 Initiatives on Sustainability)

Sustainability Initiatives

The Company discloses its sustainability initiatives through its website, the *Kawasaki Report*, the *Kawasaki Environmental Report*, ESG Data Book, and other publications. The Company will continue to enhance disclosure in the future.

Sustainability: <https://global.kawasaki.com/en/corp/sustainability/index.html>

Investments in Human Capital

Human resources are the most important asset in order to continue providing new value demanded by society. In Group Vision 2030, the Company formulated management policies and is implementing various initiatives to enhance these policies. Please refer to the Company's website for details.

Kawasaki Group Human Resources Management Policies:

<https://global.kawasaki.com/en/corp/sustainability/policy.html>

Kawasaki Group's Sustainability > Society > With Employees:

<https://global.kawasaki.com/en/corp/sustainability/index.html>

Investments in Intellectual Properties

To sustainably increase enterprise value, the Group is creating innovation and leveraging its core competencies to develop businesses and brands with competitive advantages, and the results of research and development obtained through these initiatives, including patents, know-how, and brands, are regarded as intellectual property. These types of intellectual property are positioned as important management resources, and within our business strategies to realize Group Vision 2030, especially for our hydrogen business, the Company is actively promoting acquisition and utilization in conjunction with participation in standardization activities (rule-making, etc.). The policy is disclosed on the Company's website, and the Company will continue to enhance disclosure in the future.

Kawasaki Group Policy on R&D:

<https://global.kawasaki.com/en/corp/sustainability/pdf/policy-on-rd.pdf>

Kawasaki Group Policy on Intellectual Property:

<https://global.kawasaki.com/en/corp/sustainability/pdf/intelle-prop.pdf>

ESG Data Book > Governance > Research and Development > Principles of Intellectual Property Management: <https://global.kawasaki.com/en/corp/sustainability/esgdatabook.html>

Disclosure Based on the TCFD Framework

The Group collects and analyzes data on the impact of climate change-related risks and opportunities on its business activities and earnings, and discloses such data in accordance with the TCFD framework. In the future, the Group will work to further enhance the quality and quantity of its disclosure.

Kawasaki Report (please see page 23):

<https://global.kawasaki.com/en/corp/sustainability/report/index.html>

Kawasaki Environmental Report 2021:

<https://global.kawasaki.com/en/corp/sustainability/environment/report/index.html>

(Supplementary Principle 4.1.1 Overview of the Scope of Delegation to Management)

The Board of Directors makes resolutions on matters related to medium- and long-term management policies and plans, matters related to the appointment, dismissal, and remuneration of officers, and other important investment and financing matters above a certain amount, in addition to the matters stipulated by laws and ordinances and the Articles of Incorporation, and in accordance with internal rules. Decisions on the execution of business operations are made in accordance with the Articles of Incorporation and internal regulations, and authority is appropriately delegated to executive directors and executive officers appointed by the Board of Directors in order to expedite decision making.

(Principle 4-9 Independence Standards and Requirements for Independent Outside Directors)

The criteria for determining the independence of Outside Directors are resolved and disclosed by the Board of Directors as described in “II. 1. Matters Relating to Independent Directors.”

(Supplementary Principle 4.10.1 Views on the Independence of the Members of Nomination and Compensation Advisory Committees)

The Company has established Nomination and Compensation Advisory Committees independent of the Board of Directors, to ensure objectivity and deliberate the nomination and compensation of Corporate Officers and directors from the perspective of gender diversity and skills. The composition of each committee is determined by resolution of the Board of Directors, and the presiding officer and a majority of the members are Independent Outside Directors to strengthen the independence, objectivity, and accountability of the Board of Directors’ functions related to the nomination (including succession planning) and compensation of Corporate Officers and directors. For details of the composition of the committees, please refer to the corporate governance status section of the Annual Securities Report. Annual Securities Report 2020: <https://www.khi.co.jp/ir/library/financial.html> (Japanese)

(Supplementary Principle 4.11.1 Views on the Balance, Diversity, and Size of the Board of Directors)

Candidates for Director are nominated by the Board of Directors in accordance with its established “Qualifications Expected of Directors.”. As the Company has various business segments with different business activities, the Board of Directors appoints internal directors with broad experience as managers of each business and head office function, and external directors with rich experience in corporate management, legal affairs, and public administration, respectively. As a result, the Company has secured a diverse Board of Directors, taken on the whole, with the needed balance of knowledge, experience, and ability, as summarized in the following table. The items listed in the skills matrix are based on the definition of the areas of supervision necessary to realize Vision 2030 as “vision, strategic thinking, and governance to increase enterprise value,” “business structure transformation,” and “growth initiatives related to infrastructure development.” To realize Vision 2030, the following areas* designate expectation and experience required of each director.

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

Name	Position at the Company	Expectations						
		Business Strategy	Governance	Finance and Accounting	Human Resources and Organization Management	Manufacturing (technology, development, production, quality)	Sales and Marketing	IT, Digital Transformation, Security
Yoshinori Kanehana	Chairman of the Board of Directors	✓	✓			✓	✓	
Yasuhiko Hashimoto	Representative Director, President and Chief Executive Officer	✓	✓		✓	✓	✓	✓
Katsuya Yamamoto	Representative Director, Vice President and Senior Executive Officer	✓	✓	✓	✓			
Hiroshi Nakatani	Representative Director, Vice President and Senior Executive Officer	✓	✓			✓		✓
Jenifer Rogers	Outside Director	✓	✓	✓				
Hideo Tsujimura	Outside Director	✓	✓		✓	✓	✓	
Katsuhiko Yoshida	Outside Director	✓	✓				✓	
Akio Nekoshima	Director (Audit & Supervisory Committee)	✓	✓	✓				
Nobuhisa Kato	Director (Audit & Supervisory Committee)	✓	✓	✓				
Atsuko Ishii	Outside Director (Audit & Supervisory Committee Member)	✓	✓		✓			
Ryoichi Saito	Outside Director (Audit & Supervisory Committee Member)	✓	✓	✓	✓			
Susumu Tsukui	Outside Director (Audit & Supervisory Committee Member)	✓	✓					

Name	Position at the Company	Required Experience			
		Corporate Management	Global	Law and Government	Financial and Research Institutions
Yoshinori Kanehana	Chairman of the Board of Directors	✓	✓		
Yasuhiko Hashimoto	Representative Director, President and Chief Executive Officer	✓	✓		
Katsuya Yamamoto	Representative Director, Vice President and Senior Executive Officer	✓	✓		
Hiroshi Nakatani	Representative Director, Vice President and Senior Executive Officer	✓			✓
Jenifer Rogers	Outside Director		✓	✓	✓
Hideo Tsujimura	Outside Director	✓	✓		
Katsuhiko Yoshida	Outside Director	✓			
Akio Nekoshima	Director (Audit & Supervisory Committee)	✓	✓		✓
Nobuhisa Kato	Director (Audit & Supervisory Committee)	✓	✓		
Atsuko Ishii	Outside Director (Audit & Supervisory Committee Member)			✓	
Ryoichi Saito	Outside Director (Audit & Supervisory Committee Member)	✓	✓		
Susumu Tsukui	Outside Director (Audit & Supervisory Committee Member)			✓	

In addition, the Company appoints one or more Directors who are Audit & Supervisory Committee Members and who have appropriate experience, ability and necessary knowledge of finance, accounting and legal affairs, and who have sufficient knowledge of finance and accounting. The current composition of the Board of Directors is disclosed in “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System).”

(Supplementary Principle 4.11.2 Status of Concurrent Positions Held by Directors)

The Board of Directors stipulates that if a director of the Company is to serve concurrently as an officer of another listed company, the maximum number of concurrent appointments is limited to three companies excluding the Company. The Company discloses the status of concurrent positions held by each director in the notice of the General Meeting of Shareholders and in the Annual Securities Report.

(Supplementary Principle 4.11.3 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.

1. Confirm the status of initiatives to address issues identified via the previous evaluation of the Board of Directors and determine evaluation methods to be used, key items to be surveyed and other matters pertaining to the upcoming evaluation.
2. Conduct a survey of all of the members of the Board of Directors.
3. Compile and analyze the survey results for discussion at Board of Directors meetings.
4. Determine issues to be addressed at Board of Directors meetings and policies for countermeasures based on findings from analysis and results of the Board of Directors' discussion.

Items Surveyed

The survey questions (main items) are as follows, with a 5-point scale and free writing section. To more accurately evaluate the effectiveness of the Board of Directors, the number of questions was increased from four to seven items, and these questions take into account the changes made in the revision of the Corporate Governance Code.

Survey Question Items

- Composition of the Board of Directors
- Operation of the Board of Directors
- Discussions of the Board of Directors
- Monitoring function of the Board of Directors
- Training
- Interactions with shareholders (investors)
- Audit & Supervisory Committee

Evaluation Results

The analysis of survey results found that the Board of Directors' operations were evaluated highly overall, and significant improvement was seen especially in regards to the following three items identified as issues to be addressed in the previous year. While the items of "clarifying requirements for Director candidates" and "upgrading leadership succession plans" received high evaluations, the Company will continue to actively engage with these issues in terms of the further strengthening of governance and the enhancement of corporate value.

- Clarifying requirements for Director candidates
- Upgrading leadership succession plans
- Strengthening collaboration with the Nomination Advisory Committee and Compensation Advisory Committee

We will continue to make efforts for improvement as there are items that need to be enhanced and new issues identified in this evaluation.

Please refer to "Initiatives to Further Improve Effectiveness" for details.

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.

Initiatives to Further Improve Effectiveness

Based on the results of this evaluation and the discussions at the Board of Directors meeting, the main issues to be addressed are as follows. We will continue our efforts to further improve the effectiveness of the Board of Directors.

- (1) Issues to continue addressing this fiscal year

1. Enhancing the content of the Board of Directors' discussion regarding medium to long-term management policies

Last fiscal year, the Board of Directors engaged in the discussion of important management policies and strategies (e.g., sustainability management policies, human resource strategies, corporate transformation) in light of the Corporate Governance Code. This fiscal year, there will continue to be discussion on important issues toward achieving Group Vision 2030, and efforts will be made to further strengthen governance.

2. Committing to the fulfillment of the requirements for Director candidates

The Board of Directors and the Nomination Advisory Committee strive to identify skills and other requirements for Director candidates in light of the Company's medium- to long-term management policies and strategies. Accordingly, a Board of Director skills matrix has been developed, and it is disclosed in this report. (Refer to Supplementary Principle 4.11.1: Views on the Balance, Diversity, and Size of the Board of Directors.) To strengthen the Board of Directors' field of supervision needed to achieve the Group Vision 2030 set forth in the skills matrix, the Company will verify whether the requirements for candidates have been met and take necessary measures to satisfy them.

3. Formalizing leadership succession plans

After defining the qualities and requirements needed for each key position, succession candidates were selected through interviews with the President, Vice President and narrowing the pool of candidates based on external assessments.

This fiscal year, the candidate recruitment process will be systematized, and the aim is to formalize leadership succession plans by documenting this system in writing.

4. Strengthening internal control systems and risk management structures

Last fiscal year, a Group-wide risk management system was developed, and structures have been established to make periodic reports for the Board of Directors concerning the monitoring of its operational status. This fiscal year, the Company will formalize timely deliberations by the Board of Directors for major risks identified during monitoring; and in order to strengthen compliance, the monitoring of the results of evaluations regarding the development and operation of internal control systems of the Group as a whole will be enhanced by having the Head Office proactively supervise the Group.

(2) Additional issues to be addressed this fiscal year

Securing diversity among core human resources

Concerning the diversity of core human resources, after organizing perceptions on the current status of the Group and ideas for securing diversity, the results will be discussed by the Board of Directors and incorporated into a concrete action plan, whereby a system to increase its feasibility will be established.

(Supplementary Principle 4.14.2 Training Policy for Directors)

The Company provides the following training to Directors according to their respective purposes, based on their expected roles and responsibilities and required qualifications and knowledge. In addition, the Company provides, arranges, and covers the cost of training opportunities required by each Director individually.

Full-Time Directors

- Training to understand the legal responsibilities of the position upon appointment
- External training

Outside Directors

- Explanation of company profile and information at the time of appointment
- Training to understand the legal responsibilities of the position upon appointment
- Regular briefings for Outside Directors on matters before the Board of Directors and Management Committee

- Participation in key internal committees other than the Board of Directors
- Measures to deepen understanding of the Company's business (participation in various internal events, plant tours, interaction with Corporate Officers, etc.)

All Directors

- Lectures by external experts on social and economic conditions and issues to be addressed by the Company

(Principle 5.1 Policy for Constructive Dialogue with Shareholders)

We will actively engage in dialogue with our shareholders to explain our business strategies and management policies, as well as to reflect the knowledge gained through the dialogue in our management, in order to improve our enterprise value over the medium and long term. For this reason, except in unavoidable cases such as scheduling conflicts, appropriate persons such as Directors and Corporate Officers, including the president, will meet with shareholders who request dialogue, depending on their wishes and shareholding ratio. The policy regarding the development of systems and initiatives to promote constructive dialogue with shareholders is as follows.

- The Director in charge of corporate communication oversees dialogue with shareholders, and is actively involved in initiatives such as handling interviews from investors and holding various briefings.
- The internal departments assisting with the dialogue work together to hold regular liaison meetings and provide other support for constructive dialogue.
- Quarterly financial results briefings (including conference calls), business briefings, and tours are held on an ongoing basis.
- The opinions and concerns of shareholders identified through dialogue are reported to the Board of Directors in a timely and appropriate manner.
- In addition to setting up a silent period to limit dialogue with investors prior to the announcement of financial results, we prevent the leakage of insider information by having at least two people present, in principle, for the purpose of mutual monitoring.

2. Capital Structure

Foreigner shareholding percentage Update	From 20% to less than 30%
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[Status of Major Shareholders] **Update**

Name/Company Name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,362,100	15.70
Custody Bank of Japan, Ltd. (trust account)	14,171,000	8.44
Nippon Life Insurance Company	5,751,661	3.42
Kawasaki Heavy Industries Employee Stock Ownership Association	4,934,251	2.93
Mizuho Bank, Ltd.	4,176,412	2.48

Kawasaki Heavy Industries, Ltd. Kyoueikai	3,957,319	2.35
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	3,092,700	1.84
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,783,858	1.65
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS – UNITED KINGDOM	1,902,157	1.13
JP MORGAN CHASE BANK 385781	1,861,441	1.10

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation **Update**

Although the Company has received a Substantial Shareholding Report, the exact number of shares actually held by each shareholder as of September 30, 2022 cannot be fully confirmed. Therefore, the status of major shareholders listed above is based on the registry of shareholders. The main content of the report follows.

Holders: Nomura Securities Co., Ltd. and one other
Date of reporting obligation: May 14, 2021
Number of shares held: 6,752,677
Shareholding ratio: 4.04%

Holder: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other
Date of reporting obligation: February 28, 2022
Number of shares held: 17,220,900
Shareholding ratio: 10.26%

3. Corporate Attributes

Listed Stock Market and Market Section Update	Tokyo Stock Exchange (Prime Market), Nagoya Stock Exchange (Premier Market)
Fiscal Year-End	March
Type of Business	Transportation equipment
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000

Jenifer Rogers	From another company																		
Hideo Tsujimura	From another company												△						
Katsuhiko Yoshida	From another company												△						
Atsuko Ishii	Other																		
Ryoichi Saito	From another company												△						
Susumu Tsukui	Attorney																		

* Categories for “Relationship with the Company”

* “○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Committee member (*kansayaku*)
- g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (other than d, e or f above), but not including close relatives (only the director himself/herself)
- i. Executive of a company with external directors/Audit & Supervisory Committee member (*kansayaku*) that are mutually appointed at the Company as well (only the director himself/herself)
- j. Executive of a company or organization that receives a donation from the Company (only the director himself/herself)
- k. Others

External Directors' Relationship with the Company (2)

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Jenifer Rogers		○	—	<p>Ms. Rogers has served as an in-house lawyer and counsel at a financial institutions in Japan and overseas for many years. Since 2018, as an Outside Director of the Company, she has provided helpful opinions and advice on important management decisions based on her extensive international experience and deep insights into legal affairs, compliance, and risk management cultivated in those positions from a standpoint independent from the Company's business execution. In consideration of these points, the Company has determined that she is suitable as an Outside Director.</p> <p>Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.</p>

<p>Hideo Tsujimura</p>		<p>○</p>	<p>Although Suntory Beverage & Food Limited, for which Mr. Tsujimura previously served in an executive role, is not a current business partner of the Company, the Suntory Group and the Company have a history of business transactions. However, since the annual average transaction amount for the most recent five fiscal years is less than 1% of the annual average net sales of the Suntory Beverage & Food Limited group and the Company for the relevant period, the Company has determined that he is sufficiently independent and qualified to serve as an independent officer.</p>	<p>Mr. Tsujimura has served as Senior Managing Director, in charge of Intellectual Property Department and R&D Division of Suntory Holdings Limited; Representative Director, President & Chief Executive Officer of Suntory Business Expert Limited; Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division; and Senior General Manager, Research & Development Department of Suntory Beverage & Food Limited; and in other important positions. Since 2020, as an Outside Director of the Company, he has provided helpful opinions and advice on important management decisions based on his extensive management experience and deep insights into product development and intellectual property from a standpoint independent from the Company's business execution. In consideration of these points, the Company has determined that he is suitable as an Outside Director.</p> <p>Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.</p>
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<p>Katsuhiko Yoshida</p>		<p>○</p>	<p>Although Kao Corporation, for which Mr. Yoshida previously served in an executive role, is not a current business partner of the Company, Kao Corporation and the Company have a history of business transactions. However, since the annual average transaction amount for the most recent five fiscal years is less than 1% of the annual average net sales of Kao Corporation and the Company for the relevant period, the Company has determined that he is sufficiently independent and qualified to serve as an independent officer.</p>	<p>Mr. Yoshida has served in such roles at Kao Corporation as a Representative Director, Senior Managing Executive Officer, with overall responsibility for the Consumer Products Business Department; and in addition to his abundant experience in management, he also has deep insight into sales and marketing. It was therefore determined that he will be able to play a sufficient role in supervising business operations and increasing corporate value as an Outside Director. In consideration of these points, the Company has determined that he is suitable as an Outside Director.</p> <p>Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.</p>
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<p>Atsuko Ishii</p>	<p>○</p>	<p>○</p>	<p>—</p>	<p>Ms. Ishii has never been involved in the management of a company except as an outside officer, but has served in important positions at the Ministry of Health, Labour and Welfare, including as Director-General of the Osaka Labour Bureau, Deputy Director-General, Director-General of the Equal Employment, Child and Family Policy Bureau, Director-General for General Policy and Evaluation, and Director-General of Social Welfare and War Victims' Relief Bureau. Since 2017, as an Outside Audit & Supervisory Committee Member of the Company, Ms. Ishii has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value based on her abundant experience in and deep insight into Japan's labor administration. In consideration of these points, the Company has determined that she is suitable as an Outside Director serving as an Audit & Supervisory Committee Member. Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.</p>
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<p>Ryoichi Saito</p>	<p>○</p>	<p>○</p>	<p>Mr. Saito previously served in an executive role at NSK Ltd., which is one of the Company's business partners. However, since the average annual transaction amount between the NSK Ltd. group and the Company for the most recent five fiscal years is less than 1% of the average annual net sales of both the NSK Ltd. group and the Company for the relevant period, the Company has determined that he is sufficiently independent and qualified to serve as an independent officer.</p>	<p>Mr. Saito has served in important positions at NSK Ltd., including Senior Vice President, Head of Corporate Planning Division HQ, Director, Representative, Executive Vice President, Head of Corporate Strategy Division HQ, and Crisis Management Committee Chairperson and possesses abundant management experience and deep insights into business planning, finance and accounting, and risk management. Since 2019, as an Outside Audit & Supervisory Board Member of the Company, he has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value. In consideration of these points, the Company has determined that he is suitable as an Outside Director serving as an Audit & Supervisory Committee Member.</p> <p>Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.</p>
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<p>Susumu Tsukui</p>	<p>○</p>	<p>○</p>	<p>—</p>	<p>Mr. Tsukui has never been involved in the management of a company except as an outside officer but has served as President of the Hyogo-ken Bar Association and in other important positions, and he also has abundant experience as an attorney and deep insight into legal affairs. In consideration of these points, the Company has determined that he is suitable as an Outside Director serving as an Audit & Supervisory Committee Member.</p> <p>Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.</p>
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Audit & Supervisory Committee

Committee's Composition and Attributes of its Chairperson

	All Committee Members	Full-Time Members	Internal Directors	Outside Directors	Chairperson
Audit & Supervisory Committee	5	2	2	3	Internal Director

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and Staff from the Executive Directors

The Company has established the Office of Audit & Compensation Advisory Committee Supervisory Committee, which has two full-time employees and one concurrent employee, to assist the Audit & Supervisory Committee in the execution of its duties. Such employees shall be subject to the direction and orders of the Audit & Supervisory Committee, and the prior consent of the Audit & Supervisory Committee shall be obtained for any personnel changes, evaluations, etc., to enhance their independence from the executive directors and to ensure the effectiveness of the instructions of the Audit & Supervisory Committee.

Cooperation Among the Audit & Supervisory Committee, Independent Auditor, and the Internal Auditing Department

The Audit & Supervisory Committee and the Auditing Department meet on a regular basis to share information on audit results and findings. In addition, the Audit & Supervisory Committee meets regularly with independent auditors, and the head of the Auditing Department attends these meetings in order to exchange necessary information and ensure mutual cooperation.

Voluntary Establishment of Nomination/Remuneration Committee

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination Advisory Committee	5	0	2	3	0	0	Outside Director

Committee Corresponding to Remuneration Committee	Compensation Advisory Committee	5	0	2	3	0	0	Outside Director
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Supplementary Explanation **Update**

As advisory bodies to the Board of Directors, the Company has established the Nomination Advisory Committee and the Compensation Advisory Committee, whose chairperson and majority of members are Outside Directors, in order to enhance the transparency and objectivity of the Board of Directors.

The members of both committees are selected by the Board of Directors based on their internal and external backgrounds and knowledge. The main deliberations of the two committees, the titles and names of the committee members, and the attendance at each committee meeting held in fiscal 2021 are as follows. The Human Resources Division of the Head Office serves as the secretariat for both committees.

· Main items for discussion

Nomination Advisory Committee: Policy on the election of directors and the appropriateness of the proposed election of Directors, etc.

Compensation Advisory Committee: Policy on compensation of directors and appropriateness of the Director compensation system, etc.

· Positions and Names of Committee Members (as of June 24, 2022)

Presiding Officer: Ryoichi Saito (Outside Director/Audit & Supervisory Committee Member)

Members: Yasuhiko Hashimoto (President), Katsuya Yamamoto (Vice President), Hideo Tsujimura (Outside Director), Atsuko Ishii (Outside Director/Audit & Supervisory Committee Member)

· Committee meeting attendance in fiscal 2021 (Members and positions are as of June 25, 2021.)

		Nomination	Compensation
Representative Director, President and Chief Executive Officer	Yasuhiko Hashimoto	12/12	12/12
Vice President and Senior Executive Officer	Katsuya Yamamoto	12/12	12/12
Outside Director	Yoshiaki Tamura (presiding officer)	12/12	12/12
Outside Director	Hideo Tsujimura	12/12	12/12
Outside Director	Ryoichi Saito	12/12	12/12

Note: The table shows the attendance of Mr. Hashimoto at committee meetings held after his appointment as President and Executive Officer on June 25, 2020. The table shows the attendance of Mr. Yamamoto at committee meetings held after his appointment as Vice President and Senior Executive Officer on June 25, 2020. The table shows the attendance of Mr. Tsujimura at committee meetings held after his appointment as Director on June 25, 2020. The table does not show the attendance of directors who retired at the conclusion of the 197th Ordinary General Meeting of Shareholders held on June 25, 2020.

Independent Directors

Number of Independent Directors

6

Matters Relating to Independent Directors

Independence Criteria for Outside Directors

If none of the following items apply, the Company judges that an Outside Director is sufficiently independent.

- (1) In the event that a company (including an important subsidiary as defined by the Company) in which the Outside Director is currently employed or has been employed in the past 10 years as an executive director, executive officer, manager or other important employee (hereinafter referred to as the “originating company”) conducts business with the Group, the average transaction amount for the past five fiscal years exceeds 2% of the average net sales of the Group and the originating company for the past five fiscal years.
- (2) The average amount of compensation (excluding compensation as an officer of the Company) received by such Outside Directors directly from the KHI Group as a legal, accounting or tax specialist or consultant (or a corporation if the Outside Director has legal personality) for the past five fiscal years exceeds ¥10 million.
- (3) The average amount of donations, etc. from the Group to the non-profit organization for which the Outside Director serves as executive officer for the past five fiscal years exceeds ¥10 million and exceeds 2% of the organization's total revenue or ordinary income/expenses.
- (4) The company from which the Outside Director hails is a major shareholder holding 10% or more of the Company’s total outstanding shares.
- (5) A relative within the second degree of kinship of the Outside Director is a person who meets the conditions set forth in the preceding four items or is an executive director, executive officer, manager, or other important employee of the KHI Group.

Incentives

Incentive Policies for Directors

Performance-Based Compensation

Supplementary Explanation

The details of the performance-based compensation system are disclosed in the Annual Securities Report.

Annual Securities Report: <https://www.khi.co.jp/ir/library/financial.html> (Japanese)

Recipients of Stock Options

Supplementary Explanation

Director Remuneration

Disclosure of Individual Directors’ Remuneration

Selected Directors

Supplementary Explanation **Update**

The total amount of compensation paid by the Company within the limit based on the resolution of the General Meeting of Shareholders for fiscal 2021 (April 1, 2021 to March 31, 2022) is as follows

Directors (5 people, excluding Audit & Supervisory Committee Members and Outside Directors): ¥385 million

Audit & Supervisory Committee Members (2 people, excluding Outside Directors): ¥71 million

Outside Directors (6 people): ¥80 million

The total amount of compensation by type and the compensation of some Directors are individually disclosed in the Annual Securities Report in accordance with the provisions of the Cabinet Office Ordinance on the disclosure of corporate information.

Annual Securities Report: <https://www.khi.co.jp/ir/library/financial.html> (Japanese)

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Details of matters pertaining to the policy for determining the amount of compensation or its calculation method are disclosed in the Annual Securities Report.

Annual Securities Report: <https://www.khi.co.jp/ir/library/financial.html> (Japanese)

Support System for Outside Directors

The Corporate Planning Department of the Head Office holds regular briefings on agenda items for all Outside Directors, and provides necessary support such as distributing Board of Directors materials in advance. In addition to this, the full-time Audit & Supervisory Committee Members provide various information to the Outside Directors, who are members of the Audit & Supervisory Committee, through the Audit & Supervisory Committee and business audits. In addition, the Office of Audit & Compensation Advisory Committee Supervisory Committee staff provides various information to the Outside Director, who is an Audit & Supervisory Committee Member, through the Audit & Supervisory Committee and business audits.

Status of Persons Retired from Representative Director and President, etc.

Names, etc., of advisors (“*sodanyaku*,” “*komon*,” etc.) who have formerly served as Representative Director and President, etc. **Update**

Name	Title/Position	Duties	Working Arrangement / Conditions (Full-time /Part-time, Compensation etc.)	Date of Retirement from President, etc.	Term
Masamoto Tazaki	Honorary Advisor	Advice at the Company's request (non-management involvement)	Part-time Unpaid	6/29/2005	—

Shigeru Murayama	Special Advisor	Advice at the Company's request (non-management involvement)	Part-time Paid	6/25/2020	6/30/2023
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Total number of advisors (“*sodanyaku*,” “*komon*,” etc.) who have formerly served as Representative Director and President, etc.

2

Other Matters

- The Company occasionally delegates advisors as persons who have experience as Representative Director and President, etc., and their duties are as follows. However, they are not involved in any decision-making process of management.
 - (1) To provide advice at the request of the Company based on their experience and knowledge of the Company's management over many years.
 - (2) Engage in activities in industry groups and business circles and social contribution activities.
- With regard to the system of advisors and counselors, based on the deliberations of the Nomination Advisory Committee, of which the presiding officer and the majority of the members are Outside Directors, the Board of Directors resolved to abolish the advisor system and establish a new special advisor system as of June 25, 2020. The Board of Directors has resolved to abolish the advisor system and establish a new special advisor system as of June 25, 2020. In addition, it was decided not to appoint any new Honorary Advisors.
- The appointment of Special Advisors is decided by the Board of Directors based on the results of deliberations by the Nomination Advisory Committee, and the term of office is one year in principle.
- Special Advisors are paid compensation commensurate with their responsibilities, as they are responsible for important external activities, such as activities in industry organizations and business circles, as well as social contribution activities, including serving as officers and committee members. Honorary Advisors are not paid any remuneration.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Update

(1) Overview of the current corporate governance system

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

The Board of Directors comprises 12 Directors (of whom, five serve as Audit & Supervisory Committee Members), with the chairman serving as the presiding officer by resolution of the Board. Six Directors are Outside Directors (of whom, three serve as Audit & Supervisory Committee Members) and independent of business execution. 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.

In addition to the above, the Nomination Advisory Committee and the Compensation Advisory Committee, which are chaired by a presiding officer and the majority of whose members are Outside Directors, have been established as advisory bodies to the Board of Directors for the purpose of improving the transparency and objectivity of its deliberations. The Nomination Advisory Committee deliberates on the policies and standards regarding the appointment and dismissal of Directors and the appropriateness of such, and the Compensation Advisory Committee deliberates on the policies and systems regarding the compensation of Directors and the appropriateness of the individual compensation system, and reports or advises the Board of Directors, respectively.

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. Furthermore, to ensure the reliability of financial reporting, the Company appoints Audit & Supervisory Committee Members who have considerable knowledge of finance and accounting.

KHI 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 Directors and executive officers, who are appointed by the Board of Directors.

In addition, the Company has established a Management Committee consisting of executive directors and presidents of internal companies, etc., as an advisory body to the President, to deliberate on important matters related to business execution, 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, Management Committee, etc., the Committee also exchanges opinions on management issues in an effort to unify decision making in Group management.

For a diagram of our corporate governance system, please refer to the attached “Corporate Governance System Diagram.” In accordance with Article 427, Paragraph 1, of the Companies Act and Article 31 of the Articles of Incorporation, Directors who are Audit & Supervisory Committee Members and Outside Directors who are not Audit & Supervisory Committee Members have entered into an agreement with the Company that limits their liability to the higher of ¥10 million or the amount stipulated by law (two years’ compensation for Directors).

(2) Activities of the Board of Directors

The Company holds monthly meetings of the Board of Directors, and extraordinary meetings of the Board of Directors are held whenever necessary. In addition to legally mandated resolutions, the Board of Directors focuses on medium- and long-term management policies and strategies, medium- and short-term management plans based on these policies and strategies, governance systems appropriate for the Company, and policies for dealing with matters that have a significant impact on management. The following table shows the members of the Board of Directors and their attendance at the Board of Directors meetings held in fiscal 2021.

- Members of the Board of Directors (as of June 24, 2022)

Presiding Officer: Yoshinori Kanehana (Chairman of the Board of Directors)

Members: Yasuhiko Hashimoto (Representative Director, President and Chief Executive Officer), Katsuya Yamamoto (Representative Director, Vice President and Senior Executive Officer), Hiroshi Nakatani (Representative Director, Vice President and Senior Executive Officer), Jenifer Rogers (Outside Director), Hideo Tsujimura (Outside Director), Katsuhiko Yoshida (Outside Director),

Akio Nekoshima (Director/Audit & Supervisory Committee Member), Nobuhisa Kato (Director/Audit & Supervisory Committee Member), Atsuko Ishii (Outside Director/Audit & Supervisory Committee Member), Ryoichi Saito (Outside Director/Audit & Supervisory Committee Member), Susumu Tsukui (Outside Director/Audit & Supervisory Committee Member)

- Attendance at Board of Directors meetings held in fiscal 2021 (Members and positions are as of June 25, 2021)

Representative Chairman of the Board	Yoshinori Kanehana	13/13
Representative Director, President and Chief Executive Officer	Yasuhiko Hashimoto	13/13
Representative Director/Vice President and Senior Executive Officer	Sukeyuki Namiki	13/13
Representative Director/Vice President and Senior Executive Officer	Katsuya Yamamoto	13/13
Director/Managing Executive Officer	Hiroshi Nakatani	13/13
Outside Director	Yoshiaki Tamura	13/13
Outside Director	Jenifer Rogers	13/13
Outside Director	Hideo Tsujimura	13/13
Director/Audit & Supervisory Committee Member	Katsuyoshi Fukuma	13/13
Director/Audit & Supervisory Committee Member	Akio Nekoshima	13/13
Outside Director/Audit & Supervisory Committee Member	Satoru Kohdera	13/13
Outside Director/Audit & Supervisory Committee Member	Atsuko Ishii	13/13
Outside Director/Audit & Supervisory Committee Member	Ryoichi Saito	13/13

Note: Attendance is shown for Mr. Nakatani and Mr. Tsujimura at the Board of Directors meetings held after their appointment on June 25, 2020. The table does not show the attendance of Directors who retired at the conclusion of the 197th Ordinary General Meeting of Shareholders held on June 25, 2020.

(3) Audit Status

(a) Internal Audits

The Auditing Department, which is an internal audit division and consists of 15 persons, works to improve the internal control function by, for example, conducting regular audits to confirm that the Group's execution of general business activities is properly conducted in accordance with laws and internal rules. Furthermore, the Audit & Supervisory Committee and the Auditing Department exchange information regarding their respective audit results and findings.

Concerning the audits of overseas subsidiaries, they will be conducted not on-site but remotely in response to COVID-19.

(b) Audits Conducted by the Audit & Supervisory Committee

The composition of the Audit & Supervisory Committee is as described in "II. 2. (1) Overview of Current Corporate Governance System."

Akio Nekoshima, a full-time Audit & Supervisory Committee Member, has considerable knowledge of finance and accounting, having worked for the Company in the areas of finance and accounting, sales promotion, and overseas-related operations. Furthermore, Nobuhisa Kato, who was appointed as a new Audit & Supervisory Committee Member at the 199th Ordinary General Meeting of Shareholders held on June 24, 2022, has considerable knowledge of finance and accounting, having worked for the Company for many years primarily in the areas of finance accounting and operations. Ryoichi Saito, an Outside Audit & Supervisory Committee Member, has considerable knowledge of

finance and accounting, having been engaged in corporate planning, finance, accounting, and risk management at NSK Ltd.

The Audit & Supervisory Committee Members carry out the following activities in accordance with the basic audit policy, audit system, and assignment of duties decided by the Audit & Supervisory Committee. In fiscal 2021, the visits to overseas subsidiaries were suspended due to the spread of COVID-19, but as in fiscal 2020, this did not have a major impact on the Company's auditing activities due to the utilization of an online video conferencing system.

- Meet with Directors and executive officers (internal company presidents) (all Audit & Supervisory Committee Members)
- Attend meetings of the Board of Directors (all Audit & Supervisory Committee Members)
- Attend meetings of the Management Committee and other important meetings (full-time Audit & Supervisory Committee Members and, as needed, Outside Directors serving as Audit & Supervisory Committee Members)
- Coordinate with Outside Directors not serving as Audit & Supervisory Committee Members (all Audit & Supervisory Committee Members)
- Conduct operational audits of the Head Office and operating divisions and survey subsidiaries (all Audit & Supervisory Committee Members)
- Coordinate with the full-time Audit & Supervisory Members of Group companies (all Audit & Supervisory Committee Members)
- Coordinate with internal audit divisions (all Audit & Supervisory Committee Members)
- Coordinate with the independent auditor (all Audit & Supervisory Committee Members)
- Inspect important documents (full-time Audit & Supervisory Committee Members)

The full-time Audit & Supervisory Committee Members attend important meetings, such as those of the Board of Directors and Management Committee, voicing their opinions as needed. Through the above activities, they work to maintain the auditing environment, gather information within the Company, and build and regularly monitor the operation of internal control systems. The full-time members also share the information they collect internally with the Outside Directors serving as Audit & Supervisory Committee Members on a regular basis.

The Outside Directors serving as Audit & Supervisory Committee Members attend meetings of the Board of Directors and, when necessary, other important meetings, such as those of the Management Committee, voicing their opinions as needed based on their respective expert knowledge. They strive to obtain the information necessary for auditing through the above activities and to maintain the auditing environment in cooperation with the other Audit & Supervisory Committee Members. They also share information with the full-time Audit & Supervisory Committee Members by such means as attending meetings of the Audit & Supervisory Committee.

(c) Independent Audits

With regard to independent auditing, we undergo audits of our financial statements by the independent auditor KPMG AZSA LLC.

- a) Certified Public Accountants who Performed the Audit and their Auditing Firm
KPMG AZSA LLC Designated Limited Liability Partner, Managing Partner: Kazuhiro Matsuyama
 Designated Limited Liability Partner, Managing Partner: Kazuhisa Horiuchi
 Designated Limited Liability Partner, Managing Partner: Kyoichi Seiji

b) Continuous Audit Period: 48 years

The above is for the period after Shinwa Audit Corporation became the Company's auditor. Shinwa Audit Corporation was one of the predecessors of KPMG AZSA LLC, the current auditor. As it was extremely difficult to determine the duration of the continuous audit, the actual time frame may exceed this period.

c) Assistants to the Auditing Work

Certified Public Accountants: 29 people

Other: 35 people

(4) Compliance Implementation System

The Group considers strict compliance to be the foundation of all business activities and has established a system for compliance. In addition to distributing and disseminating the Kawasaki Group Code of Conduct to all Group employees, we are enhancing education through the use of practical reference materials known as the Compliance Guidebook and e-learning. We have also designated the month of October as "Compliance Month" to raise awareness of compliance throughout the Group by sending out top management messages and including it in the Group newsletter. In addition, we have established a Compliance Reporting and Consultation System, which provides a contact point for outside attorneys, so that employees can consult with them in confidence. Furthermore, in order to deploy appropriate compliance activities across the entire Group in a timely manner, we are committed to promoting measures for improving communication with local sites, and these include: 1. having the General Manager of the Compliance Department of Business Segment concurrently serve in the Head Office Compliance Department, and 2. having Head Office Compliance Department members participate in our regular meetings with overseas sites.

3. Reasons for Adoption of Current Corporate Governance System

The Company is continuously working to strengthen its corporate governance system with the aim of achieving sustainable growth and enhancing enterprise value over the medium to long term. The Company has chosen to establish the Audit & Supervisory Committee as a structure that can respond quickly and flexibly to rapid changes in the business environment and simultaneously further strengthen the oversight function of the Board of Directors.

Under the system of a company with Audit & Supervisory Committee, a considerable part of the authority to make decisions on business execution is transferred to the executive directors and the executive officers appointed by the Board of Directors to realize flexible decision making. The Company has adopted this as an appropriate system for conducting flexible and efficient management while ensuring management transparency by increasing the ratio of Outside Directors in the Board of Directors.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Update

	Supplementary Explanations
Early Notification of General Shareholder Meeting	<p>In principle, the convocation notice is sent out earlier than the legally stipulated deadline so that shareholders can have sufficient time to consider the agenda.</p> <p>In addition, the convocation notice is posted on the Company's website, etc. (in English and Japanese) prior to the date the notices are sent.</p>

Scheduling AGMs to Avoid the Peak Day	In order to have as many shareholders as possible participate in the General Meeting of Shareholders, the date of the General Meeting of Shareholders has been set to avoid peak days.
Allowing Electronic Exercise of Voting Rights	The Company has adopted a system for exercising voting rights via the Internet using personal computers and smartphones to improve convenience for shareholders who have difficulty attending the General Meeting of Shareholders.
Participation in Electronic Voting Platform and Other Efforts to Improve Exercise of Voting Rights by Institutional Investors	Since the Annual General Meeting of Shareholders held in June 2006, the Company has been ICJ, Inc.'s electronic voting platform for institutional investors.
Providing Convocation Notice in English	The English translation of almost the entire text of the convocation notice is posted on the Company's website to promote the exercise of voting rights.
Other	Starting with the Ordinary General Meeting of Shareholders held in June 2022, we have been conducting hybrid participation-type virtual general meeting of shareholders. (Questions are accepted in advance and a video recording of a part of the General Meeting of Shareholders is released on the company's website.)

2. IR Activities **Update**

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has created a Disclosure Policy and published it on its website.	
Holding Regular Briefings for Analysts and Institutional Investors	The Company holds financial results briefings four times a year, at the time of the announcement of each quarterly and full-year financial results, to explain its financial results, business forecasts, and future management strategies. The main questions and answers raised at the briefings are posted on the Investors section of the Company's website.	Yes
Regular Investor Briefings for Overseas Investors	In consideration of the impact of COVID-19 on institutional investors in North America, Europe, and other regions, the Company is conducting interviews via web conference, etc.	Yes

<p>Posting Investor Relations Materials on the Company Website</p>	<p>The Company has set up a dedicated IR site on our website, where the following corporate information (1–6) is available.</p> <ul style="list-style-type: none"> (1) Financial information (2) Timely disclosure materials other than financial information (3) Annual securities report or quarterly securities report (4) Convocation notice for General Meeting of Shareholders (5) Kawasaki Report (integrated report) (6) Presentation materials for financial results
<p>Establishment of Department and/or Manager in Charge of IR</p>	<p>The Investor Relations Department and the Shareholder Relations Department of the Corporate Communication Group are established.</p>

3. Measures to Ensure Due Respect for Stakeholders **Update**

	Supplementary Explanations
<p>Stipulation of Internal Rules for Respecting the Position of Stakeholders</p>	<p>The Kawasaki Group Mission Statement sets forth the mission that the KHI Group should fulfill for its stakeholders as the Group Mission. In addition, the Kawasaki Group Code of Conduct stipulates the ethical standards that directors and employees should have and the responsibilities they should fulfill toward society and stakeholders in the course of their daily business activities.</p>
<p>Implementation of Environmental Activities, CSR Activities etc.</p>	<p>With the Board of Directors as the highest decision-making body on sustainability, we have clarified our position on sustainability in our mission statement, and are taking on the challenge of social issues, promoting responsible corporate behavior, strengthening the foundations of management, and encouraging dialogue with stakeholders. In addition, with regard to initiatives related to global environment issues that have become increasingly important in corporate activities in recent years, we have set forth a carbon-neutral Net Zero (Scope 1, Scope 2) in 2030, and are working on them on a Group-wide scale along with Executive Officers. Specific CSR activities and the status of environmental management are reported on our website and in the Kawasaki Report (integrated report), Environmental Report, and ESG Data Book.</p>

Development of Policies on Information Provision to Stakeholders	For the purpose of providing timely and appropriate corporate information in an accurate and fair manner, the Company discloses information in accordance with the timely disclosure rules set forth by the stock exchanges, and the handling of such information is stipulated in the internal rules and clarified in the disclosed information.
Other	To support the further diversification of employees, the Company is striving to accommodate diverse work styles to achieve a work-life balance for all employees, promoting the advancement of women, LGBTQ+ policies, promoting employment of people with disabilities, supporting childcare and nursing care, and creating a workplace that is considerate of the elderly.

IV Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development Update

< Basic Internal Control System Policy >

The Kawasaki Group has established an appropriate organization, developed internal rules and regulations, communicated information, and executed business appropriately in order to realize its management philosophy of “Kawasaki, working as one for the good of the planet,” as set forth in the Group Mission (mission and role to be fulfilled), Kawasaki Values, Kawasaki Group Management Principles, and Kawasaki Group Action Guidelines. In addition, by continuously reviewing and improving the internal control system, the Company will further strengthen the efficient and legitimate corporate system that contributes to the sound and sustainable growth of the Group. Based on the above, the Company has established an internal control system as follows.

a. Systems to Ensure the Appropriateness of the Company’s Operations

1. Systems for ensuring that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation (Article 399-13, Paragraph 1, Item 1 (c) of the Companies Act; Article 110-4, Paragraph 2, Item 4 of the Enforcement Regulations of the Companies Act):

- The Company shall establish and disseminate the Kawasaki Group Code of Conduct (the “Code of Conduct”), which shall serve as the basis for the ethical standards on which Directors, executive officers, and employees shall base their decisions.
- In order to achieve the objectives of effectiveness and efficiency of business operations, reliability of financial reporting, compliance with laws and regulations, preservation of assets, and to ensure the appropriateness of business operations, the Company shall establish an internal control promotion system with the President as the Chief Internal Control Officer and each internal company presidents, the President of Kawasaki Railcar Manufacturing Co., Ltd. (Kawasaki Railcar Manufacturing), and the President of Kawasaki Motors, Ltd. (Kawasaki Motors) as the persons responsible for internal control, and shall operate the internal control system in a unified manner based on the roles and responsibilities of the Directors, executive officers, and employees.
- The Company shall establish a Company-wide Compliance Committee to deliberate and decide on various measures to ensure compliance with the Code of Conduct, various laws and regulations, and the Company’s rules and regulations, and to monitor the operation of such committees. In addition, the Company shall establish a department in the Head Office, each internal company, Kawasaki Railcar Manufacturing, and Kawasaki Motors to promote compliance, and shall continuously conduct enlightenment and educational activities regarding compliance with the Code of Conduct, various laws

and regulations, and the Company's rules and regulations, in order to raise understanding and awareness of compliance.

- The Company shall strengthen the compliance system by developing and enhancing a system that allows employees to report information on compliance violations.
- While delegating the execution of business to the executive officers appointed by the Board of Directors to an appropriate extent, the appointment of Outside Directors, who are independent officers as defined by the rules of the Tokyo Stock Exchange and who do not pose a risk of conflict of interest with general shareholders, will strengthen the oversight function of the Board of Directors with respect to overall management.
- The Internal Auditing Department ensures the appropriateness of operations and the reliability of financial reporting by auditing the Company's operations and evaluating and reporting on internal control over financial reporting.

2. Systems for retaining and managing information pertaining to the Directors' execution of their duties (Article 110-4, Paragraph 2, Item 1 of the Enforcement Regulations of the Companies Act):

- Information related to the execution of duties by Directors (minutes, records of decisions and their accompanying materials, accounting books and vouchers, and other information) shall be properly stored and managed in accordance with the Company's regulations. Directors, executive officers appointed by the Directors, and employees shall have access to such information at any time.
- Confidential information and personal information shall be appropriately stored and managed in accordance with company rules, and the effectiveness of such storage and management shall be ensured through business audits and other means.

3. Rules and other systems pertaining to the management of risk of loss (Article 110-4, Paragraph 2, Item 2 of the Enforcement Regulations of the Companies Act):

- In order to appropriately deal with various risks, the Company shall manage risks individually and in an integrated manner by establishing an internal committee and a department in charge according to the type of risk, developing and operating management methods and systems, and establishing a system to centrally monitor the effectiveness and efficiency of each management system. In addition, the Company shall establish a system to report important matters to the Board of Directors.
- To prepare for the emergence of risks, the Company shall establish Conduct Guidelines for emergency situations in advance, appoint a Crisis Management Officer at each business site, and establish a system to minimize losses.
- When a serious risk becomes apparent, it should be promptly reported to the president, who is the Chief Crisis Management Officer, based on the predetermined reporting route.
- In preparation for the occurrence of a large-scale earthquake, pandemic, or other disaster, the Company shall identify in advance the important operations to be continued or restored on a priority basis and establish a business continuity plan to minimize the impact on the Company's business and shorten the time required for restoration.

4. Systems for ensuring the efficient execution of the Directors' duties (Article 110-4, Paragraph 2, Item 3 of the Enforcement Regulations of the Companies Act):

- Based on the significance of the existence and role of the corporate group consisting of the Company and its subsidiaries (“the Group”) as clarified in the Kawasaki Group Mission Statement, establish a long-term vision for the Group as a whole and share the goals to be achieved in the future.
- In order to realize the long-term vision, based on the management policy determined by the Board of Directors, the business execution departments will incorporate the policy into a concrete management plan, and each organization, executive officer and employee will set and implement their own goals to achieve the plan. In addition, the Board of Directors periodically receives reports on the progress of the management plan and supervises the execution of business.
- The Company shall appoint executive officers based on the resolution of the Board of Directors, determine their responsibilities, and clarify the business execution system by determining the division of duties of each organization in accordance with the Company’s regulations. In addition, the Company will improve the efficiency of the execution of duties by the Directors by stipulating the authority for decision-making in the corporate rules and delegating authority to the executive officers to an appropriate extent.
- When exercising the authority delegated to the president in the corporate rules, the Management Committee, which is established as the advisory body to the President, shall deliberate on the matter depending on the importance of the authority, thereby ensuring the appropriateness and efficiency of business execution. In addition, an Executive Officers Committee has been established as a forum for the dissemination of management policies and plans to the executive officers and for the exchange of opinions, etc., in order to align the management of the KHI Group.
- In accordance with the corporate regulations, each internal company, Kawasaki Railcar Manufacturing, and Kawasaki Motors shall make its own decisions under the authority and responsibility delegated to it, and shall conduct flexible business operations that adapt to changes in the business environment. In addition, each internal company, Kawasaki Railcar Manufacturing, and Kawasaki Motors will establish a management committee headed by the president of the internal company, the President of Kawasaki Railcar Manufacturing, and the President of Kawasaki Motors, who will be ultimately responsible for the execution of the business.

b. Systems necessary to ensure the appropriateness of the Group’s business operations: The Company shall strive to develop the following systems in accordance with the nature, scale, region, and importance of each subsidiary’s business to ensure the appropriateness of the Group’s business operations.

1. Systems to ensure that the execution of duties by directors and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation (Article 110-4, Paragraph 2, Item 5 (d) of the Enforcement Regulations of the Companies Act):

- The Company shall, from the standpoint of the parent company, oversee the internal control of its subsidiaries and establish a system to ensure that the Group as a whole achieves the objectives of effectiveness and efficiency of operations, reliability of financial reporting, compliance with laws and regulations, and preservation of assets, and ensures the appropriateness of operations.
- The Company-wide Compliance Committee shall deliberate and decide on policies and various measures concerning the Code of Conduct and compliance for the entire Group. In addition, the relevant divisions of the Head Office that manage the subsidiaries, each internal company, Kawasaki Railcar Manufacturing, and Kawasaki Motors shall collaborate to monitor the operation status of the subsidiaries.

- The Company, as a shareholder of subsidiaries, shall exercise control through the exercise of voting rights at each the subsidiary's General Meeting of Shareholders, and shall supervise and monitor the management of the subsidiary by dispatching to the subsidiary, as appropriate, part-time directors or part-time Audit & Supervisory Members, or both ("part-time officers") who are not themselves engaged in the execution of the subsidiary's business. In addition, the Company shall establish rules such as rules for making final decisions related to the management of subsidiaries and develop a system to manage appropriate group management. The Company's Internal Auditing Department ensures the appropriateness of operations and the reliability of financial reporting by auditing the operations of subsidiaries and conducting assessments of internal control over financial reporting.

2. System for reporting to the Company on matters related to the execution of duties by directors of subsidiaries (Article 110-4, Paragraph 2, Item 5 (a) of the Enforcement Regulations of the Companies Act):

- The Company shall receive reports on the status of execution of duties by directors of subsidiaries through part-time officers dispatched to the subsidiaries.
- Subsidiaries shall periodically report their management status to the Company in the form of management reports and, in accordance with the Company's regulations, shall consult in advance with the Company's departments in charge regarding important management decision-making matters.

3. Rules and other systems for managing the risk of loss of subsidiaries (Article 110-4, Paragraph 2, Item 5 (b) of the Enforcement Regulations of the Companies Act):

- The Company shall implement risk management for the entire Group and strive to avoid or minimize risks or losses caused by risks.
- The Company shall instruct each subsidiary to formulate a policy for dealing with crises and to establish a system for crisis management in preparation for the emergence of risks in the subsidiary.
- When a serious risk becomes apparent, it shall be promptly reported to the Company in accordance with the predetermined reporting route.

4. System to ensure that the execution of duties by directors of subsidiaries is carried out efficiently (Article 110-4, Paragraph 2, Item 5 (c) of the Enforcement Regulations of the Companies Act):

- While respecting the autonomy of the management of each company of the Group, the Company shall share the basic ideas and visions expressed in the Kawasaki Group Mission Statement, long-term vision and management plan, etc., and shall establish a system for appropriate and efficient business execution by clarifying the goals of the Group as a whole.
- The Company shall ensure that its subsidiaries maintain decision-making standards to improve the efficiency of business execution.

c. Matters Necessary for the Execution of the Duties of the Company's Audit & Supervisory Committee

1. Matters concerning employees to assist the duties of the Audit Committee (Article 110-4, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act): Necessary full-time employees shall be assigned at the request of the Audit Committee.

2. Matters concerning the independence of employees who are to assist the Audit & Supervisory Committee from the Directors (excluding Audit & Supervisory Committee Members), and matters concerning the effectiveness of instructions given by the Audit & Supervisory Committee to employees who are to assist the Audit & Supervisory Committee (Article 110-4, Paragraph 1, Items 2 and 3 of the Enforcement Regulations of the Companies Act): Employees who are to assist the Audit & Supervisory Committee in its duties shall be subject to the direction and orders of the Audit & Supervisory Committee, and the prior consent of the Audit & Supervisory Committee shall be required for any personnel transfer, performance evaluation, and disciplinary action.

3. Systems for reporting to the Audit & Supervisory Committee by Directors (excluding Audit & Supervisory Committee Members) and employees, and systems for reporting to the Audit & Supervisory Committee of the Company's subsidiaries by the Directors, Audit & Supervisory Board Members and employees of the subsidiaries, or persons receiving reports from these persons (Article 110-4, Paragraph 1, Item 4 of the Enforcement Regulations of the Companies Act):

- The Audit & Supervisory Committee Members shall attend the internal committees of the Company, including the Board of Directors, Management Committee, Executive Officers Committee, Sustainability Committee, and the Company-wide Compliance Committee. Through these meetings, the Company's directors (excluding Audit & Supervisory Committee Members), executive officers and employees are informed of important matters concerning the Group's management and business operations, including matters related to compliance, risk management, and internal control, as well as the status of the execution of their duties.

- The Company's directors, executive officers, and employees shall immediately report to the Company's Audit & Supervisory Committee when they discover any facts that may cause significant damage to the Group.

- In the event that any Director, Audit & Supervisory Committee Member, or employee of a subsidiary discovers any fact that may cause significant damage to the Group, such fact shall be immediately reported to the relevant department of the Company. Upon receipt of such report, the relevant department of the Company shall report the contents to the Audit & Supervisory Committee.

- In accordance with the corporate rules, the Company's executive officers and employees shall report to the Audit & Supervisory Committee on the execution of the Group's business through internal circulars.

- The Company's Auditing Department and independent auditors shall, on a timely basis, report to the Audit & Supervisory Committee on the status of audits of the Group and exchange information.

4. System to ensure that a person who has made a report as described in 3. above is not treated disadvantageously for having made such a report (Article 110-4, Paragraph 1, Item 5 of the Enforcement Regulations of the Companies Act):

The Company stipulates in its corporate rules the prohibition of unfair or disadvantageous treatment of those who have made reports as described in 3. above, and shall have its subsidiaries stipulate the same in their corporate rules.

5. Matters concerning the procedures for prepayment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Committee Members (limited to those related to the execution of duties by the Audit & Supervisory Committee) and other policies concerning the treatment of expenses or liabilities incurred in the execution of such duties (Article 110-4, Paragraph 1, Item 6 of the Enforcement Regulations of the Companies Act):

In the event that an Audit & Supervisory Committee Member makes a request to the Company for advance payment of expenses, etc. pursuant to the Companies Act in connection with the execution of

duties (limited to those relating to the execution of the Audit & Supervisory Committee’s duties), the Company shall promptly dispose of such expenses or liabilities unless the expenses or liabilities relating to such request are deemed to be unnecessary for the execution of the Audit & Supervisory Committee Member’s duties.

In the event that any Audit & Supervisory Committee Member makes a request to the Company for advance payment of expenses, etc., in accordance with the Companies Act in connection with the execution of his/her duties, such expenses or debts shall be promptly disposed of, unless the expenses or debts pertaining to such request are deemed to be unnecessary for the execution of the duties of the Audit & Supervisory Board Member.

6. Other systems to ensure that audits by the Audit & Supervisory Committee are conducted effectively (Article 110-4, Paragraph 1, Item 7 of the Enforcement Regulations of the Companies Act):

- Directors and Audit & Supervisory Committee Members shall exchange information and opinions on a regular basis in order to promote mutual communication. In addition, Audit & Supervisory Committee Members shall attend important meetings such as those of the Board of Directors and the Management Committee to express their opinions directly regarding the execution of duties by Directors (excluding Audit & Supervisory Committee Members) and executive officers.
- The Directors of the Company and its subsidiaries shall cooperate in establishing a system that enables the Audit & Supervisory Committee of the Company to conduct more effective and efficient audits through cooperation with the Internal Auditing Department of the Company and the Audit & Supervisory Members of the subsidiaries.
- The Company and its subsidiaries shall obtain the consent of the Audit Committee or the auditors of the relevant company or the decision of the auditors of the relevant company, in accordance with laws and ordinances and the Articles of Incorporation, with respect to proposals for the appointment of auditors of the relevant company and the compensation of such auditors.
- The Audit & Supervisory Committee Members to be appointed by the Company shall include at least one person who has considerable knowledge of finance and accounting.

2. Basic Views on Eliminating Anti-Social Forces

The Group resolutely rejects any unreasonable demands from anti-social forces, and specifies in the “Code of Conduct” that it shall not have any relations with anti-social forces and shall ensure that all Directors, Executive Officers, and employees are thoroughly aware of the matters contained in it. Furthermore, with respect to internal systems, the Company has established a department in the headquarters which is responsible for overseeing handling of expulsion of anti-social forces, established close cooperation with external specialized organizations such as the police force, and in collaboration with the concerned departments, the Company systematically handles unreasonable requests from anti-social forces.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	not adopted
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Supplementary Explanation

The Company does not plan to introduce anti-takeover measures at this time, but will consider what measures it should take in order not to damage the interests of all stakeholders, including shareholders who support the Company’s efforts. In addition, the Company is committed to improving enterprise value by planning and implementing management strategies based on a medium-term perspective,

conducting highly transparent management with respect to shareholders, customers, employees, local communities, and other stakeholders, building smooth relationships, and maintaining efficient and sound management. The Company believes that it is important that these efforts to improve enterprise value and the results of these efforts are fairly evaluated in the stock market and correctly reflected in the stock price. To this end, the Company will continue to focus on appropriate information disclosure and deepening communication with our shareholders.

2. Other Matters Related to the Corporate Governance System Update

The Company has established the “Rules on Timely Disclosure of Corporate Information,” which stipulate the matters requiring timely disclosure and the handling of such matters, for the purpose of providing accurate and fair corporate information to investors in a timely and appropriate manner in compliance with the timely disclosure rules established by the stock exchanges, and has established the following internal system for timely disclosure and discloses corporate information in accordance with such internal rules.

- Ensure that all employees are familiar with the “Rules for Timely Disclosure of Corporate Information.”
- When an event specified in the “Rules for Timely Disclosure of Corporate Information” occurs, the head of the relevant department for the event (“the relevant department head”) shall promptly report the event information to the General Manager of the Shareholder Relations Department of Corporate Communication Group (the General Manager of SR Department), who is responsible for handling the information.
- The General Manager of SR Department shall determine, in consultation with the senior manager of PR and the relevant department head, whether or not the relevant information is disclosed as required by the timely disclosure rules stipulated by the stock exchanges.
- If the information is determined to require disclosure, the General Manager of SR Department shall report the specific details of the event and the intention to disclose the information to the president, who shall approve the disclosure.
- The president shall report the contents of the disclosure to the directors without delay.
- The General Manager of SR Department will promptly disclose the information to investors.
- The Internal Auditing Department shall verify the appropriateness and effectiveness of the relevant internal systems and report to the Directors.

Corporate Governance System Diagram

