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**Notice Regarding the Findings of the Special Investigative Committee for Submarine Repairs
(Interim Report) and Measures to Be Implemented in Response (Progress on Disclosed Matters)**

As announced in the press release published by Kawasaki Heavy Industries, Ltd., on July 3, 2024 (“Kawasaki reports findings related to the tax investigation on the 201st Securities Report”), multiple compliance violations involving Kawasaki Heavy Industries, Ltd., have recently been identified. The Company takes these incidents very seriously and offers its assurances to all stakeholders that it will take resolute steps to ensure that such misconduct does not happen again.

At the meeting of its Board of Directors held on June 14, 2024, the Company established the Special Investigative Committee for Submarine Repairs, a committee of external legal experts, to conduct an independent investigation of misconduct related to submarine repairs. The following is a summary of the interim report of the committee’s findings, which was submitted to the Board at a meeting held today, and of measures that will be implemented to prevent recurrence.

The Company is currently examining whether this matter will impact its financial results and will immediately issue notification should such an impact be confirmed.

1. Interim report of findings

The investigation conducted by the Special Investigative Committee for Submarine Repairs confirmed that the details —summarized in “2. Misconduct confirmed”—are factually correct.

2. Misconduct confirmed

- (a) Fictitious transactions between the Ship Repair Department of the Company’s Kobe Shipyard and business partners.
- (b) The use of funds generated through such fictitious transactions for the purchase of goods and cash vouchers, as well as for food and drink expenses.

- (c) The involvement of Company employees and submarine crew members in the use of these funds as indicated in (b).

At the root of this misconduct is the fact that employees of the Kobe Shipyard's Ship Repair Department, who enjoyed cozy relations with submarine crew members that exceeded what is customary for businesses associates, received requests from said crew members to procure items necessary for maintenance work, which were then purchased and provided to those crew members. Funds used for this purpose were generated through fictitious transactions with business partners and then pooled. These funds were also applied to the purchase of items needed for repair work performed by employees.

Additionally, slush funds created through the fictitious orders purportedly placed by business partners were used to pay for food and drink at social gatherings, and to purchase cash vouchers such as beer coupons, as well as for personal items for certain submarine crew members and Repair Department employees.

The committee found that the purchase of goods related to maintenance conducted by submarine crew members had continued for at least 40 years, while other acts had been taking place for at least 20 years.

As of the date of the interim report, no evidence had been discovered in a separate inquiry into the existence of any other similar systematic misconduct involving cash or monetary products at Kawasaki Heavy Industries or its Group companies in Japan.

3. Analysis of the reasons behind the misconduct

The interim report cites several causes of this misconduct, namely, (a) a motive, that is, a desire to improve relations with submarine crew members and ensure smooth operations; (b) an awareness of the importance of not pushing profits too far upwards; (c) opportunities for misconduct from the contract stage through to delivery; (d) the fact that such misconduct had become routine practice; and, (e) an organizational culture that emphasizes adhering to long-standing precedents, disregarding compliance and adopting a laissez-faire attitude.

4. Responses by the Ship & Offshore Structure Business Division

Given the seriousness of this incident, the Ship & Offshore Structure Business Division will formulate and implement appropriate measures in line with the recommendations of the Special Investigative Committee for Submarine Repairs to ensure such misconduct does not happen again, as detailed below.

(1) Review of repair contracts

In quotes for repair contracts submitted to the Japan Maritime Self-Defense Force (JMSDF), labor costs are estimated based on standard work hours per work item, since the repair work may vary depending on the actual condition of the particular submarine, and it is crucial to shorten lead times for contract execution and the performance of repairs. However, standard work hours have not been reviewed for a long period of time. In addition, in some cases there are discrepancies between cost categories used in quotes submitted to the JMSDF and those actually used in the Company's internal cost calculations.

As a consequence of these factors, the correspondence between them had become difficult to comprehend, which is viewed as one cause of this misconduct. For this reason, the division has resolved to change the basis for these quotes from standard work hours to actual costs. The division will begin discussions on how to implement this move with Ministry of Defense (MOD)–related parties.

This change will entail the collection and analysis of cost data, which will require a considerable amount of time. Accordingly, as a transitional measure, the division will continue to prepare quotes using the standard work-hour calculation, but will endeavor to improve transparency at the contract conclusion stage by attaching documentation reclassifying the figures based on the cost categories in the quote estimate, as well as the cost categories used in the Company's internal cost calculations, thereby clarifying the relationship between the two sets of calculations.

In response to this recent incident of misconduct, a special clause has been attached to all submarine repair contracts pledging to refund any excess profits confirmed after the fact as a result of a cost audit.

(2) Modification of the check system for orders and deliveries

The check system for submarine repair orders and deliveries was found to be flawed because the persons responsible for submitting orders and the persons responsible for verifying the delivery of ordered items both worked in the Ship Repair Department. This impeded the effectiveness of internal controls.

In April 2024, subsequent to the discovery of this incident of misconduct, the Production Resource Management Section of the Shipbuilding Department, which is in charge of inspecting and receiving incoming goods, took over responsibility for checking the delivery of items ordered from the Repair Works Management Section of the Ship Repair Department. A scheme was also created enabling the section to take photographs during inspections of actual incoming goods in order to conduct post-inspection verification.

Additionally, steps will be taken to strengthen related internal checks. In principle, departments making purchase requests have been prohibited from specifying specific suppliers when making such a request. If there is a specific reason for suppliers being specified, the requesting department must submit documentation explaining its reasons to the procurement department in advance to obtain approval.

(3) Review of organizational structure

The Ship & Offshore Structure Business Division has reviewed its organizational structure with the aim of further reinforcing measures to prevent the recurrence of the issues described in (1) and (2) above. Owing to the historical background of its marine vessel repair business, and the specialized knowledge and expertise required to conclude repair contracts and perform actual repair work, the Ship Repair Department is not only responsible for its own principal functions, namely, process and execution management, but also for its integrated related functions, including preparing key information serving as the basis of quotes, coordinating with customers to determine specifications, formulating budgets for the performance of repair work, requesting the procurement of materials and reporting on the costs incurred.

As a consequence, effective internal checks were difficult to ensure.

Going forward, the division will also seek to strengthen internal checks across departments by establishing a department that will exclusively handle process and execution management, and by separating out and transferring other functions to departments specifically responsible for estimates, sales and warehouses.

The division will further strive to ensure stringent compliance. In line with the recommendations of the Special Investigative Committee for Submarine Repairs, efforts will focus on working to instill a correct understanding of contracts and special agreements with the MOD, as well as on providing education regarding the National Public Service Ethics Code.

5. Groupwide responses

Cognizant of the gravity of this and other recently identified compliance violations, on April 16, 2024, the Company has established the Special Compliance Promotion Committee, which is chaired by Representative Director, President and CEO Yasuhiko Hashimoto. This committee is working diligently not only to clarify and eradicate the governance problems that led to these specific incidents, as well as any other cases of misconduct discovered within the Group, but also to prevent recurrence by scrupulously reforming the Company's compliance and governance frameworks through the building of systems that prevent misconduct, strengthening of detection capabilities and reform of its corporate culture.

(1) Creation of a system that discourages be misconduct

Because this misconduct pertained to procurement operations, the Company began its exploration in this area. Regarding procurement by the Company and/or its domestic Group companies for which there is a risk of similar misconduct—accounting for approximately 5% of the value of total Group procurement—a survey was conducted under the supervision of the Special Investigative Committee for Submarine Repairs that sought to prevent misconduct in procurement processes Groupwide by ascertaining whether systems are in place to prevent the completion of all related processes within a single department, and ensuring that approval cannot be given by the individual in charge on his or her own, and whether data is being managed appropriately, with the aim of identifying related risks and implementing corrective measures to eliminate such risks.

A total of 713 responses were received, of which 100—representing around 0.7% of the value of total Group procurement—indicated high risk levels. Corrective measures for all 100, including the tightening of rules governing physical confirmation and the introduction of additional approval procedures to ensure effective internal controls, are expected to be completed by March 31, 2025.

Consolidated subsidiaries overseas will also be surveyed. Plans are to conduct a stringent inquiry and to put appropriate corrective measures in place in fiscal 2025.

(2) Strengthening of systems for preventing recurrence

(a) Reinforcement of governance in the defense business

With the expansion of its defense business, the Company will oversee the defense business—

related operations of each division, centralizing defense business management at the head office to boost governance and compliance, as well as the security framework.

To integrate the management of defense business–related information and create a unified contact point for external parties, particularly public relations officers, on November 1, 2024, the Company established the Corporate Defense Business Management Division.

(b) Strengthening of the audit and compliance functions

The Company will explore a review of Group audit and compliance systems, targeting the second and third lines of defense, with the goal of bolstering its ability to detect and prevent misconduct. The Company plans to realign its audit and compliance departments, as well as to augment related systems, by around April 2025.

(c) Promotion of efforts to prevent accounting-related misconduct

With the view that appropriate accounting procedures are essential to compliance, the Company is advancing various efforts to prevent misconduct in the area of accounting. In addition to tightening internal regulations and rules governing the calculation of expenses incurred by employees in the performance of their duties, the Company will reinforce checks on the expense calculation system, introduce data audits to consistently monitor Group employees' expense calculations, and take steps to detect and prevent accounting-related misconduct as swiftly as possible.

(d) Fortification of the whistleblowing system

The Group has deployed a compliance consultation and reporting system worldwide that allows employees to seek advice promptly regarding compliance issues, including employee misconduct or harassment, without going through their superiors or other germane parties. To promote the use of this system, the Company will continue to disseminate information through internal media, including the Group newsletter and intranet, as well as posters and leaflets. Steps will also be taken to encourage confidence in whistleblowing as a key to the resolution of such issues by introducing case studies illustrating its value in bringing about vital improvements.

(3) Efforts to modify the Company's corporate culture and transform attitudes

(a) Establishment of basic legal and compliance policies

To compensate for a lack of legal and compliance awareness, the Company is fostering a compliance-first mindset, believing that compliance must take precedence in every situation and that any gains from corporate activities that violate laws, regulations or social norms are meaningless. The Company has established basic legal and compliance policies, as well as new and revised internal regulations, and is encouraging efforts to improve awareness.

(b) Strengthening of compliance education

In addition to continuing existing compliance education initiatives targeting Group employees, including code of conduct read-through sessions and e-learning, the Company is taking steps to promote a compliance-first mindset, including by sharing information on and encouraging

discussion of compliance issues at Board of Directors' and management meetings, and by releasing regular messages from the president conveying the importance of compliance.

The Company is also accelerating compliance education. Recognizing that managers, department heads and others particularly familiar with the workplace are key to preventing compliance violations, the Company encourages these individuals to create work environments that encourage employees to recognize misconduct promptly and empowers them to speak out and take the initiative. The Company is further strengthening compliance education by disclosing detailed information on past incidents, including those that led to disciplinary action, and implementing training programs that encourage employees to see compliance as a personal responsibility and foster a strong ethical sense.

(c) Creation of positive work environments

An important factor behind this incident of misconduct is a work environment that deters employees from raising their voice when something is amiss and speaking the truth without fear. The Company is striving to create work environments conducive to freedom of expression to discourage compliance-related issues and to facilitate swift responses in the event such issues arise. Specific measures will include accelerating efforts to create regular opportunities for one-on-one communication between supervisors and subordinates with the aim of encouraging supervisors to actively listen to the views of the people they oversee, as well as conducting regular engagement surveys and using 360-degree feedback on managerial staff, to gain an objective understanding of current workplace conditions.

Furthermore, officers responsible for specific businesses visit workplaces to interact directly with employees in a bid to better grasp the actual situation on the ground. In the Ship & Offshore Structure Business Division, for example, opportunities have been created for direct dialogue with employees, including by holding roundtable meetings of division heads and managers, and of division/department general managers, manufacturing site general managers and other personnel.

In addition to reinforcing and adding depth to these measures, the Company will expand its efforts to improve work environments by, among others, listening carefully to observations and questions about its corporate culture from new employees and mid-career hires, promoting diversity through regular human resource exchanges, and taking steps to preclude inflexibility.

The Group will continue to take seriously the causes of this misconduct identified by the Special Investigative Committee for Submarine Repairs, which comprises neutral third-party experts, as well as to implement measures to prevent recurrence in line with the committee's recommendations, in order to strengthen the its compliance and governance framework.

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