

No. 2024080

Company name	Kawasaki Heavy Industries, Ltd.
Representative	Yasuhiko Hashimoto Representative Director President and CEO
Securities code	7012 TSE (Prime Market)/NSE (Premier Market)
Contact	Takashi Torii Executive Officer Group Manager, Corporate Communications Group Tel. (Tokyo): +81-3-3435-2130 Tel. (Kobe): +81-78-371-9531

(Progress on Disclosed Matters)
Notice Regarding the Findings of the Special Investigative Committee for Marine Engines
(Interim Report)

As first announced in a press release published on August 21, 2024, Kawasaki Heavy Industries, Ltd., recently discovered misconduct in the testing of its marine engines. The Company takes this incident very seriously and offers its assurances to all stakeholders that it will take resolute steps to ensure that such misconduct does not happen again. On August 30, 2024, the Company announced that it had established the Special Investigative Committee for Marine Engines, a committee of external legal experts, to conduct an independent investigation into this misconduct. This committee today presented the Company with an interim report of its findings in Japanese, which the Company has also publicly released. An English-language version of the report will be published in the near future. (To protect personal and confidential information, partial redactions were made to the report prior to it being made public.)

Beginning in July 2024, when this misconduct in testing was originally identified, the Company explored the impact of this misconduct on compliance with regulations governing NOx emissions*¹ and CO₂ emissions, namely, the energy efficiency design index (EEDI)*² and the energy efficiency existing ship index (EEXI),*³ as well as conducted an analysis of the root causes of this misconduct and implemented corrective measures. The Company also outlined the actions it was taking to prevent recurrence. On September 27 and December 25, 2024, the Company reported on the progress of its own internal investigation to Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and disclosed pertinent information publicly.

In contrast, the report prepared by the Special Investigative Committee for Marine Engines contains the findings of an objective probe into this misconduct by third-party experts. In addition to clarifying the facts uncovered by the committee and analyzing the causes identified, this report makes recommendations for steps to be taken by the Company to prevent such an incident from happening again.

The Company announced its own actions for preventing recurrence on December 25, 2024. The Special Investigative Committee for Marine Engines has stated that, while it has no objections to the approach represented by those actions, it would also like to see further concrete measures implemented based on the recommendations in its report. The Company will take the recommendations of the committee into full consideration and pledges to implement measures to prevent recurrence in line with those recommendations, in addition to its own actions.

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

The report submitted by the Special Investigative Committee for Marine Engines is based solely on the results of its investigation into this particular incident of misconduct in testing. The Company has also commissioned the committee to conduct a separate investigation into the presence or absence of similar cases at the Company and its domestic subsidiaries. This second investigation is ongoing, with results to be submitted in the form of a final report subsequent to its completion.

*1 NOx emissions regulations for marine engines are based on Annex VI to the International Convention for the Prevention of Pollution from Ships (MARPOL), which came into effect in May 2005, with the aim of preventing air pollution caused by exhaust emitted from ships. These regulations were applied retroactively to ships the keels of which were laid on or after January 1, 2000. Tier II and Tier III NOx emissions regulations, setting more stringent targets, came into effect for engines installed in ships the keels of which were laid on or after January 1, 2011, and January 1, 2016, respectively. Tier III regulations apply only to the specified ships while operating in Emission Control Areas.

*2 The EEDI, which applies to new ships of 400 gross tonnage or above that will engage in international voyages, aims to reduce the CO₂ emissions and environmental impact of individual ships by assessing their energy efficiency.

*3 The EEXI is used to assess the energy efficiency of existing ships of 400 gross tonnage or above that are engaged in international voyages.

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