

Kawasaki Heavy Industries, Ltd.

February 7, 2025

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Notice Concerning the Introduction of a Managerial-Level Employee Incentive Plan (RS Trust) and the Matters Determined in Connection with Share Acquisition for the Trust

Kawasaki Heavy Industries, Ltd. (hereinafter, “the Company”) hereby notifies as follows that it has resolved, at the Board of Directors meeting held on February 7, 2025, to establish an RS trust, an incentive plan (hereinafter, “the Plan”) for certain managerial-level employees of the Company, Kawasaki Railcar Manufacturing Co., Ltd., and Kawasaki Motors, Ltd. (hereinafter collectively, “the Plan-Covered Companies”), and also on matters related to the acquisition of the Company’s common stock (hereinafter, “company shares”) by the trustee of the trust.

1. Purpose of Introducing the Plan

To accomplish the Group Vision 2030 “Trustworthy Solutions for the Future,” the Company has decided to introduce a system to grant company shares to those employees who, among managerial-level employees at the Plan-Covered Companies, assume roles significantly impacting the business management of all the companies (hereinafter, “employees”). In light of the purpose of the Group Vision 2030, the introduction of the Plan serves as one of the efforts aimed for corporate value enhancement.

The granting of company shares to employees will enable those employees, as employee shareholders, to obtain an awareness of being company owners, thereby fostering their sense of business execution based on the same perspective as that of investors. In the Company’s promotion of share price-conscious management, the Plan is expected to raise employees’ willingness to participate in management even further and derive value from such human resources, thereby leading to better corporate value. Furthermore, the transfer of company shares granted under the Plan will be restricted until resignation/retirement with the aim of providing an incentive to engage in continuous corporate value enhancement.

2. Outline of the Plan

The Plan is an incentive plan wherein a trust is set up with the Company making monetary contributions thereto (hereinafter, “the Trust”) and the Trust acquires company shares and grants them to employees meeting certain requirements according to the points granted to such employees.

There are two types of points granted in accordance with the Stock Grant Regulations: “fixed points” and “performance-based points.” The composing elements of these point types are designed in alignment with the executive stock compensation plan.

(1) Fixed points

Fixed points will be granted according to the employee’s job grade and tenure during the evaluation period (April 1 of the previous year to March 31 of the current year).

(2) Performance-based points

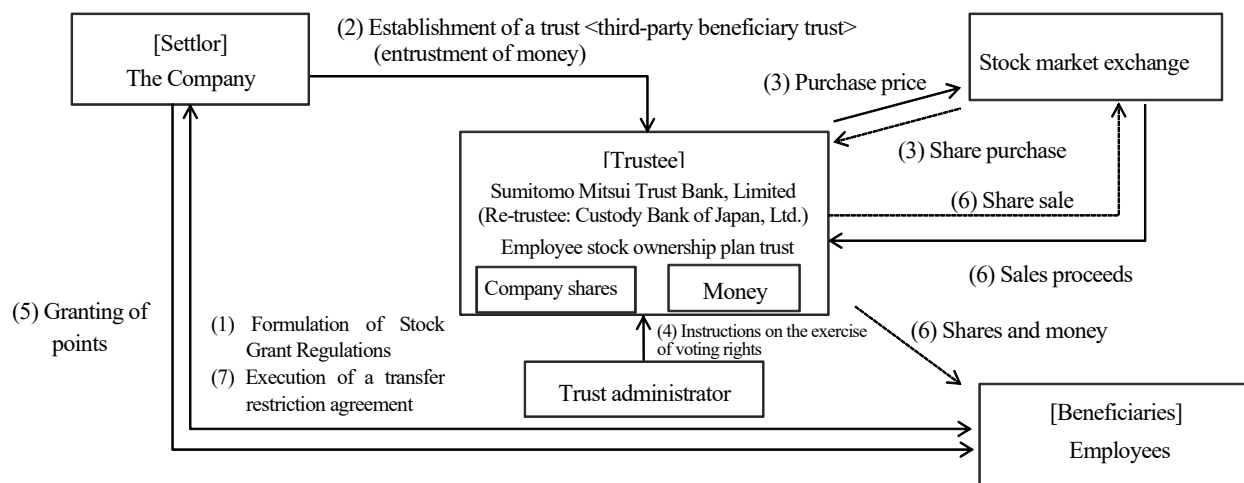
(a) In order to encourage overall ESG-related efforts including those for CO₂ reduction, a third-party evaluation (Dow Jones Sustainability Index) will be employed as an index, and points will be granted according to the results of the evaluation.

(b) In order to improve awareness of corporate value enhancement, the unit price of company shares will be used as an index to grant points according thereto.

In connection with company shares to be granted, a transfer restriction agreement will be executed between the Company and each employee to restrict the transfer of their shares until resignation/retirement.

Since the acquisition of company shares for the Trust is to be fully funded by the Company, there will be no financial burden imposed on employees.

<Outline of the Plan Mechanism>



- (1) The Company will establish its Stock Grant Regulations covering employees.
- (2) The Company will establish an employee stock ownership plan trust (third-party beneficiary trust) for employees as its beneficiaries (the Trust). In so doing, the Company will entrust an amount of money as the fund for share acquisition to the trustee.
- (3) From a stock market exchange (including through after-hours trading), the trustee will acquire a quantity of company shares en bloc, which is equivalent to the volume of company shares expected to be granted to the beneficiaries in the future.
- (4) A trust administrator (a party independent of the Company and its executives) will be designated to protect the interests of the beneficiaries covered by the Stock Grant Regulations and supervise the trustee throughout the trust period. For the company shares held in the Trust, the trust administrator will instruct the trustee to exercise their voting rights, and the trustee will exercise the voting rights according to such instructions throughout the trust period.
- (5) In accordance with the Stock Grant Regulations, the Company will grant points to employees.
- (6) Employees who meet the requirements set forth in the Stock Grant Regulations and their trust agreements associated with the Trust will, as the beneficiaries of the Trust, receive company shares from the trustee according to their respective granted points. However, if certain

predetermined grounds specified in the Stock Grant Regulations or trust agreements are applicable, a portion of the company shares to be granted will be sold through a stock market exchange, and an amount of money will be granted instead.

- (7) Regarding company shares to be granted, a transfer restriction agreement will be executed between the Company and each employee, setting down the period from the date of granting company shares to the resignation/retirement date as the transfer restriction period. This transfer restriction will be lifted upon the employee's resignation/retirement (certain conditions may be imposed for the lifting of the transfer restriction. Those company shares remaining subject to the transfer restriction after resignation/retirement will be acquired by the Company without compensation).

Furthermore, Sumitomo Mitsui Trust Bank, Limited, which serves as the trustee for the Plan, will entrust (re-entrust) the management of the trust assets to Custody Bank of Japan, Ltd.

3. Details on the Trust

(1) Name	Managerial-level employee stock ownership plan trust (RS trust)
(2) Settlor	The Company
(3) Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trustee: Custody Bank of Japan, Ltd.)
(4) Beneficiaries	Employees who meet the beneficiary requirements
(5) Trust administrator	A third party independent of the Company and its executives is to be designated.
(6) Exercise of voting rights	Throughout the trust period, the trustee will exercise voting rights in accordance with the instructions of the trust administrator.
(7) Type of trust	Trust of money other than money trust (third-party beneficiary trust)
(8) Date of trust agreement	February 18, 2025
(9) Date of entrustment of money	February 18, 2025
(10) Date of trust termination	End of August, 2027 (scheduled)

4. Matters Concerning the Acquisition of Company Shares by the Trustee of the Trust

(1) Class of shares to be acquired	Common stock
(2) Amount of money that the Company entrusts as the fund for share acquisition	419,000,000 yen
(3) Total number of shares to be acquired	Up to 52,200 shares
(4) Method of share acquisition	Acquisition from a stock market exchange (including through after-hours trading)
(5) Period of share acquisition	From February 18, 2025 to March 21, 2025 (scheduled)

END