

The Foundation of Our Business Activities | KPIs and Results for Materiality

Material issues (materiality) are divided into two broad categories: “social and environmental value created through our business” and “the foundation of our business activities.” We set quantitative targets and KPI for each item of the latter and are monitoring progress in our business activities.

Process for Identifying Materiality ▶ p. 17

The foundation of our business activities		Goals of Group Vision 2030	Priority matters	Target indicators (or key performance indicators)	Fiscal 2022 results
Items of particular importance going forward (items that will have an ever-increasing impact on future finances)	Business and Human Rights	<ul style="list-style-type: none"> No violations of human rights throughout the value chain and no complicity in human rights violations. 	<ul style="list-style-type: none"> Implement human rights due diligence among subsidiaries and suppliers 	Number of subsidiaries confirming prohibition of child labor and forced labor (implementation at subsidiaries where the company president has changed)	26 companies
				Number of participants in human rights training	Release of educational videos on business and human rights on the company-internal portal (total number of video views in the three months following the release: 3,429 times)
				Number of subsidiaries and suppliers subject to human rights audits and corrective measures	Implemented SAQ*1 targeting six overseas subsidiaries
	Promotion of Human Resources Activities	<ul style="list-style-type: none"> Strengthen and effectively use human capital (efficient allocation and human resource development) to achieve Group Vision 2030. Enhance employee engagement and build a company culture in which employees can continue to work with enthusiasm. Promote diversity and inclusion to build an organization in which a wide array of employees can maximize their individuality and potential. 	<ul style="list-style-type: none"> Implement the personnel system reform and human resource development in ways that enhance corporate value Promote diversity and inclusion 	Ratio of employees for whom both “supportive environment” and “employee engagement” are high (employee engagement survey results)	29% (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, Kawasaki Motors)
				Rate at which women, foreign nationals, and individuals with mid-career hires are promoted to senior manager or above	7% (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, Kawasaki Motors)
				Rate at which male employees take childcare leave	17.8% (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, Kawasaki Motors)
	Technological Development / Digital Transformation (DX)	<ul style="list-style-type: none"> Deliver new products and new businesses to market which contribute to the resolution of global environmental and social challenges. Successfully acquire and utilize intellectual property rights linked with business strategies. Promote process innovation, increase sophistication of processes and integrate digital technologies throughout the value chain. 	<ul style="list-style-type: none"> Promotion of open innovation Building of intellectual property strategy (strengthening of intellectual property strategy) for the co-creation of new businesses Promotion of digital transformation (DX) throughout the value chain 	Number of products and cases of commercialization in three focal fields of the Group Vision 2030	13 products and cases Commercialization of products including the self-propelled industrial robot, TRanbo-7, and of the three-wheeled electric vehicle, noslisu
				Number of cases of participation in planning of open innovation projects	8 cases Projects aimed at the implementation in urban areas of leading-edge technology services such as 5G in Nishi-Shinjuku, projects demonstrating community vitalization using “Real D You,” and launch of the open-innovation hub for robotics development, the “Future-Lab HANEDA,” among other things.
				R&D expenses	50.7 billion yen
Items that were emphasized in the past, but which will be steadily reinforced going forward	Product Liability / Safety	<ul style="list-style-type: none"> Deliver trustworthy and safe products and services from the customer’s perspective based on consistent quality policies covering from top management to work-site operators. 	<ul style="list-style-type: none"> Promote TQM activities 	TQM level*2 3.0 or above	Average across all business segments: 3.1
				Number of TQM training participants (Targeted attendance rate: 100%)	Participants: 1,421 (Attendance rate: 100%)
	Compliance	<ul style="list-style-type: none"> Monitor as accurately as possible the risks arising from compliance violations. Build an inclusive and effective compliance system tailored to given risks, and continuously manage and regularly update this system. 	<ul style="list-style-type: none"> Further improve compliance awareness throughout the Group Strengthen anti-corruption measures throughout the Group 	Number of cases of serious fraud or scandals per year	0 cases
				Number of employees taking the Code of Conduct training	Code of Conduct/Compliance Guidebook e-learning training 17,860 persons (73.3% of target)
				Degree of compliance permeation in employee awareness surveys	70 points
	Occupational Safety and Health	<ul style="list-style-type: none"> Ensure that there are no serious occupational accidents Group-wide. Reduce the need for sick leave. Maintain and improve employee health. 	<ul style="list-style-type: none"> Implement appropriate occupational safety and health measures: to prevent work-related accidents, to reduce the need for sick leave, and to encourage employees to improve lifestyle habits 	Lost Time Injury Frequency Rate (LTIFR)	0.30 (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, Kawasaki Motors)
				Health score*3	3.93 (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, Kawasaki Motors)
	Information Security	<ul style="list-style-type: none"> Maintain and manage cyberattack response and the protection of customer and product information with the world’s highest level of security. 	<ul style="list-style-type: none"> Strengthen information security governance throughout the Kawasaki Group 	Number of employees taking information security training: 20,000	9,803 persons
				Frequency of targeted threat mail training: 20 times	5 times
				Number of receivers of targeted threat mail training: 4,000	2,308 persons
Scores of 80 points or more for all domains owned by KHI from security risk rating				Percentage of domains exceeding target values: 84%	
A wide range of items to be addressed (activities relating to both of the above)	Sustainable Supply Chain Management	<ul style="list-style-type: none"> Remain aware of environmental, human rights, and other risks associated with the entire supply chain and work with suppliers to promote sustainability. 	<ul style="list-style-type: none"> Revise and distribute sustainable procurement guidelines Implement sustainable procurement survey of suppliers and review or audit based on their responses Initiatives including human rights due diligence, promotion of decarbonization, and efficient use of resources, in the supply chain 	Sustainable procurement guidelines	Completion of revision and distribution
				Number of major suppliers responding to our sustainable procurement survey	Completion of selection of suppliers (535 companies) targeted for survey in fiscal 2023
				Number of reports from our supplier hotline	Completion of installation of the hotline

*1 Self-assessment questionnaire (self-assessment sheet)

*2 Our company’s original index for evaluating the status of promotion of TQM activities in all business segments, based on the standards set by the Japan Society for Quality Control (on a 5-point scale: standard status is 3)

*3 Kawasaki’s internally generated index based on a scoring of six lifestyle habits that affect labor productivity, derived from the results of health checkups. A higher score (with a maximum of 6) reflects a healthier lifestyle.

Promotion of Human Resource Activities

Personnel System Reform toward Realization of Our Vision

Realization of a “culture of challenge” and “treatment regardless of age”

Toward the achievement of our vision and further growth beyond, Kawasaki has introduced a new personnel system since 2021 that places importance on the abilities, roles, and results of employees and carries out evaluation and treatment regardless of age. Additionally, to promote the growth of employees, the new system gives greater credit to people who challenge difficult issues and encourages a spirit of challenge among our employees.

“Challenge & Commitment”

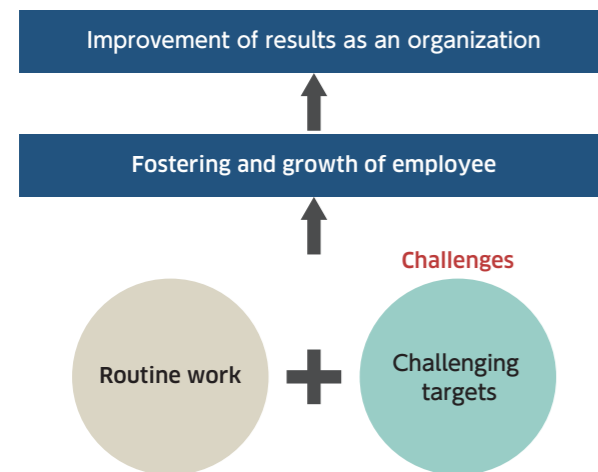
“Challenge & Commitment” is an initiative that promotes challenges in new fields so as to achieve our further growth as a Group.

By not only conducting routine work but also setting more challenging targets and boldly making challenges, we will enhance our results as an organization. At the same time, our aim is to foster and grow our employees through detailed conversations with supervisors at the time of setting goals and follow-up. In addition, to further clarify reflection in performance assessment, through absolute evaluation we reflect target achievement directly in bonuses and have increased the portion paid in accordance with the degree of target achievement.

Abolishing the seniority factor

We have revised the wage, bonus, retirement pay, and personnel evaluation systems, abolishing age-linked payments determined by age and giving higher marks to those who display a high level of competence, those who play important roles, and those who achieve better results.

“Challenge & Commitment” Image



“The right personnel in the right places” and “pay for mission”
 Instead of seeing the existing organization and human resources as the point of departure, based on the concept of the “right personnel in the right places,” first of all we will establish the organizations and posts necessary for achieving our vision (“right places”). Then we will clarify the conditions required of people doing this work, decide the suitable human resources, and make assignments accordingly (“right personnel”).

In considering assignments, we are introducing a mechanism with a high degree of accuracy in matching posts and human resources throughout the Group, conducting assessments of management ability based on 360-Degree Surveys and competency and taking account of expert knowledge and other factors.

On top of that, we introduced a “pay for mission” scheme that determines wages by stipulating job ranking in accordance with the results required in the work and taking account of the contents of individual challenges.

Through these initiatives, we will realize the establishment of “right places” and assignment of the “right personnel” and promote personnel strategy in tune with management policy.

“Right Personnel in the Right Places” Image

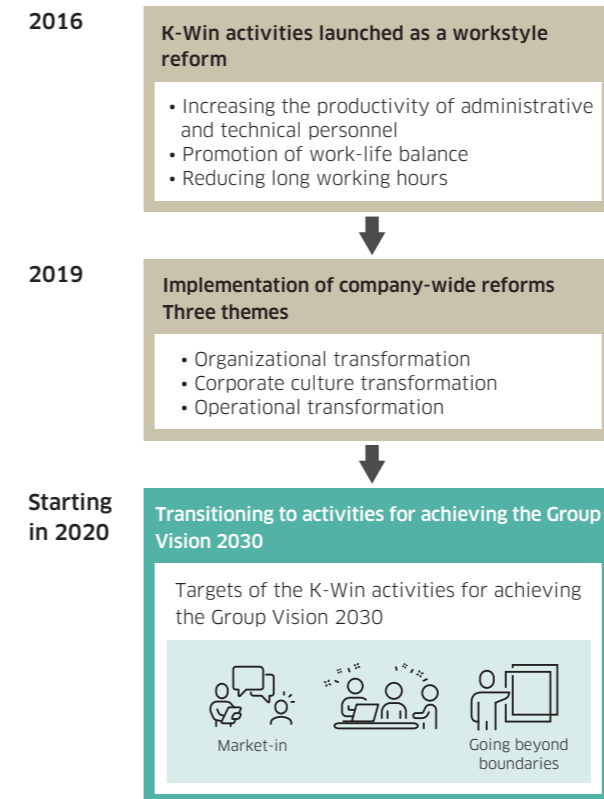


K-Win Activities

The Kawasaki Group launched K-Win activities, an effort to promote workstyle reform, in fiscal 2016 with the objectives of increasing the productivity of administrative and technical personnel, promotion of work-life balance, and reducing long working hours. Through these activities, we pursued three areas of transformation, namely, operational transformation, organizational and corporate culture transformation, and system transformation. K-Win activities are currently integrated with Group management and have been expanded to include overall corporate innovation to change the corporate culture and employee awareness for the purpose of achieving the Group Vision 2030.

Instead of performing existing business in the same ways as in the past, we seek to transform our corporate culture as well as individual awareness so that we can become a company that encourages all members to enthusiastically go beyond existing frameworks, provides solutions for the next-generation society from a market-in perspective, and achieves work enjoyment and satisfaction for employees and business results for the company.

Image of the History of K-Win Activities



Employee Engagement Survey

We conduct engagement surveys (WinDEX) to visualize the current status of progress of K-Win activities. Through these engagement surveys, we regularly gain an understanding of individual awareness and

organizational climates. By comparing the results with information concerning domestic and overseas competitors, we identify issues and investigate effective measures.

This survey, widely used by companies around the world, verifies the linkage between engagement and performance. We have set a target of achieving at least 50% of employees with high levels for “supportive environment” and “employee engagement” on a consolidated basis by fiscal 2030 (the result in fiscal 2022 was 29%).

Forming ties with management

The company’s key drivers for enhancing engagement revealed by the WinDEX survey are “Trust in management” and “Employee career development.” To reinforce ties with management, after disclosing the result of WinDEX, comments from the president and specific future actions are included in the in-house newsletter and distributed to all employees at the same time. In this way, we take proactive measures to inform personnel, ensuring that it is not simply not a questionnaire.

Individual business segments are also taking independent action. The Energy Solution & Marine Engineering Company, for example, conducts “meetings in a circle,” and more than 2,300 employees have participated. As a next step, it is holding works meetings for managers in 2023. We also create opportunities for management to directly explain policies to employees and for employees to engage in two-way communications including expressing their opinions and posing questions.

Employee career development

The Group is taking action to achieve career development with emphasis on the wishes of individual employees so that we can provide opportunities for employees to discover what they want to do and then do it and so that employees can play key roles in the Kawasaki Group.

For instance, to enable our employees to actively shape their careers, we provide them with information about our career development support measures through the “Career Support Guidebook” and offer theme-based career seminars and career counseling opportunities. We also conduct career support seminars for supervisors, promoting an environment where supervisors can support the growth and career development of their subordinates in the workplace.

We also have a Career Challenge Program that enables employees who want to transfer to apply for positions in departments that are recruiting and are announced once each year. We introduced a Career Development Leave Program that allow employees who want to re-learn skills while making use of outside educational institutions including overseas universities, encouraging and supporting independent career development by employees.

The Foundation of Our Business Activities

Human Resource Development Policies

The Kawasaki Group Policy on Human Resource Management, our fundamental policy on human capital, also declares our commitment to continuously fostering human resources with the mindsets to resolutely challenge change and to follow through on their own initiative. This commitment entails identifying by

appropriate means the talents and ambitions of employees and enabling them to realize their ideal careers through work and skill development.

Based on the above, the Kawasaki Group conceptualizes the development of human resources as follows:

- We carry out human resource development to grow our corporate performance, and improve our employees' capabilities as well as their purpose in life.
- OJT (on-the-job training), self-development, and rotation are the foundations of human resource education.
- Off-JT is provided to support these activities in ways where the results of Off-JT can be practically applied in the workplace.
- The line manager is responsible for human resource education.
- Human resource education is to be conducted on an individual basis in a planned manner and on an ongoing basis. Opportunities for developing one's abilities are provided to all employees from the time they are newly employed upto the time of their retirement.

Main Human Resource Development Initiatives

	Purpose	Details	Targets
Project Manager Training	Training for project managers who can carry out projects for entire systems, including peripheral facilities	<ul style="list-style-type: none"> • Project Management Seminars to impart the know-how required to lead projects to success conducted by individuals from inside and outside the company with previous experience in large-scale projects as lecturers • The Project Management Course to acquire a systematic knowledge of project management 	Project managers (including candidates)
Nurturing Management Successors (Kawasaki Executive Coaching Program)	Reinforcing development of managers who can continuously lead business reform	<ul style="list-style-type: none"> • Visualizing the qualifications required of managers and using external assessments • Interviews conduct by the president and Senior Corporate Executive Officers 	Executive candidates
	Systematic manager development	<ul style="list-style-type: none"> • Kawasaki executive advanced programs, Kawasaki executive coaching programs, Kawasaki executive introductory programs, and other executive development programs 	Executive candidates
Development of Global Human Resources	Further development of human resources who can support the business expansion worldwide	<ul style="list-style-type: none"> • Global business talent seminars to instill a mental preparedness to work from a global perspective and learn skills related to overseas business • Global basic skills seminars to instill a systematic understanding of differences in diversifying values • Introduction of the overseas internship system and the Asian business training program with the aim of globalizing domestic human resources • Training support for local engineering employees at overseas sites 	All employees

Promoting Diversity

Crucial to the continued growth of the corporate value is the development of an organization that maximizes the ability of our employees worldwide to fully demonstrate their potential and attributes, regardless of such factors as their nationality, gender, age, religion, and disability.

We employ people with wide-ranging attributes including disabled persons, foreign nationals, and seniors. To bring together these diverse attributes with employee

skills and to achieve our vision of "Trustworthy Solutions for the Future," we undertake various measures including promoting active participation by women, supporting employees balancing work with childcare and nursing care, promoting active participation by non-Japanese nationals, promoting understanding of LGBT individuals, and achieving workstyles with awareness of the life-work balance as well as results and efficiency.

Promoting the active participation of women

The Company has set targets for 2025 to double the fiscal 2020 number of female managerial staff to over 116 and to maintain the female ratio for career-track administrative positions to at least 30-40% and that of career-track technical positions to at least 5-15% among newly hired graduates.

We hold seminars for managers of workplaces to which female employees are assigned for the first time to help them understand how to nurture such employees over the medium to long term. We also host joint seminars with other companies to incorporate insights from external role models on how to help women achieve personal growth. In recognition of these efforts, in 2016 Kawasaki received Eruboshi (2nd level) certification in recognition of outstanding efforts in promoting the active participation of women in the workplace.

Supporting employees balancing work with childcare and nursing care

To create an environment that facilitates continued employment by employees who are having difficulty performing both childcare or nursing care and work, we created systems that exceed national standards including a childcare leave system that is available until an employee's children reach age three, a family care leave program that is available for up to three years, and an accumulated leave program that allows employees to accumulate and flexibly use up to 60 days' of unused annual paid leave, thereby supporting a good balance.

Measures to prevent excessive working hours

Measures to prevent excessive working hours include proper management of attendance and labor affairs as well as labor-management meetings for reducing total working hours. We are currently investigating measures based on the results of the discussions at those meetings. In addition, to prevent health problems that can be caused by overworking, we have set stricter standards than those mandated by law, requiring employees who have worked 45 hours or longer of overtime in each of two consecutive months or 60 hours or longer in one month to undergo checkups for long-hour workers as well as checks for cumulative fatigue. Based on the results of these examinations and such factors as the number of overtime hours worked, employees are interviewed by an industrial physician and necessary measures put in place.

External Evaluation



Promoting participation by people with disabilities

We are committed to hiring more people with disabilities, and they participate in a wide range of workplaces. In September 2013, we established our special subsidiary Kawasaki Heartfelt Service Co., Ltd., which promotes the active Group-wide employment of people with disabilities in order to maintain and improve their employment rates.

Item	FY2023 (Results)
Employees with Disabilities	484 persons*
Percentage of Employees with Disabilities	2.52%*

* Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, Kawasaki Motors, and Kawasaki Heartfelt Service

Occupational Safety and Health

Implement appropriate occupational safety and health Measures

Based on our occupational safety and health management systems, we implement systematic safety and health management activities as well as improvements through ongoing PDCA cycles and internal audits at workplaces. By doing so, we seek to create a virtuous cycle of improvement in these systems, prevent occupational accidents, and facilitate the creation of a comfortable work environment.

The safety and health management systems at all of our business sites are at an OSHMS third-party certified level (Sites with third-party certification: Kobe Works shipyard, Sakaide Works [ISO 45001], Kobe Head Office Works of Kawasaki Railcar Manufacturing Co., Ltd. [OSHMS certification according to the method of the Japan Industrial Safety and Health Association]).

Promotion of health management

In the Health & Productivity Management Outstanding Organizations Recognition Program, which commends large corporations, SMEs, and other organizations practicing especially outstanding health management, Kawasaki was certified as an Outstanding Health & Productivity Management Organization 2023 in the large enterprise category.

We will continue to promote the physical and mental wellbeing of our employees and maintain safe and secure work environments while proactively implementing various measures for practicing health management.

Human Rights Due Diligence Initiatives

／ Policies Relating to Human Rights Due Diligence

The Kawasaki Group Policy on Human Rights

The Kawasaki Group adopted the Kawasaki Group Policy on Human Rights in fiscal 2019 to complement the Kawasaki Group Code of Conduct. The policy was subsequently revised in August 2023 in response to the growing demand for human rights initiatives. We recognize how essential it is for the realization of our Group Mission that the human rights of all stakeholders be fully respected and that the Kawasaki Group's employees uphold high ethical standards; and we have established policy to be actively engaged in such key issues of human rights as prohibition of forced labor and child labor, prohibition of discrimination and harassment, diversity and inclusion, approving freedom of association and the right to collective bargaining, and ensuring a safe and healthy working environment.

The Kawasaki Group Policies for Material Procurement and Sustainable Procurement Guidelines

The Group set forth the Kawasaki Group Policies for Material Procurement, which contains the Group's sustainable-procurement philosophy, and its expectations for its suppliers in that regard, as well as the Kawasaki Group Sustainable Procurement Guidelines, which further fleshes out the content of the aforementioned policy by stipulating by-laws on its expectations for its suppliers. In fiscal 2022, based on growing social demands for sustainability initiatives in the supply chain, the name of these guidelines was changed from its initial name of the Kawasaki Group CSR Procurement Guidelines, and the contents were revised. When revising the guidelines, the RBA^{*1} Code of Conduct was referred to, every aspect, including consideration for compliance, human rights, labor, occupational safety and health, and the global environment, was covered, and the Kawasaki Group Code of Conduct was incorporated to clarify the Group's policy to enhance the sustainability of its entire supply chain.

*1 Responsible Business Alliance

／ Promotion System

The Kawasaki Group Policy on Human Rights states that the responsible officer and department for human rights-related management and issues are the director in charge of sustainability and the Sustainability Department, respectively. Based on our sustainability promotion system, the Sustainability Committee chaired by the Kawasaki president and attended by all directors

is responsible for deliberating on human rights-related efforts under the board of directors' oversight. Regarding day-to-day responsibility, in cooperation with human resources or compliance divisions in internal companies and subsidiaries, the Sustainability Department monitors human rights risks in its business activities and develops measures against human rights abuses.

Procurement activities in our daily operations are carried out under the responsibility and authority of each internal company. As a cross-company body, we hold the Procurement Department Head Meeting, attended also by the director in charge of procurement, twice a year. At this meeting, in addition to deciding on common Group-wide procurement measures and policies, including those related to sustainable procurement, participants monitor the procurement-related KPIs set by each internal company and share their annual plans.

／ Impact Assessments

We implement human rights risk assessments and impact assessments for the Group's main businesses in cooperation with the U.S.-based nonprofit Business for Social Responsibility (BSR) relating to stakeholders including customers, employees, employees in the supply chain, and local residents in countries and regions in which it conducts business and identified the following nine areas in particular as presenting significant human rights risks. We have formulated and are implementing risk reduction measures for priority issues within the Group and in the supply chain where human rights risks have been identified as particularly significant.

Nine Areas with Particularly Significant Human Rights Risks

- Safety and health of employees
- Safety and health at manufacturing sites
- Child labor at manufacturing sites
- Forced labor at manufacturing sites
- Safety and health in supply chains
- Wages, benefits, and work hours in supply chains
- Child labor in supply chains
- Forced labor in supply chains
- High-risk customers

／ Monitoring/Corrective Measures

	Past initiatives	Forthcoming initiatives
Initiatives targeted at Group companies	<ul style="list-style-type: none"> • Confirmation of the prohibition of child labor and forced labor at domestic and overseas Group companies • Ratified by the presidents of each Group company during changes of president • Monitoring by means of risk-based approach utilizing SAQ^{*2} • In-house drafting of SAQ based on RBA Code of Conduct • Implementation at six Group companies located in India, Indonesia, the Philippines, Thailand, and Brazil in fiscal 2022 	<ul style="list-style-type: none"> • Expansion of monitoring for Group companies utilizing SAQ • Expansion of scope to include domestic and overseas production sites • Follow-up surveys on items of concern • Formulation and implementation of corrective measures plans to reduce human rights risk • Evaluation of monitoring results; planning and implementation of remedial measures according to impact levels
Initiatives targeted at suppliers	<ul style="list-style-type: none"> • Questionnaire survey on CSR for domestic and overseas suppliers • Implementation of questionnaire survey for domestic and overseas suppliers from fiscal 2016 • Survey implementation in fiscal 2021 of major suppliers in Japan with replies received from 395 companies 	<ul style="list-style-type: none"> • Questionnaire survey on sustainability for domestic and overseas suppliers • Implementation with the aim of confirming compliance with procurement guidelines • Request for improvements and follow-up surveys based on questionnaire results • Request for cooperation from suppliers aimed at enhancing sustainability initiatives throughout the supply chain

*2 Self-assessment questionnaire

Capacity Building for Suppliers

In keeping with the "CO₂ Free" laid out in the Kawasaki Global Environmental Vision 2050, we are aiming to eliminate all CO₂ emissions throughout the entire Group by 2050. We report on the state of our own initiatives in seminars on SDGs to ensure that our business partners understand this policy. In the Kawasaki Group Sustainable Procurement Guidelines, we also ask our suppliers to reduce emissions of such greenhouse gases as CO₂, methane, and chlorofluorocarbons in their own business activities; pursue energy efficiency improvements; and make efforts toward protecting the global environment.

July 2022	Implemented questionnaire survey for major suppliers on CO ₂ emissions, with management status of CO ₂ emissions confirmed for 89 companies.
February 2023	Reported on the status of Company initiatives aimed at the realization of a carbon-neutral, low-carbon society to 93 persons in attendance, including representatives from 22 of Kawasaki's suppliers, at a briefing hosted by a financial institution.
June 2023	Implemented briefing session by Robot Business Division on initiatives aimed at achieving carbon neutrality, with 108 suppliers given overviews of methods for managing CO ₂ emissions and initiatives aimed at reducing CO ₂ emissions.

／ Addressing Human Rights Issues in the Supply Chain

Responsible mineral procurement

The Group posted its Policy Regarding Procurement of Conflict Minerals on its website. This policy states that the Group has no intention whatsoever of being party to conflicts or inhumane acts in the Democratic Republic of the Congo and neighboring countries through the procurement or use of the tin, tantalum, tungsten, and gold—the so-called conflict minerals—that are produced in these countries.

We also ask our suppliers to make similar efforts in the Kawasaki Group Sustainable Procurement Guidelines while actively responding to requests fielded at the Group from suppliers.

Establishment of the supplier hotline

To promote procurement activities that conform to our thinking about sustainability such as compliance and giving consideration to human rights, labor, occupational safety and health, and the global environment, we have created a point of access (supplier hotline) for receiving reports from business partners when they become aware of (or have concerns about) any behavior by any Group officers or employees with whom they are involved that violate any laws or regulations, the Kawasaki Group Code of Conduct, the Kawasaki Group Policies for Material Procurement, or the Kawasaki Group Sustainable Procurement Guidelines.

Compliance

/ Compliance Policy

Strict compliance should be at the foundation of all Kawasaki Group business activities, and all Group officers and employees must engage in business with a proper awareness of compliance.

The Group has established the Kawasaki Group Code of Conduct as a set of ethical standards to guide the decision making of Kawasaki Group officers and employees. The code was established following consultations with the Management Committee and approval by the Board of Directors, and the same procedure is followed when making revisions as needed.

/ Compliance Promotion Structure

The Company-wide Compliance Committee is chaired by the Kawasaki president. The committee meets at least twice a year. Its functions are to discuss and determine measures to ensure strict compliance within our Group and to monitor the status of achievement and compliance. All members of the Board of Directors attend meetings of the Company-wide Compliance Committee and supervise compliance-related matters. To ensure that the objectives of the Company-wide Compliance Committee extend to all corporate structures, Business Segment Compliance Committee meetings are held at the Head Office and internal companies at least twice a year to promote compliance throughout the Group.

In addition, the Kawasaki Group formulates annual Group-wide compliance activity plans with various measures that, following the approval of the Company-wide Compliance Committee, it carries out.

Main Initiatives in Fiscal 2022

Compliance education measures	In addition to e-learning for employees in Japan, new e-learning programs were conducted at overseas subsidiaries.
Compliance awareness survey	Surveys of awareness were conducted in Japan and at overseas subsidiaries.
Enhancement of whistle-blowing system	Rules were revised, employees were designated, and other measures were taken to reflect amendment of the Whistleblower Protection Act.

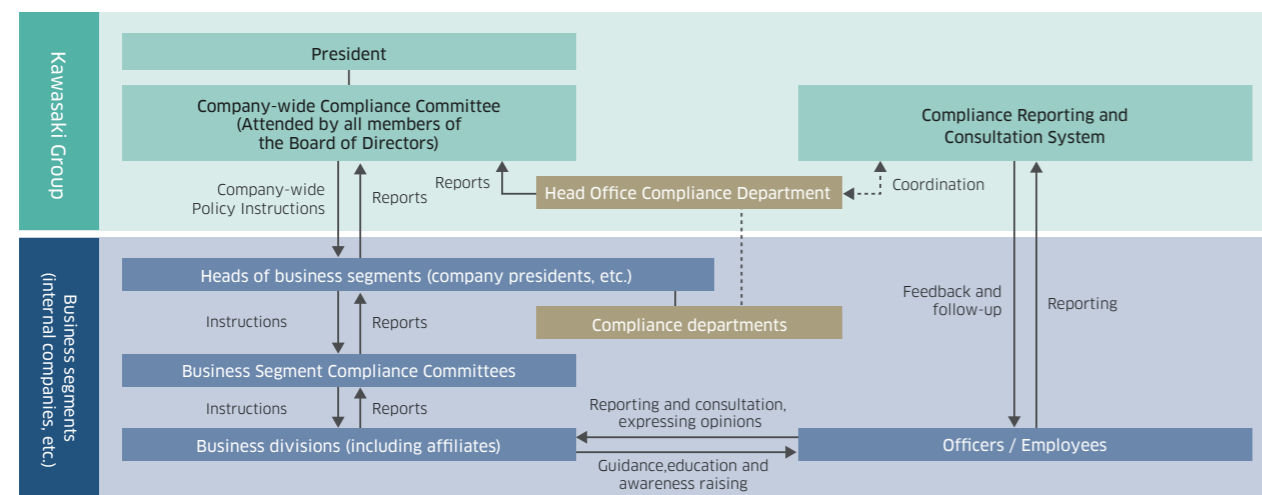
/ Strengthen Anti-corruption Measures Throughout the Group

The Group's business entails numerous opportunities for contact with government agencies and public officials, and we are aware that there is a high likelihood of exposure to corruption risk. Accordingly, the Group takes action through its business activities and employee training under a compliance system in accordance with various policies to prevent all forms of corruption including bribery of domestic and foreign public officials, bribery of business partners, embezzlement, and money laundering.

We use a risk-based approach that makes reference to the Corruption Perceptions Index from Transparency International to identify high-risk sites, and take measures to establish the bribery prevention rules at our overseas subsidiaries. As of June 2023, all subsidiaries in Asia and South America had completed the adoption of rules.

We additionally implement compliance training on bribery prevention annually for employees in Japan.

Compliance Promotion Structure



Information Security

/ Information Security Policy

The Group has established the necessary information security management practices as corporate regulations to ensure compliance with domestic and international laws and contracts with clients and to protect our businesses. These corporate regulations are comprised of the underlying Policy on Information Security, along with various other Group policies as well as the internal rules and regulations for establishing administrative management guidelines, including those for the development, implementation, and use of information systems.

We have also established the Product Security Policy as our policy for providing safe and secure products and services by preventing breaches from cyberattacks. In addition, we maintain guidelines to ensure proper security in activities throughout the entire product lifecycle, from product and service planning, development, and manufacturing to their operation.

/ Information Security Management Structure

The Director in charge of DX strategy at the Group serves as chairperson of the Information Security Committee, while the General Manager of the DX Strategy Division,

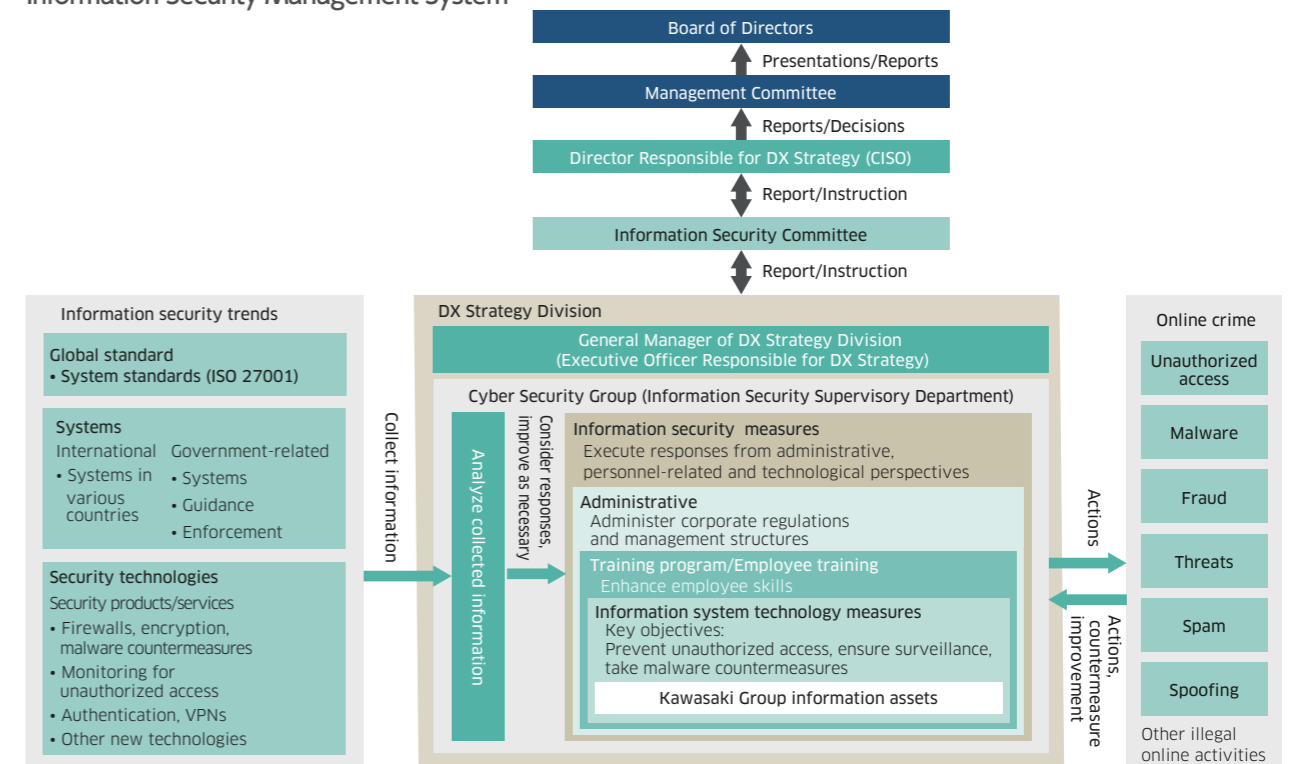
who is also an executive officer, oversees the execution of the cyber security strategy and has jurisdiction over the Cyber Security Group, which is the main department responsible for managing information security.

We have established a dedicated framework under the Corporate Risk Management System to handle information security management for the Group. We adhere to a management cycle with an emphasis on rules, training, and technology measures to address constantly changing information security risks while systematically implementing, maintaining, and enhancing information security measures.

/ Information Security Education and Training

We regularly conduct education and training focused on information security for Group employees. This instruction covers laws and social customs as well as corporate rules and examples of incidents, and course content is tailored by position, with content for newly hired employees, general employees, and managerial staff. Training includes regular drills using simulations of targeted attack phishing emails to help employees learn how to avoid damaging situations, such as cyberattacks and online crime, which can occur in the course of daily business operations.

Information Security Management System



Corporate Governance

/ Basic Views on Corporate Governance

The Kawasaki Group's basic stance on corporate governance is to raise enterprise value through effective and sound management while forming solid relationships with all stakeholders, including shareholders, customers,

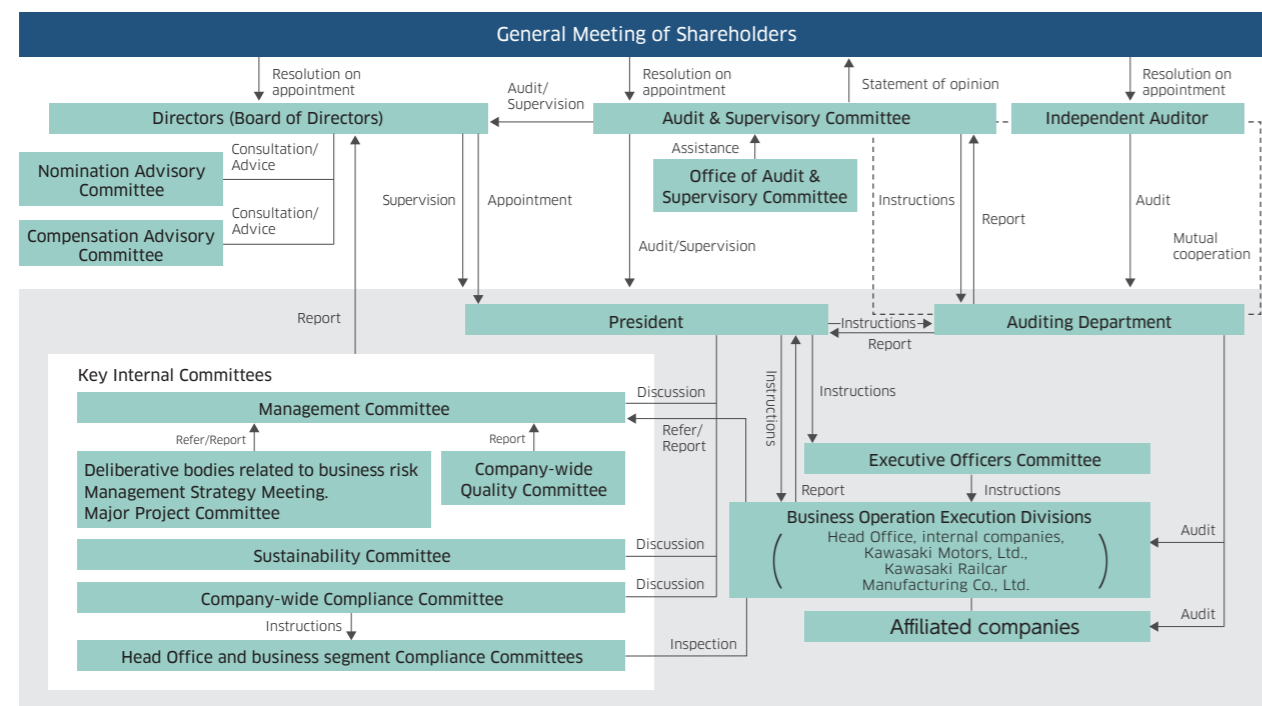
employees, and communities, through highly transparent management practices. Our Group is striving to further strengthen and enhance corporate governance systems as appropriate for its businesses and scale.

/ Corporate Governance System

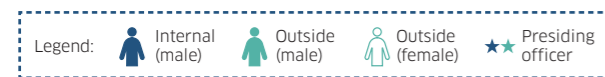
Kawasaki is a company with an Audit & Supervisory Committee and has voluntarily established a Nomination Advisory Committee and a Compensation Advisory Committee

Committee as advisory bodies to the Board of Directors as well as a Management Committee, an Executive Officers Committee, and other governance bodies.

Corporate Governance System Diagram (as of July 4, 2023)



Our main deliberative bodies and their details are as follows.



Board of Directors

The Board of Directors comprises 13 Directors (of whom, five serve as Audit & Supervisory Committee Members), with the addition in June 2023 of one Outside Director who is independent from business execution. As a result, seven of the 13 Directors are Outside Directors (of whom three serve as Audit & Supervisory Committee Members), comprising a majority of the Board. In addition, three of the Directors are women, and two are foreign nationals, providing a balance of knowledge, experience, and skills and enhancing diversity. 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. Chairman of the Board serves as presiding officer pursuant to a resolution of the Board.

In addition to deliberating on individual proposals submitted in accordance with the decision-making rules, the Board of Directors also discusses topics set based on the results of evaluations of the effectiveness of the Board. For the current fiscal year, the Board examined business reforms, policies to reinforce compliance, succession plans, ensuring the diversity of the Board, DX strategies, and other issues. We also created a system whereby the Board discusses fundamental policies on key management issues, such as sustainability,

compliance, risk management, and quality control, and can request reports on the status of these issues from the business execution side.



Nomination Advisory Committee & Compensation Advisory Committee

The Nomination Advisory Committee and the Compensation Advisory Committee have been established for the purpose of improving the transparency and objectivity of its deliberations. The Nomination Advisory Committee deliberates on the policies and standards regarding the appointment and dismissal of Directors and the appropriateness of such, and the Compensation Advisory Committee deliberates on the policies and systems regarding the compensation of Directors and the appropriateness of the individual compensation, and reports or advises the Board of Directors, respectively.



Audit & Supervisory Committee

The Audit & Supervisory Committee comprises five Directors, including three Outside Directors. To secure effective oversight, the two internal Directors have been appointed as full-time Audit & Supervisory Committee Members. To ensure the reliability of financial reports, at least one person with sufficient knowledge of finance and accounting is appointed to the Committee.



Business Execution Framework

Kawasaki has adopted an executive officer system in order to facilitate response to rapid changes in the business environment. To accelerate decision making, a great deal of authority over business execution decisions is delegated to the executive officers, who are appointed by the Board of Directors.

Management Committee

Kawasaki maintains a Management Committee, comprising mainly Representative Directors and internal company presidents, as an advisory body to the president. The Management Committee discusses matters that are

important to business execution.

For the sake of auditing business execution, Directors who serve as full-time Audit & Supervisory Committee Members also attend the committee's meetings.

Executive Officers Committee

Kawasaki maintains an Executive Officers Committee, comprising all of the executive officers, with the President as the presiding officer, to build unified consensus in Group management and smoothly advance business execution. This committee issues business execution policy based on management policy and plans determined by the Board of Directors as well as decisions made by the Management Committee. It also discusses management issues.

For the sake of auditing business execution, Directors who serve as full-time Audit & Supervisory Committee Members also attend the committee's meetings

Major Project Committee

To manage risk before bidding on and making investment decisions regarding major projects that could significantly impact operations and performance, Kawasaki maintains a Major Project Committee, attended by representatives from related Head Office divisions and divisions related to specific projects, with the general manager of the Corporate Planning Division serving as presiding officer. The Major Project Committee evaluates and considers ways of addressing the risks of such projects.

Management Strategy Meeting

The Management Strategy Meeting, chaired by the President and attended by Representative Directors, internal company presidents, and General Managers of Planning & Control Division, was newly established in fiscal 2023 to formulate and review management strategies and management plans for each business segment. This is a modified version of the Short-Term Plan Conference and Mid-Year Review Conference conducted until fiscal 2022, where the formulation and revision of management plans were considered. At the Management Strategy Meeting, they discuss Company-wide business strategies and action plans based on analysis of the business environment of each business segment.

Company-wide Quality Committee

To reinforce quality control throughout the Company, Kawasaki maintains a Company-wide Quality Committee, comprising representatives from the Corporate Planning Division, Corporate Technology Division, and the related divisions of the internal companies and other related companies, with the Senior Corporate Executive Officer in charge of technology serving as the presiding officer. The Company-wide Quality Committee discusses Company-wide quality control policy, ensures its application, and shares information.

The Foundation of Our Business Activities

Sustainability Committee

To promote the sustainability of society, the environment, and the Kawasaki Group, Kawasaki maintains a Sustainability Committee, comprising the Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of sustainability, the general managers of the Head Office divisions, and others, with the President serving as presiding officer. The Sustainability Committee discusses and decides measures to promote sustainability and monitors the achievement of targets and compliance with such policy.

Outside Directors also attend the committee's meetings for the sake of reflecting external insights and opinions in the committee's decisions. In addition, Directors who serve as Audit & Supervisory Committee Members also attend the committee's meetings for the sake of auditing business execution.

Company-wide Compliance Committee

To ensure rigorous compliance throughout the Kawasaki Group, Kawasaki maintains a Company-wide Compliance Committee, comprising the Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of compliance, the general managers of the Head Office divisions, and others, with the President serving as presiding officer. The Companywide Compliance Committee discusses and decides measures to ensure thorough compliance and monitors the achievement of targets and compliance with such policy.

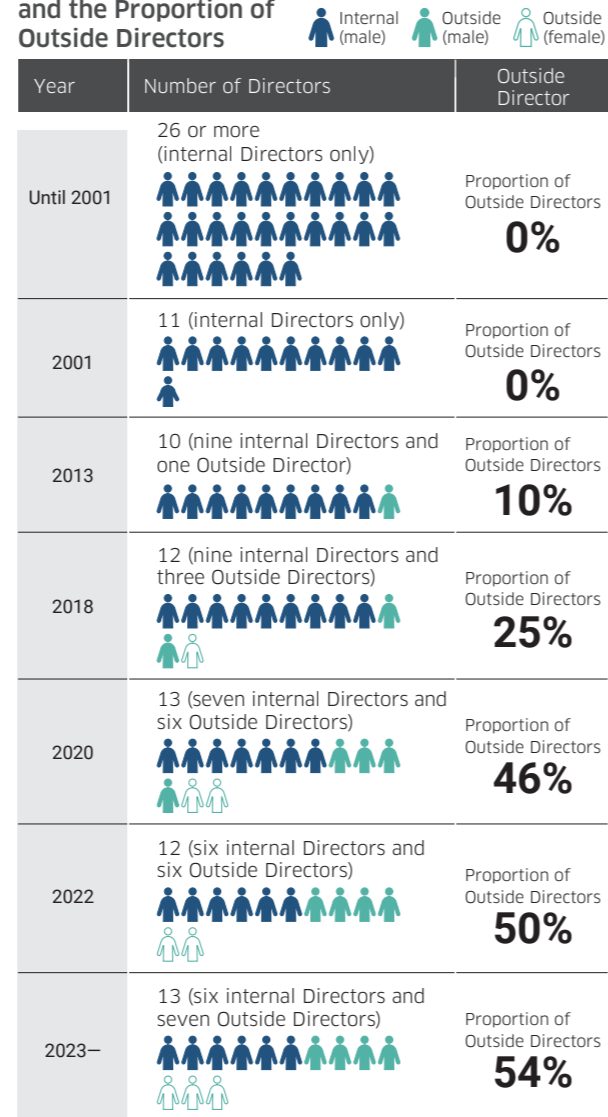
Outside Directors also attend the committee's meetings for the sake of reflecting external insights and opinions in the committee's decisions. In addition, Directors who serve as Audit & Supervisory Committee Members also attend the committee's meetings for the sake of auditing business execution.

Initiatives to Strengthen Corporate Governance

Background of Improvement Measures

Year	Initiative
2001	<ul style="list-style-type: none"> Adopted the executive officer system Reduced the number of Directors from 26 to 11
2002	<ul style="list-style-type: none"> Increased the number of Outside Audit & Supervisory Board Members to two Adopted a performance-based compensation system
2005	<ul style="list-style-type: none"> Abolished the retirement benefit system for Directors
2013	<ul style="list-style-type: none"> Appointed an Outside Director
2015	<ul style="list-style-type: none"> Increased the number of Outside Directors to two Took steps in response to the introduction of Japan's Corporate Governance Code Established the Nomination Advisory Committee and Compensation Advisory Committee Began evaluations of the effectiveness of the Board of Directors
2016	<ul style="list-style-type: none"> Added stock purchase funds to Director's compensation
2017	<ul style="list-style-type: none"> Increased the number of Outside Audit & Supervisory Board Members to three Revised matters requiring resolution by the Board of Directors (expanding the scope of delegation to executives)
2018	<ul style="list-style-type: none"> Increased the number of Outside Directors to three Revised the Director and executive officer system
2019	<ul style="list-style-type: none"> Reduced the number of Directors from 12 to 11
2020	<ul style="list-style-type: none"> Transitioned to a company with an audit & supervisory committee Reduced the number of Directors not serving as Audit & Supervisory Committee Members from 11 to 8 Eliminated overlap between Directors and officers responsible for specific businesses
2021	<ul style="list-style-type: none"> Revised the Director compensation system (adopted a performance-based stock compensation plan)
2022	<ul style="list-style-type: none"> Reduced the number of internal Directors not serving as Audit & Supervisory Committee Members from 5 to 4 Proportion of Outside Directors set to reach 50%
2023	<ul style="list-style-type: none"> Increased the number of Outside Directors to seven Proportion of Outside Directors set to be a majority

Changes in the Number of Directors and the Proportion of Outside Directors



Approach Regarding 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 well as gender, race, nationality, and other attributes, as summarized in the following table.

The items listed in the skills matrix are based on the definition of the fields of supervision necessary to realize Group Vision 2030 as "vision, strategic thinking, and governance to increase enterprise value," "business structure transformation," and "growth initiatives related to infrastructure development". To realize these fields of supervision, 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

Position at the company Name	Areas of expectation							Required experience			
	Business strategy	Governance	Finance and accounting	Personnel & organizational management	Monozukuri (technology, development, production & quality)	Sales & marketing	IT, DX & security	Corporate management	Global	Legal & administration	Finance & research organizations
Yoshinori Kanehana Chairman of the Board	✓	✓			✓	✓		✓	✓		
Yasuhiko Hashimoto Representative Director	✓	✓		✓	✓	✓	✓	✓	✓		
Katsuya Yamamoto Representative Director	✓	✓	✓	✓				✓	✓		
Hiroshi Nakatani Representative Director	✓	✓			✓		✓	✓			✓
Jenifer Rogers Outside Director	✓	✓	✓						✓	✓	✓
Hideo Tsujimura Outside Director	✓	✓		✓	✓	✓		✓	✓		
Katsuhiko Yoshida Outside Director	✓	✓				✓		✓			
Melanie Brock 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	✓	✓								✓	

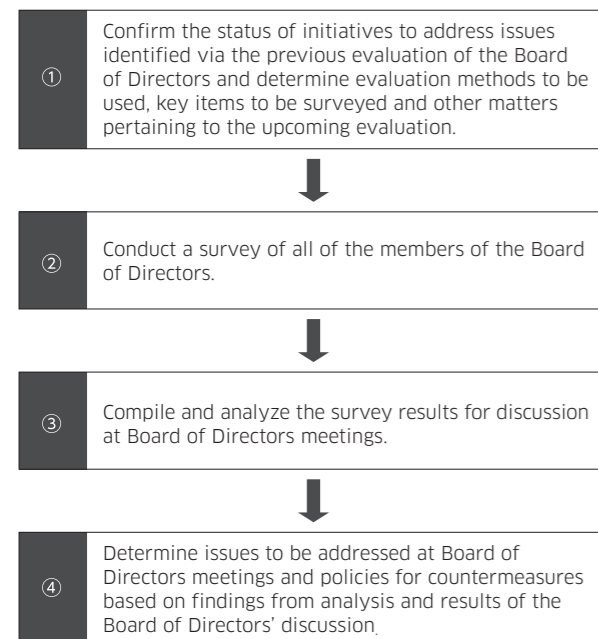
The Foundation of Our Business Activities

/ Evaluating the Effectiveness of the Board of Directors

The Board of Directors strives to ensure that its members, including independent Outside Directors, engage in free, vigorous discussion based on their insights and experience and reach appropriate management decisions. As part of these efforts, since fiscal 2015, the Board of Directors annually evaluates and analyzes the effectiveness of its operations.

Efficacy Evaluation Methods

The evaluation was conducted via anonymous questionnaire to all directors with the advice and assistance of external experts. The specific evaluation procedure is as follows.



Items Surveyed

The survey questions (main items) are as follows, with a 5-point scale and free writing section.

Also, these questions take into account the changes made in the revision of the Corporate Governance Code while maintaining continuity with previous surveys.

Survey Question Item
(1) Optimal status of the Board of Directors
(2) Composition of the Board of Directors
(3) Operation of the Board of Directors
(4) Discussions of the Board of Directors
(5) Monitoring function of the Board of Directors
(6) Training
(7) Interactions with shareholders (investors)
(8) Actions by the respondent
(9) Audit & Supervisory Committee
(10) Summary

Evaluation Results and Results of Deliberation by the Board Based on Those Results

The analysis of survey results found that the Board of Directors' operations were evaluated highly overall, as was the case in the previous year, and the weighted average values for all questions (excluding the free writing section) were higher than the previous year.

The item with the highest score was that relating to "Enhancing the content of the Board of Directors' discussions regarding medium- to long-term management policies," and many respondents highly evaluated the structure that enables regular deliberation of important issues by the Board.

Also, the item with the greatest score improvement was that relating to "Strengthening risk management structures." This was the result of high evaluations of measures to improve systems for reporting to the Board of Directors.

In addition, among the items raised as issues for the Board in the previous fiscal year, "Committing to the fulfillment of the requirements for Director candidates" and "Formalizing leadership succession plans" continued to receive high scores. It is believed that this is the result of steady progress on these firmly establishing processes that were newly introduced.

On the other hand, the item relating to "Strengthening group-wide internal control systems" received the lowest score. As a result, it is desirable that the Company reinforce systems that can oversee and control compliance issues and scandals for the entire group including overseas subsidiaries (for details of specific measures, referred to "Measures to Address Prior Issues").

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

Measures to Address Prior Issues

Issues identified in the course of preceding evaluations	Status of initiatives
Committing to the fulfillment of the requirements for Director candidates	We elected Directors for the next term in accordance with our policy of enhancing human resources in terms of both diversity of attributes, such as gender, race, and nationality (demographic diversity) and diversity of perspectives and ways of thinking (cognitive diversity). By preparing a skills matrix, a method of selecting human resources that balances business strategies and the Board of Directors is taking root, and we will continue our efforts to recruit human resources appropriate for conditions.
Firmly establishing leadership succession plans	We are creating a system by making repeated improvements to the human resource hiring process for selecting the President, Vice President, company presidents, and executive officers and report on the progress to the Board of Directors.
Strengthening internal control systems and risk management structures	With regard to confirmation of the status of overseas subsidiaries, which was a concern with the internal control system, we are moving forward with the introduction of hybrid operation of remote audit methods and on-site audits for business audits. Also, the President has taken responsibility and each internal company president as well as the Presidents of Kawasaki Railcar Manufacturing and Kawasaki Motors serve as deputies, promoting group-wide quality control and compliance enhancement. Issues identified through monitoring are reported to the Board of Directors as appropriate, and the Board deliberates on measures to prevent reoccurrence. To strengthen risk management structures, we created a system for regular risk monitoring reports to the Board of Directors, and that system has taken root. Also, we established and put into operation a system that enables immediate reporting of emergency situations to Directors in accordance with established reporting routes and reporting criteria.
Securing diversity among core human resources	In accordance with the policy of hiring diverse human resources, including women, foreign nationals, and mid-career personnel with varied work histories in excess of 20% of leaders and professionals who are involved in management on the general manager level and higher by 2030, in fiscal 2022 we conducted mid-career hiring in priority fields, such as the hydrogen business, based on securing human resources in line with our business strategies. We also established a system for actively supporting the empowerment of women by setting a quota for women in executive training with the objective of developing core female human resources internally.
Enhancing the content of the Board of Directors' discussions regarding medium- to long-term management policies	In the previous fiscal year, we raised and discussed reinforcing compliance, leadership succession plan, the diversity of the Board of Directors, DX strategies, reinforcing external affairs, business reforms, and financial strategies for raising corporate value as important issues.

Initiatives to Further Improve Effectiveness

Issues identified via the latest evaluation	Initiatives
Firmly establishing leadership succession plans	<p>The details of initiatives to be undertaken in the future are as follows.</p> <ul style="list-style-type: none"> •We will continue to firmly establish succession plan by developing the human resource recruiting system currently being implemented and establishing stable operations. •We will promote the systemization of training measures for future successor candidates and raise the effectiveness of training and assessments. •We will take action to expand the competencies (behavioral characteristics) needed for management to all officers by thoroughly informing them. •We will reinforce systems and operations by regularly creating opportunities for information sharing and discussion with members of the Board of Directors.
Securing diversity among core human resources	We will investigate mechanisms for developing diverse human resources through succession plans, discuss specific action plans in the Board of Directors, and take action to ensure diversity suited to the Company's management status of business characteristics.
Strengthening group-wide internal control systems within quality control	With the objective of reinforcing governance further, this fiscal year we will again position quality as an important management issue, review business processes, foster a quality-first organizational culture, create a system for reporting to the Board of Directors, and reinforce monitoring of internal control system development and operating evaluation results for the entire Group, including subsidiaries.
Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies	<p>This fiscal year, we will continue to select themes in line with important issues for achieving the Group Vision 2030, conduct deliberations in the Board of Directors, implement set policies on the executive side, and take further measures that will lead to specific action.</p> <p>Priority Themes That We Plan to Investigate This Fiscal Year</p> <p>Review of the portfolio, enhancement of human capital, diversity, securing diversity among core human resources, human resource development policies, development of the internal environment, implementation of DX, intellectual property strategies, etc.</p>

The Foundation of Our Business Activities

/ Director Compensation

The compensation system for Directors is based on the following basic policy with the aim of achieving the Group Vision 2030, "Trustworthy Solutions for the Future," established in November 2020.

Basic Policy

Placing stronger emphasis on contribution to the Company's goals, the revised compensation system is designed to reward each recipient based on their responsibilities and accomplishments. To this end, it not only provides short-term incentives but also rewards Directors for their contributions to medium- to long-term improvement in corporate value. In this way, we aim to promote the sharing of value between Directors and stakeholders, including shareholders.

Compensation for Directors (Excluding Audit & Supervisory Committee members and Outside Directors)

Compensation for Directors consists of basic compensation,

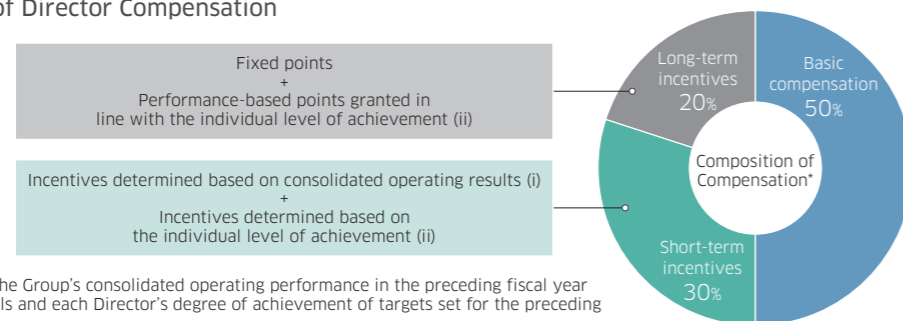
short-term incentives, and long-term incentives. Basic compensation and short-term incentives are paid in cash. Long-term incentives are paid in the form of performance-based stock compensation to promote the sharing of benefits and risks between the Directors and shareholders in addition to more strongly incentivizing medium- to long-term contribution to corporate value.

For long-term incentives, points granted may be revoked in whole or in part by resolution of the Board of Directors, in given circumstances such as when an eligible Director is dismissed or resigns due to damage caused to the Company.

These three components of director compensation account for approximately 50%, 30%, and 20%, respectively, of the total, assuming that the Group's consolidated operating results in the preceding fiscal year reached target levels and that each Director's individual performance targets for said fiscal year are fully met.

	Payment method	Details
Basic compensation (fixed compensation)	Cash	Each Director's pay grade is determined based on the missions assigned to them.
Short-term incentives (performance-based compensation)	Cash	Performance-based compensation is determined in line with single-year operating results and other indicators. Specifically, the amount of this compensation is determined based on consolidated operating results and the level of achievement of each Director's individual performance targets. Profit attributable to owners of the parent is used as the indicator for assessing consolidated operating results, with the aim of providing incentives for the steady accomplishment of single-year operating results targets and promoting the sharing of value with shareholders. The payment ratio applied to this performance-based compensation is determined based on the profit attributable to owners of parent for the year, as presented on the next page (see (i)). Details of the process for determining the level of achievement are presented in (ii) on the same page.
Long-term incentives (fixed portion and performance-based portion)	Stock	Long-term incentives utilize a stock benefit trust and are determined based on fixed points granted to Directors in line with their periods of service as well as performance-based points granted for their accomplishments vis-à-vis individual performance targets. In principle, these incentives are paid to the recipients in the form of both Company shares and cash (the latter being in an amount equivalent to the value of a portion of said shares after conversion) at the time of their retirement as Director. The proportions of fixed points and performance-based points are designed to account for 50% each when the recipient's level of achievement is at a standard level. For the time being, the ratio of the fixed portion and the performance-based portion will be set at 50%:50%, but in the future, the ratio of the performance-based portion will be raised to increase incentives to enhance corporate value over the medium- to long-term. Details of the process for determining the level of achievement are presented in (ii) on the next page.

Composition of Director Compensation



* In the case where the Group's consolidated operating performance in the preceding fiscal year reached target levels and each Director's degree of achievement of targets set for the preceding fiscal year is 100%.

(i) Payment Ratio Based on Profit Attributable to Owners of Parent

Profit Attributable to Owners of Parent	Payment ratio (%)
less than 0	-
0 to less than ¥25 billion	0% to 45%
¥25 billion to less than ¥45 billion	50% to 95%
¥45 billion to less than ¥70 billion	100% to 195%
¥70 billion or more	200%

(ii) Process for Determining Level of Achievement of Individual Performance Targets

Setting of Targets

Each Director sets their own targets in terms of addressing short-, medium- and long-term issues, including those associated with business units and operations under their supervision and Company-wide issues, with the degree to which these are achieved reflected in short-term and long-term incentives. These include targets pertaining to important financial indicators as well as targets associated with initiatives aimed at realizing the United Nations Sustainable Development Goals (SDGs), efforts to improve employee engagement, and other aspects of non-financial performance. Targets for the short- and medium-term issues are as described below, and actions and achievement levels for respective targets to be implemented by each Director toward their realization are established.

- **Targets for short-term issues:** Targets to be achieved by the end of the fiscal year
- **Targets for medium- to long-term issues:** Targets to be achieved in light of the Group Vision 2030

Methods for Assessing the Level of Target Achievement

The targets set by Directors are assessed at the end of each fiscal year, and the degree of achievement is reflected in compensation. The assessment of each Director is determined as described below.

- **President:** All Outside Directors who serve as members of the Compensation Advisory Committee conduct individual, face-to-face interviews with the President and make a determination through deliberations among those Outside Directors.
- **Senior Corporate Executive Officers:** Outside Directors who serve as members of the Compensation Advisory Committee conduct individual, face-to-face interviews with the Senior Corporate Executive Officers and make a determination through deliberations among those Outside Directors and the President.
- **Other Directors:** The President conducts individual, face-to-face interviews with the individual Directors

jointly with the Senior Corporate Executive Officers, and formulates an assessment through deliberations with the Senior Corporate Executive Officers, before referring the matters to the Compensation Advisory Committee for a decision.

Compensation of Audit & Supervisory Committee Members and Outside Directors

To ensure their professional independence, compensation for these individuals consists only of fixed compensation and is not linked with performance.

Methods for Determining Compensation

The total maximum amount of compensation for Directors (excluding Audit & Compensation Committee Members) is set by a resolution passed at the General Meeting of Shareholders. Within this limit, the amount of compensation is determined by the resolution of the Board of Directors based on the deliberations of the Compensation Advisory Committee. The presiding officer and a majority of the members of the Compensation Advisory Committee are Outside Directors.

The Board of Directors may also resolve to entrust the President with the responsibility of determining the amount of compensation for each Director (excluding Audit & Compensation Committee Members). In such cases, however, the President is required to honor the conclusions reached via the deliberations of the Compensation Advisory Committee and comply with policies regarding the determination of the amounts of Director (excluding Audit & Compensation Committee Members) compensation and methods for calculating such compensation.

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

Notes: In accordance with application of the International Financial Reporting Standards (IFRS), the Board of Directors, at its meeting of March 31, 2023, adopted a resolution to replace the evaluation indicators for short-term incentives since the performance-linked remuneration based on results from fiscal 2022 onwards as indicated below. Changed from net profit under Japanese standards to profit attributable to owners of parent under the international standards.

Fiscal 2022 Compensation

Type of officer	Total compensation (millions of yen)	Total compensation by type (millions of yen)			Number of recipients
		Monetary compensation		Stock compensation	
		Basic compensation	Performance-based compensation		
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	353	210	70	72	5
Audit & Supervisory Committee Members (excluding Outside Directors)	73	73	-	-	3
Outside Directors	83	83	-	-	8

Notes: 1. For stock compensation, the amount recorded as expenses for the current fiscal year is indicated based on performance-based stock compensation introduced pursuant to a resolution of the 198th Ordinary General Meeting of Shareholders held on June 25, 2021 and differs from the actual amount paid.
2. The totals indicate the number of people who actually received payments.

The Foundation of Our Business Activities

/ Establishment of a Risk Management Framework

The Kawasaki Group has built a Group-wide enterprise risk management (ERM) framework to ensure the visualization of risks and the effectiveness of risk response. We seek to identify and respond to important risks that could exert a serious impact on our management, and we are endeavoring to further enhance our risk management as prescribed in our Group's management principles.

To promote this Group-wide ERM framework and ensure sustained efforts, we are striving to bolster our risk management system for discussing important matters relating to risk management and monitoring their state of implementation. In addition, we have granted secretariat functions to the Risk Management Department in the Head Office's Corporate Planning Division, and each division at the Head Office cooperates in promoting and supporting ERM. Furthermore, each business segment has built a similar setup, with the business segment manager in charge, and is establishing a system for tackling ERM activities.

To properly deal with various risks based on this ERM framework, management methods, management systems, and so on are established and operated in the responsible committees or divisions depending on the type of risk. At the same time, a setup has been established to uniformly monitor the effectiveness and practicality of each management activity. In this way, risks are managed in both an individual and integrated manner.

Furthermore, regarding risks that, judging from risk monitoring and an analysis of global risk trends encompassing Kawasaki, should be closely watched, after discussion and selection in meetings of the Board of Directors held four times a year, steps are taken to reflect

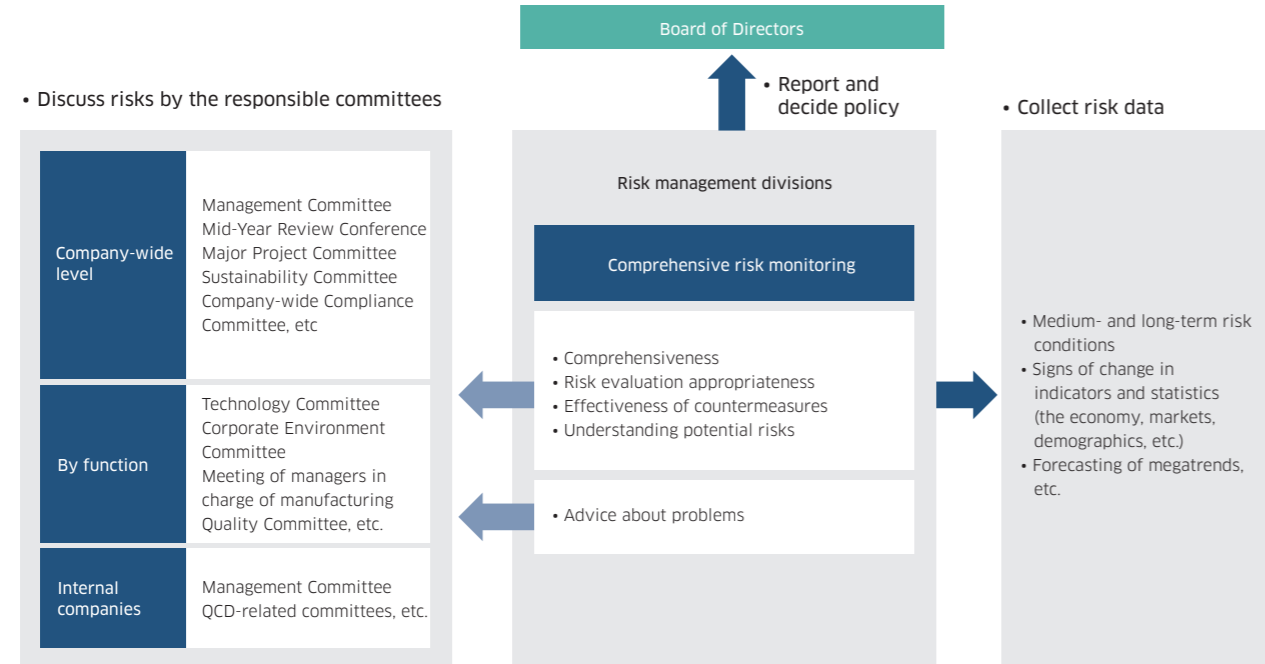
them in business policy. With regard to risks that break out suddenly as a result of the recent geopolitical problems or climate, political, or economic instability, they are discussed in extraordinary meetings of the Board of Directors, and emergency steps are taken in response.

Of serious risks, especially in the execution of large-scale projects, we have been strengthening our advance risk check functions based on our recognition that it is important to conduct risk detection and proper risk assessment and to implement appropriate risk avoidance measures prior to the acceptance of orders. In addition, we have incorporated lessons learned from previous heavy loss cases and so on as strict company rules and have promoted the introduction of a risk control approach to keep the total risk of losses within a scale befitting the financial condition of the organization.

Moreover, in a form that embraced the existing Project Risk Management Committee, we introduced the Monthly Management Overview Report and endeavored to shift to and consolidate a system of monthly reports to the Management Committee and the Board of Directors concerning not only the progress of individual ongoing projects but also the state of orders received, market conditions, and matters that have the possibility of exerting a major impact on management plans and management results.

Thanks to these initiatives, a framework is being maintained by which we can understand signs of change and risks in the business environment in a broad and speedy manner. Going forward, we will strive to further strengthen our risk management setup through monitoring in the Board of Directors.

Risk Management System



/ Risks Covered and Risk Assessment Methods

The Kawasaki Group defines risks as "factors or phenomena that hinder the execution of business operations or the achievement of organizational goals" and works to manage all risks classified as either external risks or internal risks (with the latter further classified as strategic risk or business risk), while giving due consideration to the positive effects associated with strategic and other risks.

The Company's risk management process consists of a version of the COSO framework and ISO 31001,

customized for the Company's environment and circumstances.

Risk monitoring activities are reported to the Board of Directors four times a year, and the Board selects and sets priority risks that the Company should pay close attention to currently, and based on the results, feedback is provided to the departments at risk. Further, for items judged to be high risk by the Board, we focus on risk monitoring activities called "checking the appropriateness of risk management activities."

Risk Factors Currently Covered in the Scope of Risk Management

Types of risks					
External Environment	Government/Regulatory authorities	Laws and regulations	External Environment	Business strategy	Vision (strategies and policies) Corporate governance, etc.
	Financial institutions/ Investors	Raising capital		Business functions	Legal affairs (contracts and lawsuits) Intellectual property, security, etc.
		Market expectations		Management and efficiency	Project management Finance and accounting, personnel management, etc.
	Customers/ Consumers/Competitor companies/New entrants	Emergence of competitors, market changes Technological innovation		Technological innovation	Product development, etc.
	Job seekers	Securing human resources		Product defects	Quality management and quality assurance, etc.
	Suppliers	External procurement		Production capacity	Process control, etc.
	Business partners	Supply chain and logistics		Governance and compliance	Organizational fraud, harassment, internal control etc.
	Nature/Social culture/Population	Disasters, environmental pollution, SDGs, CSR, climate change, etc.			

Risks That the Company Should Pay Close Attention to Currently

As a result of company-wide monitoring activities, the Kawasaki Group has determined the following risks that should currently be paid close attention to in the order of severity.

Priority risks to pay close attention to	Degree of severity(risk ranking) *1		Hazard assessment			
			Status of manifestation	Timing of impact*2	Impact on profit	Difficulty of taking action
Quality management	Extremely high	1	Highest	High	High	High
Compliance	Extremely high	1	Highest	High	High	High
Contracts	High	3	High	High	High	High
Geopolitics (economic security)	High	3	High	High	High	High
Cyber security	Medium	5	High	High	Medium	Medium
Shortages of human resources and personnel	Medium	6	High	Medium	Medium	Medium
Carbon neutrality (Climate change)	Medium	7	Medium	Low	High	High

*1 The degree of severity is assessed based on the status of manifestation, timing of impact, impact on profit, and difficulty of taking action.
*2 Set to "high" in cases where the period of impact until the impact manifests is short, and set to "low" when the period is long.