Kawasaki
Powering your potential

Kawasaki Report 2024 Kawasaki Heavy Industries, Ltd.

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This report can be accessed using the 2D barcode above

December 2024

Value Creation

Opening new possibilities

Capitalizing on the technologies nurtured over the course of our long history, the Kawasaki Heavy Industries Group will continue to make creative challenges in response to coming social issues.

HySE-X1 performs successfully in 2024 Dakar Rally

The HySE (*hy*drogen *s*mall mobility and *e*ngine technology) research association was jointly established in May 2023 by six companies: Kawasaki Heavy Industries, Ltd., Kawasaki Motors, Ltd., Suzuki Motor Corporation, Toyota Motor Corporation, Honda Motor Co., Ltd., and Yamaha Motor Co., Ltd. Based on joint research by these companies, they developed the HySE-X1 buggy, which features a chassis produced by partner company Overdrive Racing, a well-known presence in the cross-country rally world, and carries the developed hydrogen engine. The HySE-X1 is equipped with a Ninja H2 series' supercharged engine modified to use hydrogen as its fuel source, three hydrogen tanks, and a hydrogen fuel supply system. It was developed with the aim of collecting data under harsh environmental conditions.

In January 2024 the HySE-X1 took part in the new "Mission 1000" category of the Dakar Rally, established to encourage the development of next-generation powertrains. It arrived spectacularly at the final-stage finish gate, thus sufficiently accomplishing the objectives of participation, which were the early testing of issues in hydrogen small mobility and the building of a fundamental technology for hydrogen engines.

Pooling our strength with various other players and sharing our hopes with them, the Kawasaki Heavy Industries Group will continue to aim for the practical application of hydrogen energy.

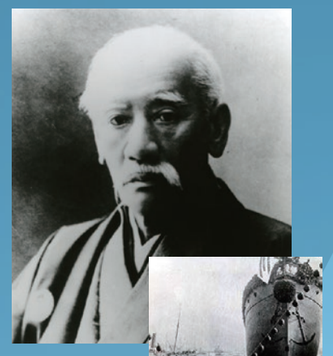
For more details, refer to the website.

Continuing to be a pioneer

Inheriting the spirit of our founder, Shozo Kawasaki, of "contributing to the nation and society through expertise," we have constantly asked ourselves what is needed now, challenged new technologies, and come up with new solutions.
The numerous Japan firsts and world bests are testimony to our stance throughout the ages of continuing to be a challenger.

1900

Q.
What can we do for **Japan's modernization?**



A. 1878
Our founder, Shozo Kawasaki, established the Kawasaki Tsukiji Shipyard in Tokyo's Tsukiji in 1878. This was the start of our company.

Q.
What is needed to **open Japan's airspace** as a new means of transportation?

A. 1922
We completed our first aircraft, the Type Otsu 1 Surveillance Airplane, and carried out test flights. Its performance was recognized to be excellent, and up to 1927 we manufactured 300 planes.

Q.
What is the challenge in **moving away from reliance on other countries** for railway infrastructure?

First domestically produced locomotive

A. 1911
We completed the first domestically produced steam locomotive and up to 1971 manufactured a total of 3,237 steam locomotives, thereby contributing to the diffusion and expansion of railways in Japan.

1960

Q.
How can we **solve the labor shortage** in the era of rapid economic growth?

First in Japan

A. 1969
As a pioneer in the field of industrial robots in Japan aiming to develop and produce labor-saving machines and systems, we gave birth to Japan's first domestically produced industrial robot, the Kawasaki-Unimate 2000.

Q.
What is needed to **make the movement of people, which has become brisk together with modernization, speedy and comfortable?**

A. 1964
We delivered the Series 0 Shinkansen bullet train to Japanese National Railways. Dubbed a "dream super express," this Shinkansen began operations linking Tokyo and Osaka in four hours (reduced a year later to 3 hours 10 minutes).

1970

Q.
How can we give riders **even more joy in riding?**

A. 1972
We launched the Kawasaki 900 Super 4 motorcycle, commonly known as the Z1, which, with advanced mechanisms unparalleled in the world, became a long-selling product.

Q.
What can we do to **increase the efficiency of energy use** in plants?

First in Japan

A. 1976
We completed the GPS200, Japan's first domestically produced gas turbine generator. With our original technology, we were a trailblazer the field of industrial gas turbines in Japan.

1980

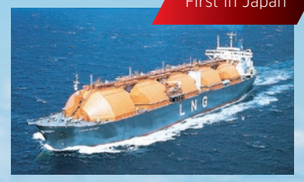
Q.
Can we develop a helicopter **required by the market?**

First in Japan

A. 1979
Through international joint development, we developed Japan's first helicopter, the BK117. With highly safe and stable operability, it is being used in multiple ways.

Q.
How can we **transport and store new energy?**

First in Japan



A. 1981
As well as responding to the tanker boom, we also promoted R&D in the field of shipbuilding, where the level of added value is even higher, and completed Japan's first LNG carrier.

2000

Q.
What is necessary to **realize the long-desired undersea railway tunnel** linking England and France?

A. 1991
In 1987 we received an order for tunnel boring machines for the undersea railway tunnel linking England and France. Although the conditions were extremely difficult, the boring was successful, and the Channel Tunnel was bored through in 1991.

Q.
How can we increase the effective use of energy and **reduce the environmental load?**

World's best

A. 2007
The Kawasaki Green Gas Engine achieved the world's highest generation efficiency of 48.5%.

Changes in organization, systems, etc.

1878 Establishment of Kawasaki Tsukiji Shipyard (founding)
1896 Incorporation as Kawasaki Dockyard Co., Ltd.
1919 Introduction of eight-hour working day system (first in Japan)
1939 Company name changed to Kawasaki Heavy Industries Ltd.*
1961 Introduction of division system
1975 Motorcycle production begun in the United States (a first for Japan's motorcycle and automobile industry)
2001 Introduction of internal company system and executive officer system
2001 Integrated manufacture of rail cars begun in the United States (first for Japan)
2020 Transition to company with Audit & Supervisory Committee
2021 Rolling Stock company founded as Kawasaki Railcar Manufacturing Co., Ltd.; Motorcycle & Engine company founded as Kawasaki Motors, Ltd.

*The English company name Kawasaki Dockyard was changed to Kawasaki Heavy Industries in 1969.

Kawasaki Heavy Industries | Promises for the Future

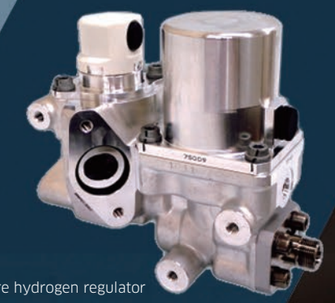
Delivering solutions for an ever- changing society

—Promotion of Group Vision 2030—

Utilizing the technology and knowledge nurtured since our founding, from now on also we will create new solutions required by society by keeping one step ahead of the times and transforming ourselves.

The *hinotori*™ surgical robot system from Medicaroid Corporation

K-RACER unmanned VTOL (vertical take-off and landing) aircraft



High-pressure hydrogen regulator

Hydrogen engine motorcycle

Hydrogen-powered aircraft

Hydrogen-powered train

A safe and secure remotely connected society

Q. What is the remotely connected society in which everyone can live safely and securely?

For more details, refer to pp. 55–56.

The mapxus Driven by Kawasaki™ indoor mapping service

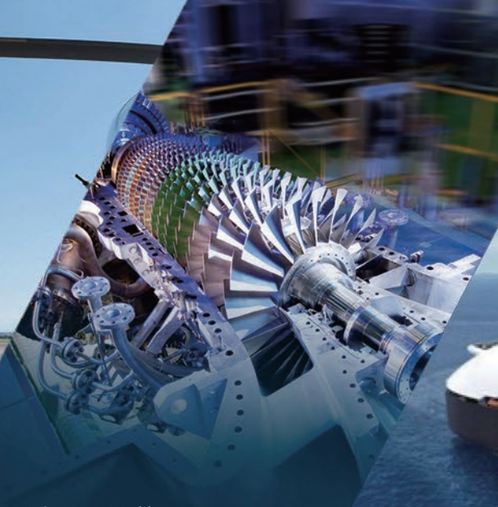
FORRO indoor delivery robot

Near-future mobility

Q. What is the desirable form of near-future mobility?

For more details, refer to pp. 57–58.

Z-Leg™ helicopter arrangement service



Hydrogen gas turbine

Energy and environmental solutions

Q. What are the solutions for improving the energy and environmental load?

For more details, refer to pp. 43–54.

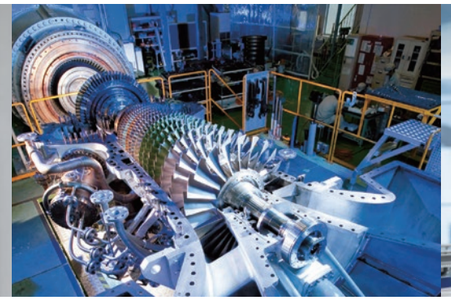
Large liquefied hydrogen tank (200,000 m³ class)

Large DAC system directly capturing CO_2 from the air

Large liquefied hydrogen carrier

Contents and Editorial Policy





Point

Inheriting the spirit of our founder, Shozo Kawasaki, of "contributing to the nation and society through expertise," the Kawasaki Group has continued to contribute to the solution of social issues for more than 120 years since our incorporation. Going forward, the Kawasaki Group will continue, as a challenger, to deliver "trustworthy solutions for the future."

Point

In November 2020 we formulated the Group Vision 2030 proclaiming the policies of "Pursue Growth," "Profits," and "Stability/Synergy." In line with a growth scenario casting a watchful eye on the social issues of a new era, we are tackling portfolio reform and organizational reform as well with the aim of realizing a high-revenue structure.

Point

Keeping a watchful eye on various social issues, such as the realization of a decarbonized society, responses to the aging societies and labor shortages primarily in advanced countries, the elimination of regional disparities in healthcare and so on, the prevention of and early recovery from natural disasters, and the stable supply of energy, we have set out three focal fields. In our materiality, we have positioned "social and environmental value created through business" as a most material issues.

Point

In existing businesses, our intention is to consolidate this trend toward a return to the growth trajectory. Each business segment has drawn up a roadmap toward achievement of the target of realizing a business profit margin of 8% by fiscal 2027 and more than 10% by fiscal 2030. While promoting ambidextrous management, our aim is to achieve the Group Vision 2030.

Point

The Kawasaki Group takes into consideration such things as the connections between social issues and our business activities and the impacts for stakeholders and identifies material issues (materiality). Initiatives conducted through our main business have been defined as the most material issues to be achieved by the Group over the long term, while other issues have been positioned as basic items for achieving the most material issues. We are working to strengthen these initiatives.

Point

In addition to financial and non-financial data, we present basic information about the Kawasaki Group.*

* The Group has applied the International Financial Reporting Standards (IFRS) since fiscal 2022. Accordingly, financial figures for fiscal 2021 are also shown in accordance with IFRS. Financial data for fiscal 2020 and earlier are based on Japanese generally accepted accounting principles (GAAP), but in this report, terms such as "revenue" and "business profit" are used in the same manner as under the IFRS. (In fiscal 2020 and earlier, values labeled as "net sales" and "operating profit" pursuant to Japanese GAAP are indicated as "revenue," "business profit," and so on.)

Editorial Policy

Since fiscal 2013 the Kawasaki Group has published the Kawasaki Report as an integrated report. The report serves as a tool for communication with stakeholders and includes information about the Group's efforts to create value for society and boost enterprise value; management policies; business environment and strategy, and environmental, social, and governance (ESG)-related content. More information on many of the topics touched upon in this report can also be found on our website.

Kawasaki Report ⟷ Website

Complementary information on Website

Detailed information and data related to the environment, society, and governance (ESG) are disclosed in a timely manner by updating our website as the information becomes known.

IR information
https://global.kawasaki.com/en/corp/ir/
Sustainability information
https://global.kawasaki.com/en/corp/sustainability/index.html

Period

This report covers fiscal 2023 (April 1, 2023 to March 31, 2024), but some fiscal 2024 content is also included.

Scope

The report covers Kawasaki Heavy Industries, Ltd., its 105 consolidated subsidiaries, and 20 equity-method affiliates. Some data, however, refer to the parent company alone.

Frequency of Publication

Annually, in principle
Previous edition–October 2023
Next edition–September 2025

Contact Us

Please make inquiries through the inquiry form on our website.
https://global.kawasaki.com/en/corp/profile/contact/

Guidelines

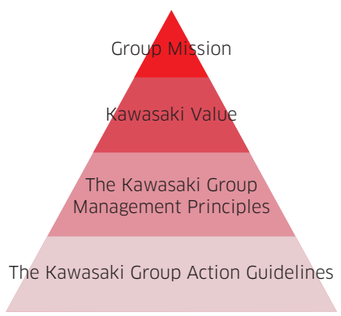
- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- International Financial Reporting Standards (IFRS) International Integrated Reporting Framework
- Ministry of the Environment Environmental Reporting Guidelines (2018 Edition)
- Ministry of Economy, Trade and Industry Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0

Group Mission
(Our role in society)

Kawasaki, working as one for the good of the planet

“Global Kawasaki”

We are the Kawasaki Group, a global technology leader with diverse integrated strengths.
We create new value for a better environment and a brighter future for generations to come.



Kawasaki Values (Key values: the basis for strategy and policy planning)

- We respond to our customers’ requirements
- We constantly achieve new heights in technology
- We pursue originality and innovation

The Kawasaki Group Management Principles
(Group management guidelines; principles for management activities)

1. **Trust** As an integrated technology leader, the Kawasaki Group is committed to providing high-performance products and services of superior safety and quality. By doing so, we will win the trust of our customers and the community.
2. **Harmonious coexistence** The importance of corporate social responsibility (CSR) permeates all aspects of our business. This stance reflects the Kawasaki Group’s corporate ideal of harmonious coexistence with the environment, society as a whole, local communities and individuals.
3. **People** The Kawasaki Group’s corporate culture is built on integrity, vitality, organizational strength and mutual respect for people through all levels of the Group. We nurture a global team for a global era.
4. **Strategy** Enhance corporate value based on the guiding principles of “selective focusing of resources,” “emphasis on quality over quantity,” and “risk management.”

The Kawasaki Group Action Guidelines
(Guidelines for carrying out day-to-day business activities)

1. Always look at the bigger picture. Think and act from a long-term, global perspective.
2. Meet difficult challenges head-on. Aim high and never be afraid to try something new.
3. Be driven by your aspirations and goals. Work toward success by always dedicating yourself to your tasks.
4. Earn the trust of the community through high ethical standards and the example you set for others.
5. Keep striving for self-improvement. Act on your own initiative as a confident professional.
6. Be a part of Team Kawasaki. Share your pride and sense of fulfillment in a job well done.

Kawasaki Group Policy on Sustainability Management

1. Fundamental concepts

Guided by our founder Shozo Kawasaki’s philosophy of “contributing to the nation and to society through expertise,” the Kawasaki Group for more than 120 years has been constantly taking on leading-edge technological challenges to contribute to social development through the provision of innovative products.

Today, we promote the development of solutions and new frameworks toward the future under the Group’s mission of “Kawasaki, working as one for the good of the planet,” which was built on the above philosophy. Our initiatives to this end range from transitioning to hydrogen energy to advocating for novel workstyles supported by robotic technologies.

To realize the Group’s mission, this policy clarifies our long-term management approach in furtherance of our simultaneous pursuit of a sustainable society and ongoing improvement in corporate value. This pursuit will be underpinned by our efforts to create and deliver innovative solutions to various social and environmental problems confronting humanity and our planet now and in the future.

In line with this policy, we will identify material issues based on the real-time assessment of the socio-economic environment and formulate management plans backed by well-grounded growth scenarios. Moreover, we will strengthen corporate governance and engage all our stakeholders in dialogue and collaboration to create new economic, social and environmental value.

2. Policy on sustainability management

(1) Taking on the challenge of resolving social issues

We will take on the challenge of delivering innovative solutions to issues faced by society in the environmental, energy, and resource fields, as well as to other problems arising from ongoing societal changes on various fronts, with the aim of contributing to the well-being of people around the world and the good of the planet now and in the future. To this end, we will take full advantage of our technological capabilities, which we have developed over many years, while consolidating diverse insights both within and outside the Kawasaki Group.

At the same time, we will continuously upgrade and transform the Kawasaki Group itself so that we remain capable of delivering new value as needed by stakeholders. Specifically, we will:

(i) Develop and implement carbon-neutral energy technologies to support international efforts to curb climate change.
(ii) Deliver solutions that upgrade industries and daily living in various forms to help create a safe and secure society in which everyone can enjoy abundant life.
(iii) Establish a business model that effectively utilizes resources and thereby contribute to the realization of a circular society.

(2) Responsible corporate conduct

We will remain acutely aware of the social and environmental impact of our business operations and strive to enhance the sustainability of the entire value chain by implementing countermeasures in areas where our operations might pose a negative impact. Specifically, we will:

(i) Strive to achieve net zero CO_2 emissions and, to this end, proactively work to reduce any forms of environmental burden attributable to our business activities.
(ii) Uphold international norms as well as laws and regulations enforced in countries in which we operate as part of responsible corporate conduct.
(iii) Respect the human rights of all people who come into contact with our business while taking a sincere approach to addressing human rights issues.

(3) Strengthening business foundations

We will continuously strive to enhance our corporate value through improved corporate governance, a high level of employee engagement, and dialogue and collaboration with stakeholders. Specifically, we will:

(i) Strengthen corporate governance as the basis for sustainability management.
(ii) Enhance employee engagement and organizational resilience by fostering a corporate culture that encourages employees to take on challenges and promoting active diversity.
(iii) Develop solid and trusting relationships with stakeholders via timely and appropriate information disclosure and constructive dialogue and collaboration, in addition to reflecting their expectations in our management decisions.

Our Businesses (Fiscal 2023)

Revenue

¥1,849.2 billion

Main products

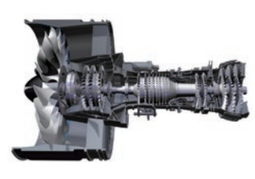
Aerospace Systems 21.4%

- Aircraft for the Japan Ministry of Defense
- Components for commercial aircraft
- Commercial helicopters
- Missiles/Space equipment
- Aero engines
- Aerospace gearboxes


P-1 Maritime Patrol Aircraft


H145//BK117 D-3


Boeing 787 Dreamliner
Photo provided by Boeing Company


PW1100G-JM
Photo provided by
Japanese Aero Engines Corporation

Rolling Stock 10.5%

- Electric train cars (including Shinkansen [bullet trains] and new transit systems)
- Electric and diesel locomotives
- Passenger coaches
- Bogies


Dhaka MRT Line-6 cars for
Dhaka Mass Transit Company Limited
in Bangladesh


4000V-series subway cars for
Yokohama City Transportation Bureau


Japan Freight Railway Company
Class EF510
300-series electric locomotives


H100-series railway cars for
Hokkaido Railway Company

Energy Solution & Marine Engineering 19.1%

Hydrogen and carbon neutral

- Shipping/receiving terminals
- Liquefied hydrogen tanks
- Onshore LNG tanks
- Carbon dioxide capture, utilization and storage (CCUS)

Energy solution

- Gas turbine cogeneration systems
- Gas and diesel engines for power generation
- Steam turbines
- Aerodynamic machinery
- Boiler plants
- Combined cycle power plants (CCPPs)

Plant engineering

- Industrial plants (cement, fertilizer, and others)
- Municipal waste incineration plants
- Material handling systems
- Tunnel boring machines
- Crushing machines

Marine machinery

- Marine gas turbines/ reduction gear
- Marine reciprocating engines
- Marine propulsion systems

Ship & offshore structure

- Gas carriers
- Liquefied hydrogen carriers
- Jetfoils • Submarines


Liquefied hydrogen cargo handling demonstration terminal and liquefied hydrogen carrier, SUISO FRONTIER


30MW-class gas turbine first shipped overseas


Municipal waste incineration/ biogas facilities for Kagoshima City's Nanbu (south) waste processing plant


86,700 m³ LPG/ ammonia carrier

Precision Machinery & Robot 12.3%

- Hydraulic components for construction machinery
- Hydraulic components for agricultural machinery
- Hydraulic components and systems for industrial machinery
- Hydraulic steering gears for marine products
- Hydraulic deck machinery for marine products
- Industrial robots
- Medical and pharmaceutical robots


Hydraulic components for
construction machinery


Hydraulic booster
"Hydrogen compressor"


BX series spot welding robots for
automobile body assembly lines


hinotori™ Surgical Robot System

Powersports & Engine 32.0%

- Motorcycles
- Off-road four-wheelers (utility vehicles, ATVs)
- Personal watercraft (PWC)
- General-purpose gasoline engines


Ninja e-1 and Z e-1


KX450


RIDGE LIMITED


JET SKI® Ultra 310LX

Other
4.5%

Incorporated in
1896

Founded in
1878

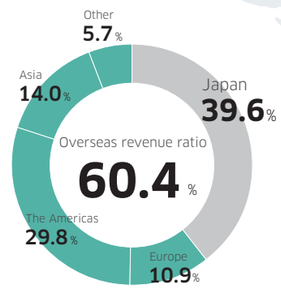
Consolidated employees
39,689

Overseas
11,590

Japan
28,099

Major domestic production sites
17

Major overseas production sites
24



Trustworthy Solutions for the Future

The Kawasaki Group will make available in a timely manner innovative solutions that accommodate an ever-changing society in order to create a hopeful future.
At the same time, the Group will surpass organizational boundaries and take on challenges to expand the horizons of its potential for further growth.

Frontier
New Values
Cross Over

Frontier | Pioneering the technology frontier with our challenger DNA

Since our founding, we have always been challengers. Throughout a history studded with national and global firsts in many sectors, including shipbuilding, rolling stock, and aerospace, we have leveraged our cutting-edge technologies and fostered a DNA characterized by a spirit of pioneering the frontier that draws on our unique perspective.

We will continue to respond to the frontier of this new era's social challenges, based on that unique perspective, in order to create a hopeful future.

New Values | Providing innovative solutions to the problems facing the world

The world is now facing an array of problems, including environmental deterioration, energy challenges, expanding populations, graying societies, natural disasters, and pandemics.

We are committed to providing new and meaningful value to a wide range of customers and society by concentrating the trusted technologies and knowledge that we have built in order to provide innovative solutions and to speedily accommodate social change.

Cross Over | Becoming a creative challenger that continues to grow by breaking barriers

To provide innovative solutions focused on social challenges, we will continue to be an open-minded, free-thinking, and creative team that goes beyond the boundaries of internal and external organizations and of product/service categories, leveraging our rich diversity.

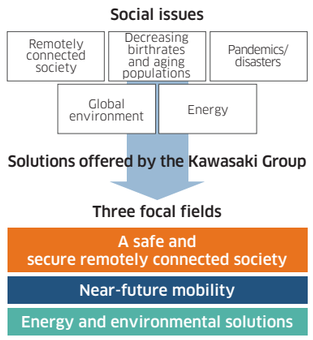
Moreover, we will keep growing as an organization and as individuals by expanding our potential, boldly taking on challenges in unfamiliar domains and learning from the experience.

Management Policy

In fiscal 2020, the Kawasaki Group set out Group Vision 2030, a vision for the Group's future.

We have set out three focal fields, and are currently promoting various measures to deliver timely solutions for a variety of social issues, such as realizing a decarbonized society; addressing aging societies and labor shortages primarily in advanced countries; eliminating regional disparities in matters such as healthcare; preventing and recovering quickly from natural disasters; and the stable supply of energy.

We will pursue continuous growth by investing in growth businesses while transforming businesses to meet evolving needs, taking as our three basic strategies "Pursue Growth," "Profits," and "Stability/Synergy."



Pursue growth	Development investment in growth fields and new businesses
Profits	Business profit margin: 8% by FY2027, Over 10% by FY2030 After-tax ROIC: 3% or more higher than WACC
Stability / synergy	Realizing a conglomerate premium* * An enterprise value-increasing effect from synergy between businesses

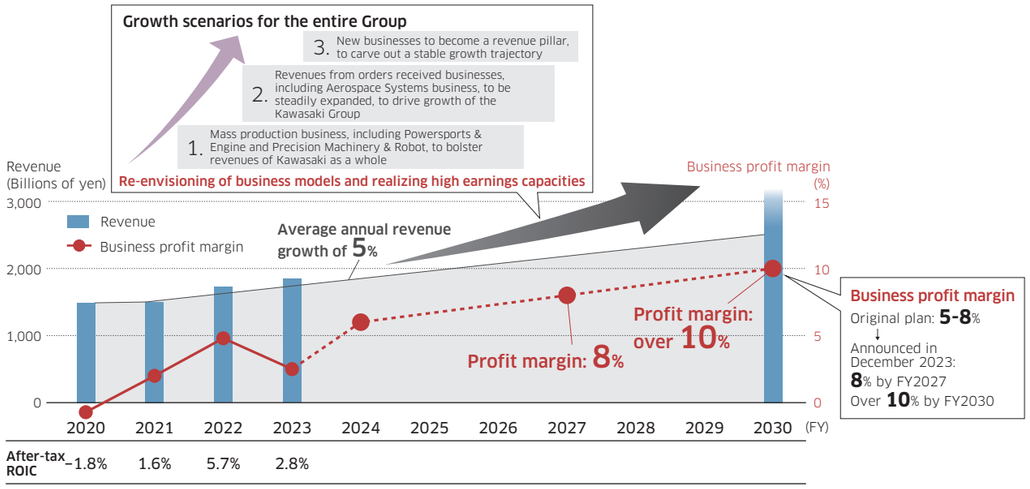
Related SDGs

Changes to Our Business Model in Keeping with Growth Scenario: Raising Business Profit Margin Targets

Under Group Vision 2030, we are pursuing a growth scenario around three focal fields. In addition to the continued strong performance of the Powersports & Engine business, earnings from the Aerospace Systems business and other order-based businesses are expected to grow stably with the full-fledged recovery in aircraft demand. The growth scenario is now approaching the transition from its second stage to its third stage, and going forward we will actively aim to chart a stable growth trajectory by generating revenue from new businesses including the hydrogen business.

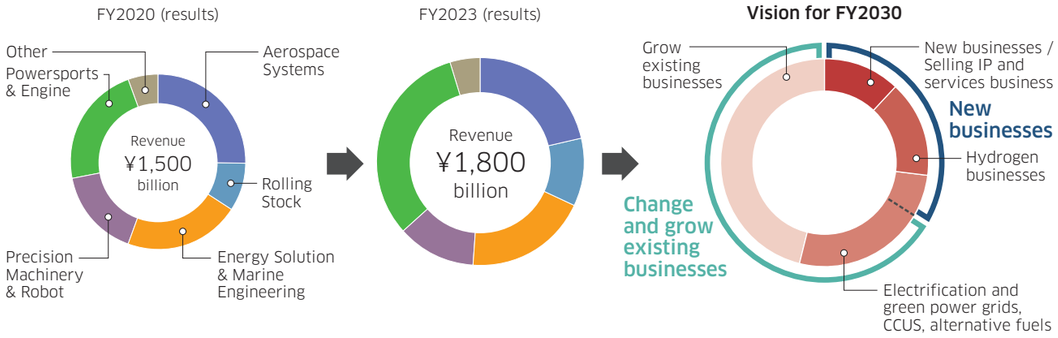
To date under Group Vision 2030, we have aimed to achieve an average annual revenue growth rate of 5%, which exceeds the global GDP average growth rate of 3%, and has resulted in business growth of approximately 7–8% since fiscal 2021. Regarding profits, we will actively aim to achieve a business profit margin of 8% by fiscal 2027 and a business profit margin of over 10% by fiscal 2030.

Envisioned growth



Business Portfolio Innovations

In existing businesses, our aim is for growth as we improve earning power through the development of products and services that meet market needs while we pursue business portfolio innovations in anticipation of the year 2030. We anticipate significant expansion in our hydrogen-related businesses on which we are currently concentrating and in our carbon neutral-related businesses such as for addressing electrification and green-power grids. Furthermore, we will accelerate both our shift from the sale of goods to the sale of IP and services, and the creation of new businesses that make the most of open innovation. Our goal is to be a corporation that achieves more substantive solutions to social issues and is even more well-regarded by all of our stakeholders.



Process for Identifying the Kawasaki Group's Material Issues

In 2018, Kawasaki Group identified material issues (materiality) by recognizing and summarizing the impact business activities have on society, in light of the diversifying expectations and demands of stakeholders and changes in the business environment. The material issues were subsequently reevaluated following the announcement of the Group Vision 2030 in November 2020.

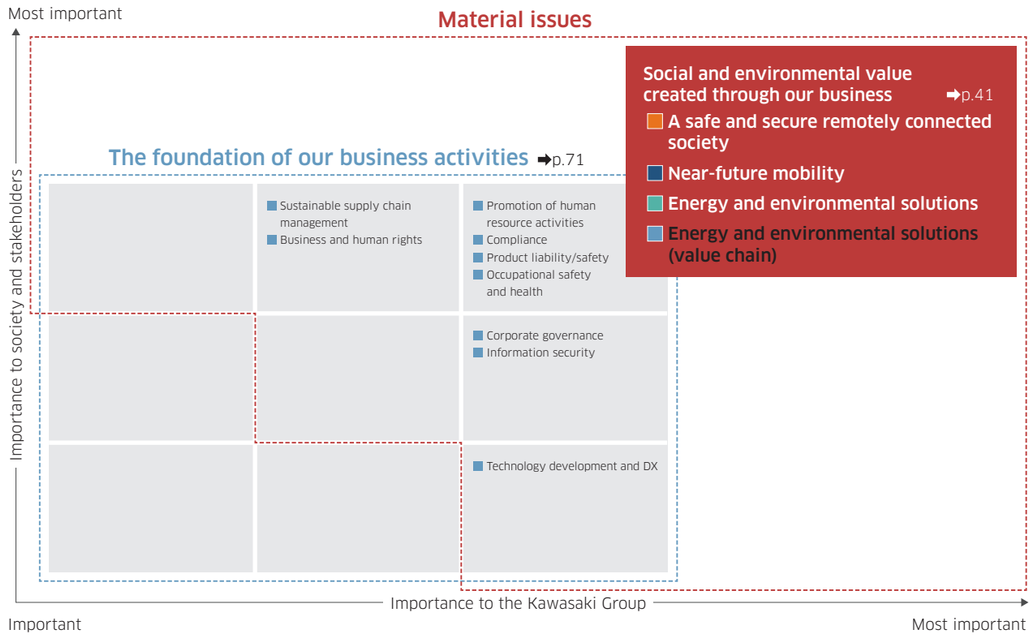
We divided them into two broad categories: The "social and environmental value created through business" and the "foundation of our business activities." Initiatives conducted through our main business have been defined as the most material issues to be achieved by the Group over the long term, while other issues have been positioned as basic items for achieving the most material issues. Going forward, we will continue to regularly review our materiality in response to changes in the business environment and the expectations of society.

➡For more details, refer to the website.
Materiality

Process for identifying materiality (overview)

Step		Process
2018	–	**Identify material issues (materiality)** The "social value created through business" was defined as the most material issues to be achieved by the Group over the long term, with other topics positioned as the "foundation of our business activities."
2021–2022	Step 1	**Reevaluation of material issues (materiality) in line with the formulation of Group Vision 2030** In November 2020, we formulated our Group Vision 2030, considering a variety of social issues, the Company's strengths and our vision for 2030. We also established three focal fields, including a safe and secure remotely connected society, near-future mobility and energy and environmental solutions. In June 2021, upon discussion by the Sustainability Committee chaired by the President, these three focal fields were set out as the social and environmental value created through business. In light of our business strategy under the Group Vision 2030 and recent changes globally around sustainability, we additionally reviewed the "foundation of our business activities" category. We identified and sorted issues—with input from outside advisors—based on survey items from ESG assessment organizations (DJSI, FTSE, MSCI, Sustainalytics), SASB, investor stewardship principles, GRI, Future-Fit, and client company requests (Self-Assessment Questionnaire). We then mapped the material issues into two tentative categories: "Importance to society and stakeholders" and "importance to the Group."
	Step 2	**Interview outside experts and decide the material issues** We then obtained the opinions of outside experts and reevaluated this mapping. After discussion by the Sustainability Committee based on those opinions and the revised mapping, further discussions were held by the Board of Directors which then determined the final material issues. **Expert comments (excerpt)** ●The Kawasaki Group has been hands-on in creating a business foundation to allow many companies to make the jump to 2030 and beyond. Because Kawasaki Group's own transition represents the creation of innovation for other companies, discussing that scenario in the context of value creation will make it easier to gain the understanding of investors. ●I would like the Company to make visible how the "foundation of our business activities" is connected to "social and environmental value created through our business, including a time line. In the wake of the COVID-19 pandemic, investors are keeping a close eye on issues of sustainable supply chains and human rights, so these two could be elevated a bit more under social and stakeholder expectations. ●The Company needs to list decarbonization and addressing TCFD among its "foundation of our business activities" issues. I think hydrogen can be considered over a somewhat longer period of time, as the technological innovations that will arise in the first half of 2030s will see the cost of hydrogen from renewable energy sources and the cost of hydrogen from fossil fuels reversed.
	Step 3	**Formulate the plan and conduct a review** Regarding our identified material issues, we will aim to comply with the management approach defined under GRI standards, stipulate responsible divisions and specific numerical targets, and, through steady practice and follow-up, promote activities toward the achievement of these targets. We will report the state of progress to the Board of Directors and the Sustainability Committee and endeavor to make improvements as necessary.

Materiality matrix of items identified



Priority items in the foundation of our business activities category

Items selected as important issues under the "foundation of our business activities" category have been categorized as follows, and priority items have been established under each issue: 1. Items of particular importance going forward (items that will have an ever-increasing impact on future finances); 2. Items that were emphasized in the past, but which will be steadily reinforced going forward; and 3. Mechanisms to be developed as the foundation for everything.

Further, we clarified the scope of initiatives in 1. and 2. Based on a high-level view of the entire value chain, from planning and design and product use, and from the suppliers involved to the customer.

: Scope of initiatives		Suppliers*	The Kawasaki Group	Our customers
Items of particular importance going forward (items that will have an ever-increasing impact on future finances)	Energy and environmental solutions (value chain)		Decarbonization	
			Improve resilience in response to climate change	
			Effective use of resource	
	Business and human rights		Conduct human rights due diligence	
	Promotion of human resource activities		Human resource system reforms, human resource development	
			Diversity and inclusion	
	Technology development and DX		Co-creation IP strategies for new business creation	
			Open innovation	
			Promote DX	
Items that were emphasized in the past, but which will be steadily reinforced going forward	Product liability/safety		Product liability/safety	
	Compliance	Compliance with the Sustainable Procurement Guidelines	Compliance with the Kawasaki Group Code of Conduct	
			Anti-corruption measures	
	Occupational safety and health		Occupational safety and health	
	Information security		Strengthen product security	
			Strengthen information security	
			Strengthen cyber defenses	
			Privacy policy	
Corporate governance (mechanisms to be developed as the foundation of everything)				

* Because items to be addressed with regards to sustainable supply chain management are wide-ranging, priority items are shown in the Supplier column.

Yasuhiko Hashimoto

Representative Director
President and Chief
Executive Officer

I pledge to remake us a compliance-first company as we continue pursuing our future vision.

I sincerely apologize for the compliance violations that occurred in the submarine repair and marine diesel engine businesses. We take this situation very seriously and will do our utmost to prevent a recurrence and quickly restore the trust of our stakeholders. We are making steady progress fulfilling the growth scenario that we have been promising for some time, so I would like to begin by talking about this progress, after which I will explain our compliance-first initiatives.

Earnings are steadily growing in line with the growth scenario

In 2020, the Kawasaki Heavy Industries Group announced the Group Vision 2030 and has drawn up a three-step growth scenario to exceed the projected 3% global GDP growth rate by achieving annual business growth rate of 5%. The first step is to establish the Powersports & Engine, Precision Machinery & Robot, and other mass production businesses as our earnings foundation. The second step is to establish consistently growing earnings and cash by expanding the orders-based businesses such as Aerospace Systems as the market recovers. The third step is to create a steady growth trajectory by developing new businesses, such as the hydrogen and medical robot businesses, into new earnings pillars. Currently, four years after the establishment of the vision, we are starting to move from the second to third steps and are exceeding our 5% growth target by expanding our business at a 7–8% annual pace.

Our profit performance has also been improving since we adopted the vision in 2020. We have been targeting a return on invested capital (ROIC) 3% over the cost of capital and a business profit margin of 5% to 8% regardless of the external environment.

Our efforts to improve cash flow and profit margins are gradually beginning to bear fruit and in December 2023, we raised our targets to a business profit margin of 8% by fiscal 2027 and above 10% by fiscal 2030. Profits dipped in fiscal 2023 due to operating issues with commercial aircraft engines, but in fiscal 2024 we expect to reestablish the growth trajectory and set new all-time highs in orders received, revenue, and business profits. To date, our efforts to fulfill the Group Vision 2030 have been steadily transforming our corporate structure to improve our ability to provide solutions to various social issues in a timely manner.

Breaking out of the deflationary spiral and creating a virtuous cycle for the Japanese economy

Japan's economy is emerging from its long-standing deflationary spiral and shifting into a virtuous cycle. While the economy has been in a deflationary phase, products had to be made cheaply in order to be able to sell them, which caused our Company and our suppliers to lower contract unit prices and run our businesses on thin margins. As the economy moves into an inflationary phase, we need to price our products appropriately so we can generate reasonable profits and create a system for sharing the profits with our employees and suppliers. We increased base pay by the full amounts negotiated by the Japanese labor union in both 2023 and 2024. While we believe it is important to raise wages to ensure the livelihood of our employees, we are also aware that our suppliers must also deal with rising costs from employee wages as well as for raw materials and transport. We also must make sure our clients understand the situation and our need to improve the trade conditions. I believe the earnest negotiations

with clients, and our sales segment's efforts to highlight the value-added features of our products and services are beginning to produce results. With the Japanese economy at a turning point and both our Company and our clients gradually recognizing each other's added-value, we will continue seeking to improve our trade conditions with our clients.

As mentioned, our earnings are moving back onto a growth trajectory, but we recognize that there are still many profitability and cash flow issues that we must address. As a Japanese company, we are determined to continue improving profitability and cash flow and adamant about working with our employees, clients, and suppliers to create a virtuous cycle for the Japanese economy.

Constantly watching to identify emerging needs and swiftly changing with the evolving market

Transforming our businesses is another way we are enhancing our earning power. As we select and concentrate our existing business, it is my conviction that we "will not eliminate or sell business units." The vast range of technologies we possess in various fields is one of the Group's strengths and will be a source of future growth. By selling off a business unit, we would lose some of our strength. However, keeping the technology does not mean maintaining the status quo of the business.

For example, when I was appointed president, there was talk that we should withdraw from the shipbuilding business. Instead, we refocused on the business to specialize in LPG-fueled LPG/ammonia carriers in the short term and liquefied hydrogen carriers in the long term. The shipbuilding business has now become highly profitable and a driver of Group earnings. In this way, if management is able to look ahead and prepare an effective mission and business structure in the current conditions, I believe we can transform our businesses in ways that our clients will welcome.

People outside the Company have told me how Kawasaki has a reputation as a "friendly" company. I take this to mean that people respect our sincere corporate culture, but I also think it has a sense that we are not good at pursuing profits.

Kawasaki has a wealth of human resources who love our technologies and products. That's absolutely wonderful, but I also think that we have had a strong tendency to put more emphasis on technology and developing technologies than on profits. However, in today's rapidly changing market, the only way for our business to succeed is to continue our development activities but while constantly watching and exploring what the markets need and changing along with the market.

With Group Vision 2030, I am showing the entire Company how we will use the technology we have inherited, how we will earn profits commensurate with our value creation, and how we will change our business to achieve these goals.

As we enter the fourth year since adopting the vision, I believe the stricter scrutiny we have been putting on marketability, cash flow, and profitability has permeated the way our employees think.

Kawasaki founder Shozo Kawasaki had the philosophy of "contributing to the nation and to society through expertise." This will be our guide as we transform our Group to meet the needs of the markets and vigorously pursue cash and profits. Group Vision 2030 will ensure we succeed.

Robotics x mobility for solutions for social issues

The objective of Group Vision 2030 is to provide new value by integrating our extensive technologies and expertise in our three focal fields.

In the fields of "a safe and secure remotely connected society" and "near-future mobility," we have been increasing the number of medical departments and the number of cases for the *hinotori*™ surgical robot system since it was introduced to the market by Medicaroid Corporation, our joint venture with Sysmex Corporation, in 2020. We have also launched several new businesses, including the Remote Robotics Inc. joint venture with Sony Group Corporation and development of K-RACER unmanned vertical take-off and landing (VTOL) aircraft. More recently, the newly developed FORRO indoor delivery robot was officially adopted by Fujita Health University in April 2024.

The advances in digitalization, automation, and artificial intelligence are creating a stronger overlap between the robot and mobility domains. Robots carry goods and people, and mobility devices communicate with robots. Mobility devices communicate with each other and interact with each other. Kawasaki manufactures equipment for land, sea, and air transport, and we recognize that our status as the only heavy industry corporation with a robotics

business puts us in a position of strength. Our collaborations to use sensing technology from SEQSENSE Inc. and location data technology from Mapxus Technology Japan Limited enabled us to introduce the FORRO indoor delivery robot to the public at an early stage. We are urgently advancing initiatives that are making active use of open innovation with other companies.

After the Noto Peninsula earthquake in January 2024, we deployed Z-Leg™, a new helicopter delivery service, to distribute aid in the stricken area. The activities have helped us create a framework for working with the national and local governments to deliver packages, including our products, needed in specific phases of disaster relief so we can be better prepared for future extreme natural events.

I believe that we must have a perspective of "being useful to society" not just when needed after a disaster, but in all of our business activities. We will continue combining the technologies and expertise the Group has cultivated as we pursue the ideal form of a remote society and near-future mobility and seek solutions for evolving social issues.

Fulfilling our social mission as a leader in hydrogen

We have positioned the hydrogen business at the forefront of our energy and environmental solutions activities and are taking steps to construct a hydrogen supply chain.

We have been focusing on developing hydrogen as a next-generation energy source for over a decade, and it seems as if that expectations for hydrogen energy worldwide have picked up noticeably in the past year. In addition, many of the offers for partnerships that we have received and examined are approaching the stage of actual collaborative activities. Following our strategic collaboration agreement with the Abu Dhabi National Oil Company (ADNOC), the largest energy company in the United Arab Emirates, in June 2024 we signed a memorandum of understanding (MOU) with Daimler Truck Holding AG to establish a liquefied hydrogen supply chain for Germany and a transport network for liquefied hydrogen stations in Europe. In Japan, JFE Steel Corporation agreed to lease land at its Steel's East Japan Works (Keihin District) on Ohgishima for construction of a hydrogen receiving terminal for the Liquefied Hydrogen Supply Chain Commercialization Demonstration Project, as we continue to lay the foundation for full-scale distribution of hydrogen beginning in 2030.

The advantages of hydrogen are that it is a clean fuel and amenable to various production and transport methods as well as mass and long-term storage. In short, it is an energy source that is both carbon neutral and energy secure. There are several ways to transport hydrogen, but we believe the most efficient is liquefied hydrogen because it is non-toxic

and the carrier does not require large amounts of external energy at the terminal. Our efforts on numerous occasions to advocate the advantages of hydrogen, especially liquefied hydrogen, have garnered support from Japanese and foreign governments and municipalities, as well as the international collaborations mentioned earlier.

We take pride in being the "lead runner in hydrogen" and are actively participating in creating the international standards, but one company alone cannot construct a liquefied hydrogen supply chain or a hydrogen society. We are stepping up the creation of alliances to commercialize hydrogen businesses, joining forces with various players, and sharing our insights for how to make hydrogen energy practical for society.

Cultivating "human resources who take on challenges" to lead the future

It is very gratifying to see that the reforms to the personnel system that I have been pushing since becoming president are having some effect.

The most important element in bringing about the total reform of our Company is for each employee to approach their work with the idea that "my efforts will make the Company better, and my dream is connected to the future of the Company." When all employees think that the Company will change, society will change, and their future will change, it will be a great source of strength. As the highest executive in the Company, I am sending the message that "you can make a difference" and providing the systems and incentives to encourage all of us take on the challenge.

That is why the new personnel system is designed to recognize employees who set high targets and reward them for making an effort even if the target is not achieved. I also ask the line managers who oversee the employees to think of not only how to attain the goals for the department, but also how to improve employee engagement and the work environment.

Since the new personnel system was first introduced, the executives I often meet with have shared various views about the results of the WinDEX employee engagement survey, how to raise the scores, how to address employee issues and train employees, and how to reform the organization. The iron rule for transforming an organization's culture is to start from the top, so it's gratifying that the institutional reforms implemented so far have made some progress.

On the other hand, I read the survey results a little differently. My sense is that the mindset we are working to establish still hasn't trickled down to younger employees and the workers at the manufacturing sites, and also that the Company is not yet fully harnessing the drive that employees have to change society and achieve their own self-fulfillment.

Since 2023, I started visiting plants where I would spend three to four hours talking with engineers in charge of operations. In order to clearly convey their own ideas to employees and gain their understanding, managers need to talk directly with them in terms that are understandable to them, and also that it is essential to listen to and incorporate their employees' ideas. I am trying to help our managers improve their communication skills and create an ongoing dialogue with employees with the hope that it will encourage more employees to take on challenges.

Strengthening compliance

In the course of these efforts, we sincerely apologize for the concern and inconvenience caused to our customers and all stakeholders regarding the compliance violations that were found in the submarine repairs and marine diesel engine businesses.

The Group considers the repeated compliance violations as an extremely serious matter and has established a Special Investigative Committee of external experts to investigate the causes of each incident and propose measures to prevent recurrence.

In parallel with the Special Investigative Committee's inquiry, we have established the Special Compliance Promotion Committee, chaired by myself and comprised of senior corporate executive officers and business division heads, with the aims of proactively addressing issues in the Group corporate culture and governance, formulating measures to prevent recurrence, and prioritizing the immediate implementation of corrective measures.

When the Compliance Promotion Committee was created, I immediately sent an internal message reaffirming my commitment to putting the highest priority on compliance. We are currently reviewing our business flow and constructing systems incorporating digital technology and other mechanisms that will prevent fraud and strengthen fraud detection. In the future, we plan to conduct questionnaires and inspections by our own departments, we will conduct company-wide surveys involving the head office, other business divisions, and outside experts to verify the status of on-site operations and business processes.

On November 1, 2024, we established the Corporate Defense Business Management Division at the head office to oversee all of the Group's defense business activities. Centralizing defense business management at the head office will ensure thorough governance and compliance, fulfill our corporate responsibility to society as a company involved in the defense industry, and realize organic and efficient management.

The Group is taking this as an opportunity to completely deconstruct and rebuild its internal structure by reviewing all of its existing systems, being prepared to drastically change its corporate climate and culture, rebuilding its compliance and governance systems, and taking every step necessary to prevent recurrence.

I pledge to take the lead to build a system that prevents fraud, improve fraud detection, and make Group-wide efforts to fundamentally reform our organizational climate and culture so we will regain full trust in the Company.

Turning ESG into a new strength

One of the ways we will reform our organizational culture is by strengthening our ESG initiatives. In the environmental field, as a "lead runner in hydrogen" and a company providing energy and environmental solutions, we need to be ahead of other companies in decarbonization of our business activities. We are targeting achieving carbon neutrality in Japan by 2030, which we will do by incorporating our own hydrogen power generation facilities.

At the same time, we are transforming the employee work styles. The primary goal is to improve employee work-life balance, but these reforms will also increase operating efficiency and shorten working hours, which will lower our energy consumption and bring us closer to carbon neutrality. As we move toward the goal, it will be important that employees don't wait for the introduction of hydrogen power generation, which is being tackled by some divisions, but that all employees work toward the goal by looking for ways to improve their own work efficiency. That same approach was behind the revisions to the executive compensation system in fiscal 2024, which now include criteria related to achieving CO_2 emission reduction targets, external ESG evaluations, and stock price indicators. Through these actions and system revisions, we hope to encourage employees to take matters into their own hands, which will generate change in the organizational culture and, ultimately, an increase in corporate value. Also in fiscal 2024, the diversity of the Board of Directors was improved by raising the number of female board members from three to five. The Board will continue incorporating various perspectives to deepen its discussions and enhance corporate governance.

We look forward to the continued understanding and support of our stakeholders.

Yasuhiko Hashimoto
Representative Director
President and Chief Executive Officer

We are strengthening our financial foundation and improving capital efficiency to raise the business profit margin above 10% by fiscal 2030.

Reestablishing a growth track and improving profitability further

We achieved record levels of orders received and revenue in fiscal 2023, but profit declined due to a ¥58 billion loss in business profit posted in the second quarter owing to the losses related to operational issues with commercial aircraft engines. Without this one-time loss, business profit would have exceeded ¥100 billion, which we believe is evidence that our earning power is steadily building.

Segment earnings included the Powersports & Engine business continuing its strong earnings performance begun in fiscal 2022. The Energy Solution & Marine Engineering business also posted solid results, supported by consecutive LPG/ammonia carriers built in Japan and sales of waste incineration plants. The Aerospace Systems business is also rising back to its pre-pandemic earnings level.

In fiscal 2024, we anticipate generating record highs for orders received, revenue and business profit. We have created roadmaps for each business segment to consolidate our return to an earnings growth track and attain our Group Vision 2030 target to raise the business profit margin to 8% by fiscal 2027 and above 10% by fiscal 2030.

Cost of capital awareness and sophisticated business portfolio management

We are aware of the general opinion of the importance for conglomerate companies like ours to disclose ROIC for each business. The Kawasaki-ROIC Management that we introduced set a hurdle rate for pre-tax ROIC of 8% for all business divisions. However, our management decisions are now being made by taking into account the Company's overall cost of capital as a way to optimize the Group's overall fundraising and growth investment capability. Our cost of capital (WACC) is estimated around 4-5%, and the Group Vision 2030 sets a target for after-tax ROIC to be 3% higher than WACC.

Although we do not disclose ROIC for each business segment, we do use it to evaluate the compensation amounts of executive officers, such as internal company presidents, and for executing business strategies with an awareness of cost of capital. Management of our business portfolio will seek to improve each segment's cost of capital management as well as to identify ways to improve business profits and strategically allocate resources.

Improving business profit margins and maximizing cash flow

A strong financial foundation is essential for sustainable corporate growth. The Group's financial condition indicators have been gradually deteriorating from the significant increase in working capital accompanying the growth in revenue in the past few years.

Part of our financial discipline is to maintain a net debt-to-equity ratio within 70-80%; however, increased borrowing as of the end of fiscal 2023 pushed the ratio over 80%. To improve our cash efficiency, we are working with the business segments to diligently implement improvement measures and stepping up our financial improvement program and cash management system.

Free cash flow was negative ¥58.1 billion. This was mainly due to large outflows in working capital items in the Aerospace Systems business, where earnings are recovering, and the Powersports & Engine business, which is posting solid sales growth each year, as well as from the major investments in the Powersports & Engine business, including to construct a new plant in Mexico. We expect free cash flow to normalize in fiscal 2024 as business profit recovers. To ensure we have a firm foundation for growing our business, we will continue shifting our mindset to place the highest priority on cash, strengthen financial discipline, and aim to improve the business profit margin and maximize cash flow.

Maintaining financial discipline and implementing strategic cash allocation

Our target for increasing operating cash inflow is to raise the business profit margin above 10%. On the financing side, we will use long-term fixed interest rate loans to control risk and also actively use sustainable finance. At the end of fiscal 2023, sustainable finance accounted for roughly 20% of our outstanding long-term debt, and we plan to raise the level of sustainable finance to 50% by 2030 and 100% by 2050.

Cash outflows will include spending on R&D and capital investment in growth areas, investments in human capital including wage increases, investments in DX and operating efficiency, as well as shareholder returns. Key investment areas will be investments to quickly raise the hydrogen business to profitability and to expand the surgical support robot business. The allocation of funds will be managed to promote business growth while maintaining a healthy financial balance.

Boosting shareholder value through revisions of director compensation system more strongly linked to the stock price

Our basic shareholder return policy is to maintain stable dividends and increase dividends as our earnings grow, and we have set a benchmark for medium- to long-term dividend payout ratio of 30%. In fiscal 2023, the annual dividend was ¥50 per share, and the dividend payout ratio was 33.0%. In fiscal 2024, we plan to increase the annual dividend by ¥90 to ¥140 per share.

We recognize that enhancing shareholder value requires that we improve our earnings performance not only to increase the dividend payout, but also to raise the stock value. Our market capitalization value attained our target of ¥1 trillion in fiscal 2024, which I attribute to the stock price reflecting the changes we've made in the Group and growing expectations for our future. We responded by revising our executive compensation system in May 2024 to share more value with shareholders and stakeholders and to enhance our corporate value over the medium to long term. The revised compensation system, which will be implemented in fiscal 2024, puts more evaluation emphasis on earnings performance and is geared toward long-term incentives linked to the stock price and non-financial targets.

Ambidextrous management to achieve Group Vision 2030

Group Vision 2030 calls for generating average annual revenue growth of 5%, which exceeds the projected growth rate for global GDP. We have achieved this target, as our business growth is currently in the 7-8% range. Since announcing the vision in November 2020, we have been steadily progressing on the path envisioned in the growth scenario and are now within range of our 2030 target for ¥3 trillion in revenue. To continue on our path, we must continue applying ambidextrous management that generates cash by deepening existing businesses and investing in new businesses developing innovative solutions for a sustainable future.

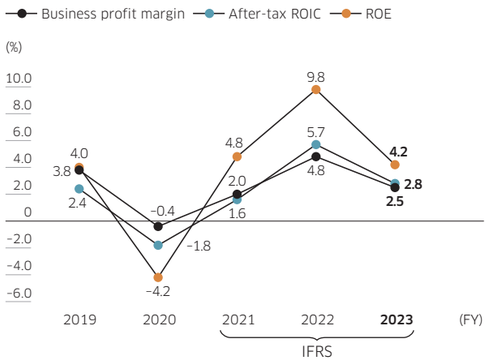
The key to success will be to simultaneously improve profitability and maximize cash flow. Cash management with an awareness of cost of capital, and risk management that maximizes opportunities while minimizing losses will be vitally important. We will use these to enhance our corporate value in both financial and non-financial aspects.

Business Profit Margin, After-tax ROIC, ROE

In fiscal 2023, due to one-off factors, the business profit margin was 2.5%; the after-tax return on invested capital (ROIC) was 2.8%; and the ratio of profit to equity attributable to owners of parent (ROE) was 4.2%.

We will aim to realize an after-tax ROIC of 3% or more higher than weighted average cost of capital (WACC) by returning to a growth trajectory from fiscal 2024 onwards and conducting business operations in line with a scenario aiming for a business profit margin of over 10% by fiscal 2030.

Business profit margin, after-tax ROIC, ROE

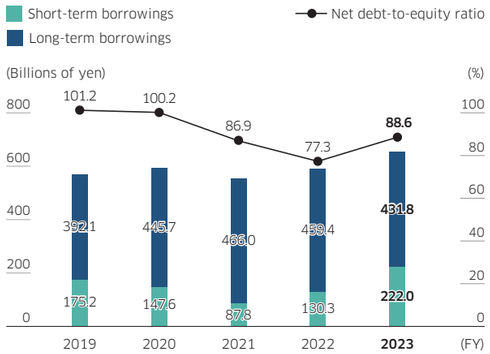


Net Debt-to-Equity Ratio, Net Interest-Bearing Debt

Regarding funding needs, these are chiefly financed using cash flow from operating activities. However, owing to recent business growth and the deterioration of cash flow from operating activities in fiscal 2023, interest-bearing debt has increased, and the net debt-to-equity (NET D/E) ratio has exceeded the target of 70-80%.

We will continue to ameliorate our Cash Conversion Cycle, while also striving to improve inter-Group cash efficiency by leveraging means including cash management systems.

Net debt-to-equity ratio, net interest-bearing debt

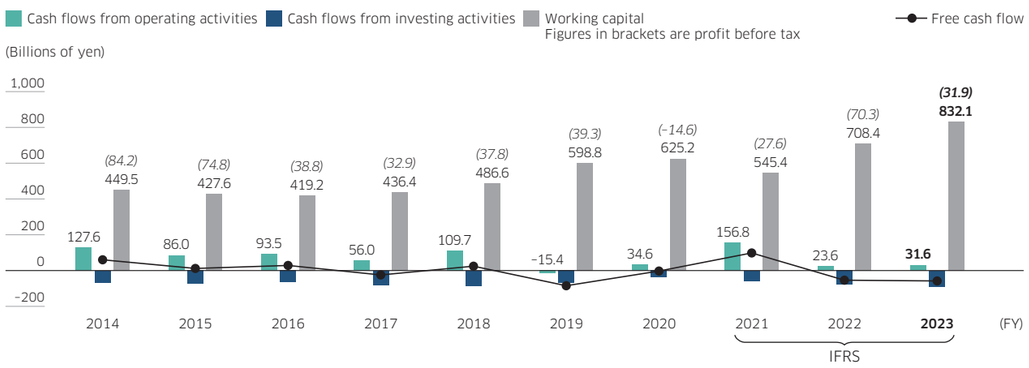


Cash Flow

Working capital continues to increase accompanying business growth in existing operations. In addition, progress is being made in upfront investments to improve profitability and build a hydrogen supply chain in accordance with the Group Vision 2030, with investment cash flow thereby expected to remain at a level of more than 100 billion yen.

Under such circumstances, there was a deficit in free cash flow for the second year in a row. Free cash flow is expected to shift to a surplus in fiscal 2024 due to an improvement in operating cash flow, and will be allocated to the reduction of interest-bearing debt and investment in growth.

Cash flow



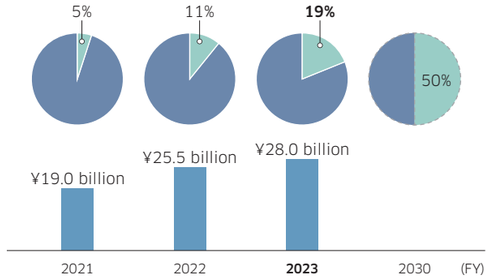
Use of Sustainable Finance

We have implemented sustainable financing to contribute to environmental and social sustainability, beginning with the issuance of sustainability bonds in July 2021.

In fiscal 2022, we formulated the frameworks of sustainability linked loans and positive impact finance. This is the first example in Japan of an attempt to use the same frameworks to conclude individual loan agreements with multiple financial institutions.

In fiscal 2023, we issued transition bonds, a first for the Company. Funds raised in the domestic market, through a public offering based on the Sustainable Finance Master Framework formulated in November 2023, will be allocated towards projects to build a clean hydrogen supply chain, an essential component in the achievement of global carbon neutrality.

Share of long-term debt accounted for by sustainable finance and procurement amounts

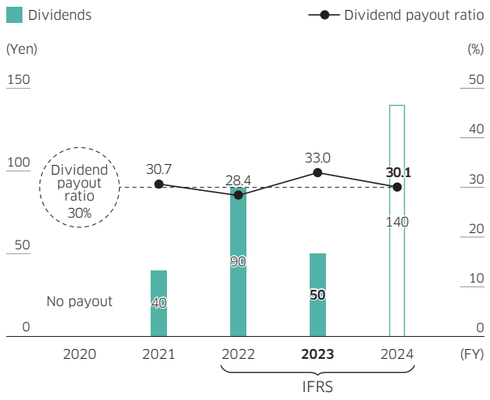


Shareholder Returns Approach

Kawasaki's basic policy on management involves increasing our corporate value, namely to generate stable profits exceeding cost of capital into the future. We position shareholder returns, achieved by increasing long-term shareholder value through continuous investment in the cutting-edge research and development and innovative facilities required for future growth, as one of our key management priorities.

For medium- to long-term consolidated dividend payouts, we set as our benchmark a ratio of 30%, and determine this by considering forecasts of future business performance, free cash flow, net debt-to-equity (NET D/E) ratio, and other financial circumstances.

Dividend payout ratio, dividends



Revision of the Executive Compensation System

We revised the system for the compensation of Directors and Executive Officers in May 2024. We have scaled back fixed points and expanded performance-based points, which vary in line with the current year's profits and achievement of respective targets. For performance assessments too, we have adopted new indicators linked, for example, to employee engagement indicators and contributions to the reduction of CO_2 emissions, to expedite relevant initiatives, including those for the reform of our corporate culture and achievement of a decarbonized society. We furthermore adopted a share price metric as a long-term incentive, with the aim of enhancing mindsets oriented towards increasing corporate value.

Through these systems, the Company will set its sights on greater sharing of value with shareholders and other stakeholders and increasing corporate value over the medium to long term.

Visual model of executive compensation

Existing system
(composition of compensation[1])

- 50% Basic compensation
  - Fixed: Fixed payments aligned to role
- 30% Short-term incentives
  - Performance-based: Profit; Level of short-term target achievement
- 20% Long-term incentives
  - Fixed: Fixed allocation aligned to role 50%
  - Performance-based: Level of medium- to long-term target achievement 50%

Following revision
(composition of compensation[1])

- 33% Basic compensation
  - Fixed: Fixed payments aligned to role
- 33% Short-term incentives
  - Performance-based: Profit; Level of short-term target achievement; Employee engagement indicators
- 33% Long-term incentives
  - Fixed: Fixed allocation aligned to role 30%
  - Performance-based: Level of medium- to long-term target achievement; ESG indicators[2]; Share price metric 70%

1 In the case that the target levels for the Group's consolidated operating performance and each indicator in the preceding fiscal year were achieved and each Executive's degree of achievement of targets set for the preceding fiscal year is 100%. Note also that the composition of respective items is based on the example of the CEO, and long-term incentives were calculated based on the share price level at the time of the system's adoption under the existing system, and are calculated at the most recent share price level under the revised system.
2 CO_2 emissions reductions as part of the Company's business activities; contributions to reductions in global CO_2 reductions through the provision of solutions to realize carbon neutrality; and a third-party institution assessment (the Dow Jones Sustainability Index) are taken as the three indicators.

Hiroshi Nakatani

Representative Director,
Senior Corporate Executive Officer,
Assistant to the President, in charge of
Technology, Production, Procurement,
TQM, and Digital Transformation (DX)
Strategy

We will continue developing new technologies and cultivating our human resources to create innovative solutions.

Enhancing our technological capabilities through diverse human resources to generate business creation and growth

Technological evolution is essential to maintaining our status as a company needed by society. We need to respond to changing trends, decide which technologies and techniques to use, and determine which technologies we will be relevant in the future. As a director in charge of technology development, I am constantly seeking to identify technologies that will ensure we are up-to-date and prepared for future trends while maintaining and fortifying our fundamental technologies and nurturing technologies that will become the core of our business in the future.

At the same time, it's people that create and improve technology. I view technology as being people and believe that we will strengthen our technological capabilities by cultivating our human resources. Kawasaki Heavy Industries passed down a DNA of taking on challenges and refining manufacturing processes and from that we have introduced many firsts in Japan and the world. To create and grow businesses, we need to continue developing human resources who boldly take on the challenges of new businesses seeking to provide solutions for complex and ever-changing social issues.

The Group Vision 2030 sets an objective of providing timely and innovative solutions for an ever-changing society. Our people must be highly motivated to create the businesses that society demands. The technology field is also changing with society and the times, and the human resources that will be needed are also diversifying. We will strengthen our human capital by determining what technologies will be needed in the future and then carefully defining and cultivating the human resources that will be needed.

The three key themes we have chosen to guide us to fulfilling the Group Vision 2030 are Frontier, New Values, and Cross Over. These have the common link of creating new markets. I would like to share some of the major initiatives we are undertaking to achieve Group Vision 2030 and my thoughts on the human resources that will be needed for the initiatives that I have had from my experience putting them into action.

Frontier: Pioneering the technology frontier with our challenger DNA

The Group-wide initiative to develop the hydrogen business is an excellent example of the Frontier theme. We launched the hydrogen business in 2009 in anticipation of the advent of a low-carbon society and the need for energy security. We used manufacturing technologies we had accumulated, such as storage tanks for liquefied hydrogen and hydrogen-fueled gas turbines to generate electricity. Right there is where we need to have human resources to lead product development who are persistent and have specific technical expertise. At the early stages, we also need to move before other companies to establish a supply chain. For that we need human resources who can see the big picture while moving a project forward, and others who are versed in standards, laws, and regulations to lead the market formation for new businesses.

In addition, in new fields such as agriculture, forestry, and fisheries, where we have not previously ventured, challenges are emerging that will lead to solutions to social issues through the cooperation of engineers with new approaches to food security and human resources with entrepreneurial mindsets who can work with our technologies. With these new opportunities, people who have not been inspired within the framework of the manufacturing businesses are now able to demonstrate their true abilities and are working with enthusiasm.

New Values: Providing innovative solutions to the problems facing the world

Prime examples of the New Values theme are the development of medical robots, such as the *hinotori*™ Surgical Robot System, and service robots, including the FORRO indoor delivery robot. The challenge we are taking on here is to adapt our existing robotics and mobility technologies to provide solutions for the emerging medical and service fields.

The *hinotori*™ has been highly praised for its design features to accommodate the specific needs of physicians such as compactness that does not interfere with surgery, its high level of safety, and its ease of maneuverability.

The FORRO indoor delivery robot was specifically designed to reduce the burdens on medical professionals so they can concentrate on "work that only a human can do." We are presently collaborating with Microsoft Corporation to accelerate the introduction of cutting-edge digital and AI technologies to develop robots with even more versatility for the medical as well as the service industries.

Both of these technologies are wonderful examples of success by human resources addressing social issues by fully understanding the people who will use them, thinking deeply about what is truly needed, and developing them into products and solutions.

Cross Over: Becoming a creative challenger that continues to grow by breaking barriers

Under the Cross Over theme, we established a research association with Toyota Motor Corporation and four leading Japanese motorcycle makers to accelerate development of compact hydrogen engines with the aim of achieving carbon neutrality for small mobility vehicles. Collaborations that reach beyond usual boundaries are becoming increasingly essential to address the new and increasingly complex challenges. Hydrogen is very complicated to work with, and this collaboration is speeding up our development of basic technologies.

In January 2024, the collaboration's HySE-X1 hydrogen-powered buggy successfully completed the Dakar Rally, widely considered the world's toughest motor race. Focusing our companies' strengths and working together to develop the technology has produced significant results in just a short period of time. In the past, creating new value by partnering with competitors was unthinkable, but it is because of our human resources that we now have a new road for producing value in the future.

While engaging in collaborations, we are also focusing on intellectual property activities linked to our business strategy. In the hydrogen business, our aim is to take the lead in the industry and country in developing hydrogen-related markets with a balance of "open (standardized)" market creation activities and "closed (intellectual property)" strategies to secure our profit capability. From this perspective as well, the importance is also growing to have human resources capable of seeing the business potential in intellectual property and linking it to producing profits.

Diversity drives growth Investing in future business and human resources

To fulfill Group Vision 2030, we are also transforming the way we work so employees can concentrate on producing higher added value and feel satisfied and growth in their work. We will use AI and other technologies to create an environment where every employee can work more creatively, and to formulate a system that improves operating efficiency while preventing defects and improving design quality.

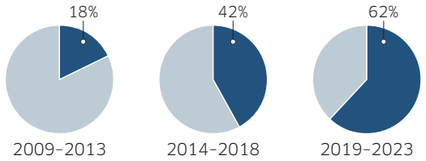
I believe the most important part of developing human resources is experiencing success. We have training programs employees can use to improve their skills, but we also want them to take on challenges so they can gain experience. My role is to create the place where they can do that. Kawasaki Heavy Industries has a diverse workforce, and I'd like to bring out each individual's strengths and ideas to mix them together in potent ways that will give rise to new value. We want to develop technologies and explore new businesses to encourage the growth and success of our human resources so our businesses and our whole company will continue thriving and growing.

Making Upfront Investments in Future Core Technologies to Establish International Standards and Markets

In 2009 Kawasaki Heavy Industries has begun taking full-scale action to build a liquefied hydrogen supply chain. We have made substantial investments into R&D on core hydrogen-related technologies with government support. The results of that investment have led to the development hydrogen liquefaction systems using purely-domestic proprietary technology, a first for industrial use, as “production” technology (2014), verification of hydrogen power generation in an urban area, a world’s first, as “utilization” technology (2018), and a technology demonstration of marine transportation and loading/unloading using the *SUISO FRONTIER*, the world’s first liquefied hydrogen carrier, as “transportation” technology (2022). In this way, we have developed at an early stage the core technologies that will be necessary for creating a hydrogen society and have obtained patents for supply chain-related products.

In addition, by establishing international standards from the technology development stage, we seek to differentiate our products from those of other countries and create a market for hydrogen supply chain-related equipment for which Japan has an advantage. In recognition of these efforts, we were selected as a company with a high rating in the market formation potential index in the survey of awareness concerning corporate activities for solving social challenges conducted by the Ministry of Economy, Trade and Industry.

Proportion of R&D investment in the energy sector relating to hydrogen



Number of hydrogen-related patent applications

(FY)

	2009–2013	2014–2018	2019–2023
Production	10	19	13
Transportation and storage	8	58	210
Utilization	47	38	90

Efforts to create international standards for the hydrogen supply chain

SUISO FRONTIER, the world’s first liquefied hydrogen carrier

2013 The International Maritime Organization (IMO) began investigation of a safety standard for liquefied hydrogen carrier

2016 IMO approved a provisional recommendation

2021 Pilot demonstration project completed

2024 Provisional recommendation revised (to reflect specifications for large vessels)

A large liquefied hydrogen carrier

Contributing to Business through Strategic IP Activities

The initiatives in the hydrogen business described above focused on intellectual property activities linked to commercialization and R&D with the objective of creating a liquefied hydrogen supply chain. The Kawasaki Group’s intellectual property activities are conducted through a three-pronged approach that combines business and R&D with intellectual property. Intellectual property is positioned as key management resources that contributes to the sustainable improvement of corporate value, and IP activities are strategically undertaken in line with business activities. For instance, IP activities that look to the future include measures for building a patent network and developing a brand so that competitive advantage can be gained in the future.

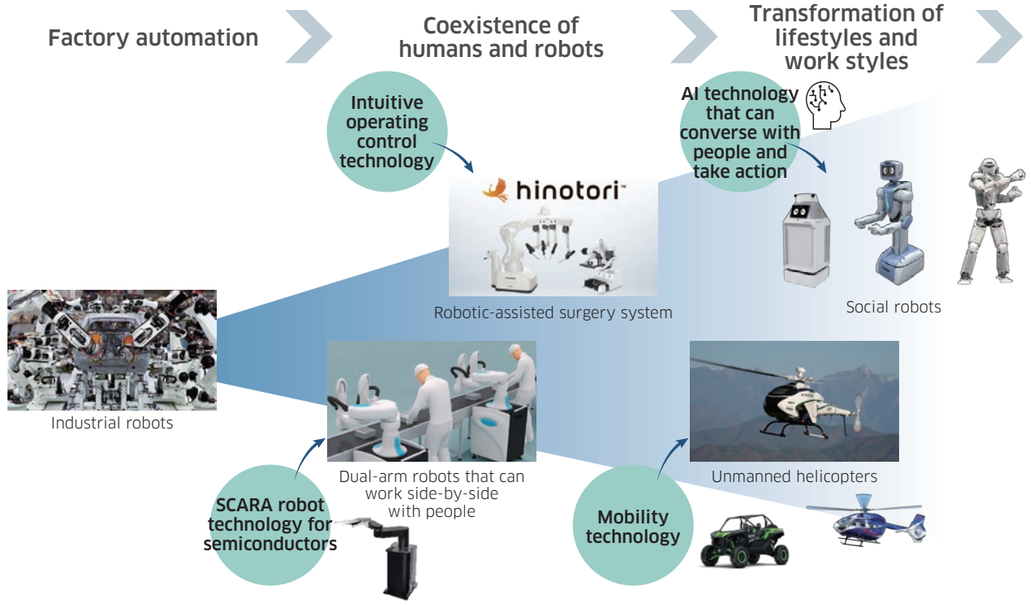
These IP activities were recognized, and we were selected for inclusion in the list of Top 100 Global Innovators 2024 prepared by UK-based Clarivate Plc, a global information service company. This is the eighth time that we have been included in the list since the first time in 2015. The list recognizes the top 100 innovative companies and institutions that lead the world in technological R&D. Of the four assessment criteria, we received particularly high scores on “influence,” which indicates the degree of influence that a company has on the patent applications of other companies, and “rarity,” an indicator of the combination of diverse technologies.

Received the Top 100 Global Innovators 2024 trophy

Seeking to Expand Robot Applications by Combining Technologies

Starting with the provision of industrial robots that meet factory automation needs, we seek to expand robot applications by developing new robots that can address various social challenges through the utilization of diverse technologies from inside and outside the company. For instance, we developed duAro, a dual-arm robot that can work side-by-side with people using SCARA robot technology for semiconductors, and *hinotori*™, a robotic-assisted surgery system that can be easily operated with a high degree of precision as a result of the use of advanced and precision control technology, achieving coexistence of humans and robots.

In addition, we are adopting our own mobility technologies and the AI technologies of cooperating partners, such as Microsoft, to greatly expand the scope of application of robots and make robots a more familiar presence in day-to-day life.



Developing the Human Resources Who Will Be the Drivers of Growth

In recent years, the Kawasaki Group’s business has required advanced integrated systems, product-related services, and the utilization of ICT, IoT, and AI. In response, we have prioritized the development of human resources to improve the level of system engineering skills needed to design and develop those capabilities. In addition, not only are we developing specialists in specific domains, we are also cultivating versatile talent with broad knowledge across multiple technological areas so that we can achieve sustainable growth amidst a rapidly changing and highly uncertain social environment.

To effectively utilize rapidly advancing AI technologies and digital technologies in our business, we are also focusing efforts on the broad dissemination of these capabilities throughout the company, regardless of business division or occupation, by holding seminars and other events. For example, we held the Vision AI Seminar to laterally disseminate within the company information on key points for product development using AI technologies that can recognize and identify images. In addition, we regularly hold Data Utilization Seminars for employees who have an interest in using data but lack a clear image of how to do so. Thousands of employees from across the Group in both technical and administrative positions have participated in these seminars, and we have received numerous inquiries from frontline operations regarding introduction.

Conducting Data Utilization Seminars

We are determined and committed to human capital management.

Maximizing human resource value will enhance corporate value

When I was in the human resources department in the 1990s, Japanese companies had lost their strength after the economic bubble ended and the economy was in a prolonged slump. To cut costs, many companies were seeking to reduce labor costs, and it was exasperating that my whole job seemed to be focused on that.

Now, more than 20 years later, human resources are viewed as an investment and an asset for creating value in the future. I believe this is an opportunity for Japanese companies to grow substantially on the global stage. Without a doubt, our human resources are critical to fulfilling our Group Vision 2030. As we reconfigure our organizational and corporate culture structures, our labor policy, which has mainly been centered on the management of human resources, will include active investment in employee wellness, such as revising work styles, promoting health, and creating a comfortable and safe work environment.

By managing our human capital to bring out the full value of our human resources and enhance our corporate value, we will further accelerate the Group's overall growth.

Fostering a corporate culture eager to take on challenges —Changing our employee mindset

The Kawasaki Heavy Industries Group engages in ambidextrous management in which we are simultaneously deepening our existing businesses and exploring new businesses. However, nurturing and growing new ideas into profitable businesses requires resilient individuals capable of overcoming difficult issues while cooperating with those around them. We are seeking to visualize and systematize the processes for identifying employees, developing management talent, and drawing out their full potential.

The reform of the personnel system started in April 2021 introduced a concept of "Challenge and Commitment" for recognizing employees who set high goals and who are highly motivated and committed to rapidly progressing toward attainment. The new system highlights employees who are boldly confronting changes in society and employees who even change their own practices. I believe this has brought us very close to achieving the change in corporate culture that we are seeking. The evaluation process for goal targets and results focuses on how challenging the goals were and whether they have the potential to contribute broadly to the Company. We take steps to ensure the goals and results are evaluated fairly.

Stronger mechanisms to improve employee engagement

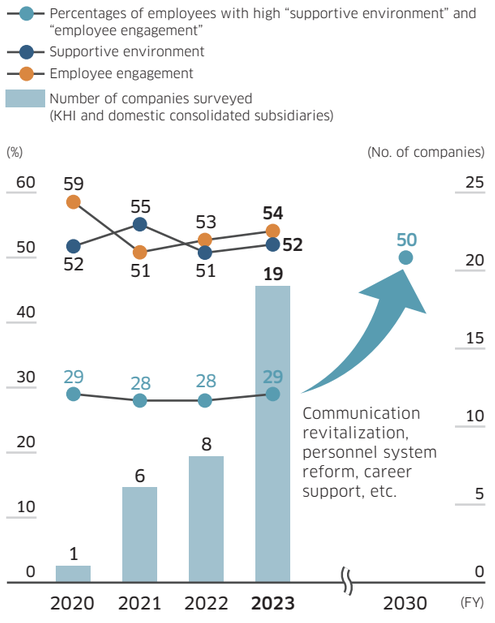
In the Group's engagement survey, the key performance indicators (KPIs) that we look at are the percentage of employees who give high ratings for "supportive environment" and "employee engagement." The Group is seeking to raise the percentage above 50%, which is the global average. One of our main initiatives is to create a system that provides more opportunities for motivated employees to take on more active roles. We are particularly working to raise the engagement KPIs among employees in production positions and in their 30's, which have lagged in recent years' engagement surveys.

Our production staff is quite removed from our management activities and it's difficult to involve them in company-wide policies. We are therefore seeking to boost engagement by increasing communication, such as by holding more town meetings with opportunities for direct dialogue between production staff and management. We also believe that improving the working environment is an important foundation for increasing engagement. One of the main ways we will do this is by focusing on safety, not just relying on individual safety awareness, but by creating working conditions that prevent accidents before they occur.

Employees in their 30's are at a good time to start thinking about their future careers. In my 30's, I requested to be transferred out of the human resources department at the Head Office. The time I spent in the areas of finance, corporate planning, and in different business segments gave me fresh insights and changed my values about work. I am considering ways to expand our employee support structure so it's easier to see what kind of careers are possible in our Company. To increase management commitment, we are improving engagement and, beginning in fiscal 2024, decided to use the survey results as an evaluation index for executive compensation.

Another important issue is promoting diversity, equity and inclusion (DE&I). The engagement survey revealed a gap between how management and employees perceive DE&I. Management must not be complacent and needs to start by truly listening to employees' points of view. In July 2024, we changed the name of the Diversity and Inclusion Promotive Section to the DE&I Management Section and will continue evolving until we are a company where every employee can demonstrate their strengths and achieve results.

Percentages of employees with high "supportive environment" and "employee engagement"



Human resources strategic action plan for sustainable business growth

Our human resources is a very diverse group, and my impression is that our employees generally take their jobs seriously and are very cooperative. The positive side of that is that everyone is helping maintain harmony in our organization. Nevertheless, I think we have to disrupt that harmony in order to be able to flexibly adapt and respond to the great changes in society and the business environment. For example, there is an increasing need for a corporate environment that identifies and unleashes the full potential of individuals with strong personalities, driving ambition, and radical ideas.

It's been four years since we adopted the Group Vision 2030. When we were creating the vision, I was the general manager of the Corporate Planning Division and working with the president to frame our targets and put them into our action plan. We are now at the stage where we need every employee to execute the plan with greater speed and accuracy.

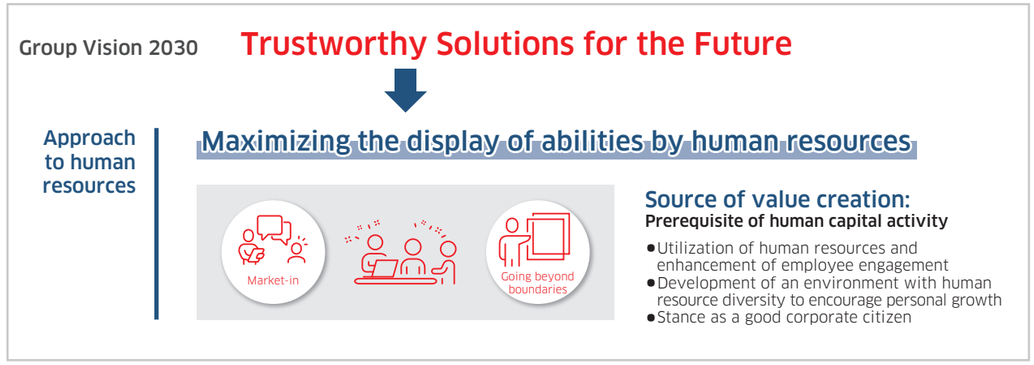
I was appointed general manager of the Human Resources Division based on my intense desire and determination to execute the action plan. I intend to mobilize our human capital so we will fulfill the Group Vision 2030 and achieve sustainable growth for the Group.

/ Toward the Realization of Group Vision 2030: Our Thinking on Human Resources

Human resources are the most important asset necessary to sustainably provide the new value required by society, and in the Group Vision 2030 as well, we have positioned the enhancement of human capital as an important element supporting our growth scenario.

Based on this understanding, the Kawasaki Group Policy on Human Resource Management declares that (1) we will assign human resources so that they can fully display their potential and aim for both the career realization of employees and the enhancement of corporate value; (2) we will respect the characters, personalities, and values of all employees and create workplaces where employees can be both physically and mentally healthy and can be vigorously active in a manner befitting themselves; and (3) we will endeavor to prevent the violation of human rights and resolutely stand up to any form of discrimination or harassment.

Going forward, we will bolster investment to maximize the display of abilities by our human resources and aim to be a vibrant organization that cooperates with others in the solution of social issues.

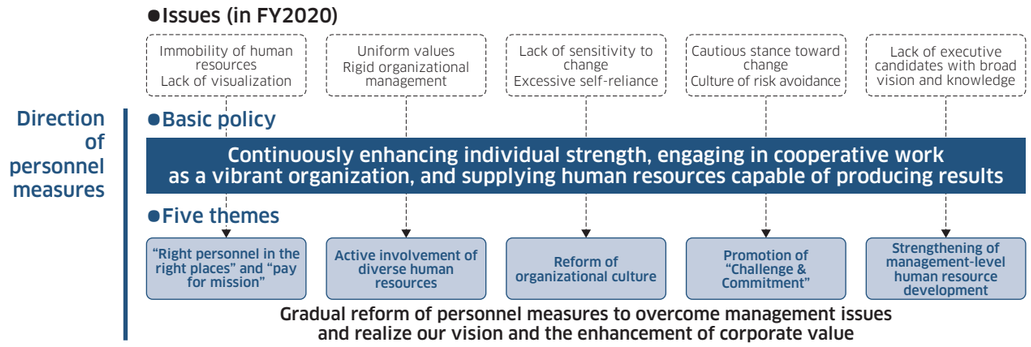


/ Basic Policy on Human Resource Strategy

In light of the establishment of our Group Vision 2030, and in accordance with the basic policy of "continuously enhancing individual strength, engaging in cooperative work as a vibrant organization, and supplying human resources capable of producing results," in fiscal 2020 we formulated a human resource strategy indicating five directions for personnel measures.

For the achievement of our vision, it is necessary to have challenging employees, an organizational culture that supports people making challenges, and leaders who never give up, whatever the circumstances.

To promote reform from the perspectives of both people and organization, as the directions of personnel measures and plans, we stipulated (1) "the right personnel in the right places" and "pay for mission," (2) active involvement of diverse human resources, (3) reform of organizational culture, (4) promotion of "Challenge & Commitment," and (5) the strengthening of management-level human resource development. In this way, we are tackling personnel system reform and organizational culture reform.



/ Status of Human Resource Strategy

"Right personnel in the right places" and "pay for mission"

To set up the organizations and posts necessary for the realization of our vision (the "right places"), and to identify, acquire, and assign appropriate human resources for those duties (the "right personnel"), we have commenced a reform of our personnel system and the visualization of our human resources. As well as switching to a duty-oriented personnel system for managerial staff, we have introduced a talent management system and undertake the standardized management and visualization of various personnel-related information.

Active involvement of diverse human resources

To realize a diversity of knowledge and experience, we are committed to creating an environment where people can work flexibly and independently and fostering a corporate culture in which people feel that diverse human resources really are accepted. We are building a system and support setup so that all employees can acquire opportunities fairly, regardless of gender, age, nationality, disability, and so on.

Reform of organizational culture

By introducing an engagement survey, we have objectively visualized organizational issues and established a setup enabling measures to be planned and implemented effectively. We are promoting initiatives along the two axes of management and workplace, with important issues, such as career support and the strengthening of compliance, being tackled by companywide bodies and workplace issues by supervisors.

Promotion of "Challenge & Commitment"

We have set about personnel system reform in accordance with the concept of "Challenge & Commitment" (C&C) so as to highly reward employees who raise their hands themselves and make challenges. Measures include reorganization of the ability-based qualification system, abolition of seniority-based treatment, and reform of the target management system. We are endeavoring to imbue an awareness of challenge by, among other steps, disclosing the C&C targets of each employee companywide in the talent management system.

Strengthening of management-level human resource development

Toward the strengthened upbringing of managers capable of continuously leading business transformation, we are selecting successor candidates with a focus on objectivity and transparency, including visualization of the behavioral characteristics required of corporate managers, the utilization of external assessment, and discussions in the Nomination Advisory Committee. In addition, we are conducting the planned training of corporate managers by implementing executive development programs for a wide range of personnel.

Future issues

We are only halfway along the road to reform of our organizational culture. Among other things, the concept of personnel system reform has still not permeated sufficiently in the Company, and in the realm of operation, the perspective of seniority remains. In particular, we realize that initiatives toward the strengthening of governance and compliance are going to be major issues from now on. While emphasizing sincere dialogue with employees, we will continue to tackle reform toward the achievement of our vision.

Regarding priority themes, the following initiatives are being implemented. Going forward, we will continue our consideration of measures.

(FY)

Priority themes	Implemented measures	2021	2022	2023	2024–
1. "Right personnel in the right places" and "pay for mission"	■Reform of personnel system (managerial staff) ■Evaluation of behavioral characteristics (managerial staff) ■Establishment of human resource information base		Implementation of written job descriptions and job value assessments for all management posts Implementation of behavioral characteristics evaluation of managerial staff through 360-Degre Surveys and visualization of appropriateness Introduction of talent management system and enlargement of human resource information		
2. Active involvement of diverse human resources	■Promotion of diverse and flexible workstyles ■Fostering of culture aiming for an inclusive organization	Introduction of remote working program (2020); introduction of full flextime system; building of work-life balance programs and strengthening of information transmission Introduction of same-sex partner registration rule (2020); introduction of business name system; regular holding of diversity-related seminars Holding of events inside and outside the Company toward the involvement of female leaders; holding of Training Program for Female Engineers in collaboration with universities			
3. Reform of organizational culture	■Engagement survey ■Autonomous career support ■Strengthening of compliance	Survey introduction (2020) Introduction of Career Development Leave Program Establishment of in-house and external counseling services; regular holding of harassment training for all employees	Regular holding of organizational development training; strengthening of backup support to workplaces Strengthening of support measures, such as career counseling and a Career Challenge Program		
4. Promotion of "Challenge & Commitment"	■Reform of personnel system (general employees) ■Abolition of seniority-based treatment ■Reform of the management by objectives system	Reorganization of ability-based qualifications; further strengthening of the performance-linked bonus system Abolition of the payment of fixed sums according to age; abolition of the retirement age extension for managerial staff and retirement age for managers; early promotion and selection of young employees In addition to regular work, introduction of management by objectives system ("C&C") advocating challenging targets and emphasizing growth and challenge			
5. Strengthening of management-level human resource development	■Formulation of leadership succession plan ■Executive development programs	Setting of human resource conditions required of corporate managers; strengthening of transparency and objectivity by utilizing external assessment and the Nomination Advisory Committee Implementation of executive development programs for assistant managers and above			

Board of Directors Effectiveness

What is your assessment of the current state of the Board of Directors ? What activities are the committees currently engaged in?

Tsukui: Performance-wise, fiscal 2023 was a year of peaks and valleys. As the final decision-making body for governance, the Board of Directors dynamically set policies and opened up new perspectives by incorporating each member's area of expertise into its discussions. We are now entering the fourth year since transitioning to a company with an Audit & Supervisory Committee, and I feel that the separation of management and monitoring and of execution and supervision has become more natural for the Board.

Brock: When I was appointed as an outside director, I wondered to what extent robust discussions would take place at Kawasaki board meetings, as might be undertaken in boardrooms in western countries. However, in the year since joining the Board, I have come to appreciate how Kawasaki provides the space for directors to truly engage. My background is not a technical one, and sometimes I questioned whether this would impact on my capacity to fulfill my responsibilities, but Kawasaki has created an environment where all directors contribute their personal experience and knowledge to the discussions. It is commendable that the Board is flexible and indeed welcomes change in order to make the system work better.

Yoshida: I'm in my third year as a director and feel the Board meetings have an excellent atmosphere that encourages discussion. In 2022, the Board started holding special discussions about longer-term perspectives on a specific theme for each meeting, which was a great opportunity to deepen my understanding of the Company. When a topic seems to need more discussion, Mr. Kanehana, who is the Board Chair, will say "I'd like to hear a little more about this" to prompt us to explore more perspectives. In most


Yoshinori Kanehana
Chairman of the Board

cases, it's thought that an outside director should serve as the Board Chair in order to ensure independence, but Kawasaki's business is so diversified that I think discussions are deeper because the Chair is deeply versed on the Company's business content and history.

Tsukui: The Audit and Supervisory Committee, of which I am a member, is very active and, compared to when I first joined, the Auditing Department, which is in charge of internal audits, and the Audit & Supervisory Committee are working much more in cooperation while also having a clear division of roles. In addition, the Nomination Advisory Committee does an enormous amount of work contemplating the general view on what would make an ideal executive for the Company and carefully scrutinizing each candidate. I believe the revised executive compensation system introduced in 2024 is very high quality and detailed system. I think Kawasaki wants its Board to be more than just a group providing authorizations, I think it wants to use the Board to its full potential. My impression is that all of the committees are fully active.

Kanehana: I appreciate your comments. Since becoming Board Chair, I feel that the intended effects of reforms implemented based on the Board effectiveness evaluation are gradually taking shape. I look forward to hearing your views and working together to continue improving the Board's effectiveness.

Future Issues and Outlook

What topics do you see as management issues for the longer term?

Yoshida: One area I am paying attention to is activities related to human resources, particularly the scores in the employee engagement surveys, because they strongly correlate to business performance. Each company section has their own score level but, in my experience, whether a section's score is low or high, increasing the number of people doing their best in each section improves a company's overall atmosphere and leads to better business performance. Kawasaki is implementing various measures, including reforming the personnel system and work styles. I will be looking at the engagement survey scores when I consider how well those measures are working and will also be looking to see if they contribute to the business performance.

Brock: Human resources is an area of key focus for me, and as such, I believe in the importance of promoting diversity. To bring about change in Japan, we need to challenge the male-centered mindset and promote women's active participation. In the future, the Japanese workforce will become much more diverse by incorporating mid-career hires, engaging older colleagues, and people whose native language is not Japanese. It is my hope that Kawasaki Heavy Industries is a company with employees who are motivated because of the respect it has for the diverse values and lifestyles of the employees. Companies like Kawasaki, particularly companies involved in heavy industries, are considered to be quite conservative. I hope we can dispel that image through bold reforms and show the depth of activities undertaken to a broader audience.

Tsukui: Law is my area of specialty, so my view of the Company is largely from a compliance and legal perspective. Kawasaki is advancing a "defense" measure of strengthening compliance along with an "offense" initiative for legal matters in which the legal department is more involved in overall management while also strengthening the legal department's functions by increasing the staff of qualified lawyers. I will be closely watching the progress of these initiatives and providing my full support because I think they are very important and will strengthen the Company's intellectual property strategy and governance while also preventing losses caused by contracts.


Susumu Tsukui
Outside Director (Audit & Supervisory Committee Member)

Kanehana: I believe monitoring the outcome of the personnel system reforms is critical from the perspective that an "organization is its people" and a "company is its people," including the issue of the legal department. The current reforms include some major changes, such as introducing job-based personnel management, promoting younger employees, and tightening performance-linked remuneration. We will need to watch for what tangible results they are producing, such as in the engagement surveys, and whether sufficient care is being provided to employees. This is an important topic that I think we should regularly discuss at the Board meetings.

How do you view the status of compliance at Kawasaki?

Tsukui: A series of fraud incidents were discovered in the submarine repair and marine diesel engine businesses. The Company has been strengthening compliance oversight since the fraud inspection incident at a subsidiary two years ago, so it was a shock when fraudulent activity was discovered again. I think the recent cases are not so much a continuation of fraud and more a surfacing of entrenched practices that have been going on for many years. Therefore, even as we work to heighten compliance, there may well still be areas where people are not yet sensitive to the issues or that are behind the times. I think the Company is at the stage where compliance sensitivity needs to be raised and the mindset changed not just on the executive level, but also among all employees at the operating sites.

Brock: My first reaction when advised of the fraudulent incidents was to consider what, as a director, I might have done to prevent them through audit and other measures. Management and the Board are taking action to reflect on this. We need to consider how this matter affects our reputation globally. As a director, I will monitor the situation to ensure global standards are maintained and that we provide customers, business partners, and others with appropriate explanation and provide updates and information in a transparent manner.

Melanie Brock
Outside Director

Yoshida: No matter how good the system is, in the end, fraud cannot be prevented unless the awareness of every employee changes. So, these incidents tell us that compliance has not yet sufficiently permeated throughout the Company. We need to build a structure that makes fraud impossible while also further changing employee awareness. I think both the system and the organizational culture need to be reformed.

Kanehana: As you say, rather than correcting wrongdoing when it is pointed out to us from the outside, we need an organization that is more self-regulating. Every employee must be strongly determined to eliminate fraud, and we need to create a system and environment where someone who is engaging in wrongdoing can come forward and people who see misconduct can immediately speak up. How can we change the employee mindset? That is my task from this point. In response to the incidents, President Hashimoto said, "we will take resolute steps to ensure that such fraud does not happen again." The Board of Directors will also work with the Special Investigative Committee, comprised of external experts, and the internal Special Compliance Promotion Committee to investigate the actual situation and prevent recurrence as well as to reform the corporate culture.

Looking Forward

What are your future expectations for Kawasaki Heavy Industries?

Tsukui: The Company has been implementing corporate transformation for some time, but more discussions about selecting and concentrating our existing businesses would also be good. I also think the Company should pursue M&A and similar actions as a way to keep pace with the speed of change in the world. I'd like to see the Company accelerate the transformation by actively replacing the old with the new. Also, other than its motorcycles, Kawasaki has a rather subdued image as a company, so I think it needs to make an effort to make the Group Vision 2030 initiatives sound more compelling to the general public.

Brock: This is related to what Mr. Tsukui mentioned, but I firmly believe new business needs stronger sales and marketing strategies. We need to focus on developing marketing and branding stories that enhance our products and services. We also need a stronger focus on communication, backed by talent with high level and appropriate expertise. For example, our hydrogen business is being expanded worldwide and will continue to grow. Over the past year or so, I have been considering carefully how the hydrogen partnership between Australia and Japan might develop given the difference in energy supply and self-sufficiency between the two countries. We need an approach that takes these differences into account. Mr. Kanehana served as co-chair of the Hydrogen Council, an international organization, until July 2024, which was very important in terms of creating a "global face" for Kawasaki Heavy Industries. I hope Kawasaki continues to increase its presence as an international company and play an important role on the global stage.

Yoshida: Management issues become more complex as a company broadens its business domain, which makes it more difficult to see the benefits of diversification. Markets tend to apply a "conglomerate discount" to highly diversified business groups, which is the case for Kawasaki. In the hydrogen business, which is the core of Group Vision 2030, we aim to respond to social issues by creating synergies using technologies cultivated in our existing businesses, such as liquefied hydrogen carriers, hydrogen power generation facilities, and hydrogen engine motorcycles. Management is emphasizing market dialogue and is holding regular information briefings. I'd like the Company to gain market support and build a "conglomerate premium" by presenting a clear story about its creation of synergies, providing transparent explanations, including when major capital investment will be recovered, and then creating a record of achievements.

Kanehana: The hydrogen business is increasing recognition around the world that Kawasaki is the hydrogen leader. As Ms. Brock and Mr. Yoshida said, I would like to strengthen our communication capabilities so we can raise our reputation further. Corporate transformation is critical. As we move forward with both the hydrogen business and new businesses, what business will we keep and how will we change? For some businesses, there is also the issue of how to deal with regional market bias. We're making changes, but we still have ways to go. I think the Board of Directors needs to discuss our corporate transformation more deeply, including topics like the necessity of M&A and withdrawal from unprofitable divisions. President Hashimoto comes from the robotics business, and he is trying to instill throughout the Company the mentality of quickly changing to follow the market. I'm very excited about that change. The Board of Directors will support the management team's efforts to reform.

Katsuhiko Yoshida
Outside Director

Yoshinori Kanehana
Chairman of the Board

Message from the Chairman of the Board

Kawasaki has been implementing reforms to enhance the effectiveness of the Board of Directors since the transition four years ago to a company with an Audit & Supervisory Committee. Under the new structure, the delegation of authority to management and the clear separation of management execution and supervision have reduced the number of agenda items submitted for Board consideration, which has created a more sufficient amount of time to deliberate on each agenda item. In addition, we have set up special discussion slots in the regular meetings of the Board that give us time to talk at length about topics that warrant long-term perspectives as well as about current hot management issues. These and other modifications have led to increasingly active discussions with each year. The 13-member Board is also becoming more diverse with currently five women and two non-Japanese. The various backgrounds and areas of specialty that the Board members bring lead to very meaningful discussions that incorporate a variety of perspectives.

As we seek to fulfill our Group Vision 2030, we are pursuing new opportunities in various fields to bring about a corporate transformation and aiming to be a company where every employee is actively engaged and highly motivated. The Board of Directors is strengthening governance and closely monitoring the direction and process of our transformation.

Approach to Sustainable Value Creation

The Kawasaki Group consistently creates new value by drawing on diverse, sophisticated technological capabilities to contribute to solutions to social issues around the world.

Group mission

Kawasaki, working as one for the good of the planet

“Global Kawasaki”

- Global warming
- Decarbonization
- Energy problems
- Responding to changes in the movement of people and freight
- Pandemic countermeasures
- Shortage of and increasing burden on doctors
- Increase in diverse work styles, including remote work

Global social issues

External environment and risks

- Changes in industrial structures
  Technological innovation / The evolution of AI and IoT
- Climate change
  Global warming / Major natural disasters
- Currency fluctuations
  Impact on revenue due to the Group’s large proportion of overseas sales
- Economic trends
  Impact via capital expenditure / Impact of pandemics / U.S.-China trade friction

Management Resources

(FY2023)

Financial capital

Invested capital **¥1,108.8** billion

Share of long-term debt accounted for by sustainable finance **19.1** %

Manufactured capital

Key Production sites
Japan: **17** locations
Overseas: **24** locations

Capital expenditures **¥133.7** billion

Intellectual capital

R&D expenses **¥53.3** billion

Number of patents held
Japan: **3,049**
Overseas: **4,511**

Human capital

Number of employees **39,689**

Rate at which women, foreign nationals, and individuals with mid-career hires are promoted to senior manager or above[4] **8** %

Education and training expenses per employee[4] **¥31,500**

Social and relationship capital

Number of major suppliers responding to our sustainable procurement survey **533** companies

Number of IR meetings held **290** times

Natural capital

Total Non-renewable energy consumption **1,363,002** MWh

Water withdrawal[4] **5.496** million m³

Raw material input (steel)[4] **110** kt

Business Activities and Strategy (Group Vision 2030)

Strategy

Transform business style

Visualize diverse values and hidden values accumulated over a long history as being equivalent to capital, and orient these towards new societal challenges and markets

- **Corporate transformation**
- **Portfolio management**
- **Innovation through the promotion of ties with other companies**

Business Activities

Social and environmental value created through business

The foundation of our business activities (ESG initiatives)

For more details, refer to pp. 15–16 and pp. 71–80.

- Energy and environmental solutions (value chain)
- Business and human rights
- Promotion of human resource activities
- Technology development and DX
- Product liability/safety
- Compliance
- Occupational safety and health
- Information security

Key Outputs

(FY2023)

Financial capital

Cash flows from operating activities **¥31.6** billion

Business profit margin **2.5** %

After-tax ROIC[1] **2.8** %

1 ROIC = {Profit attributable to owners of parent + interest expense x (1- effective tax rate)} ÷ invested capital (average NET interest bearing debt at the beginning and at the end of the period + average shareholders’ equity at the beginning and at the end of the period)

Manufactured capital

Number of products and cases of commercialization in three focal fields of the Group Vision 2030 **22**

Kawasaki Ecological Frontiers (internal system for certifying environmentally conscious products)

Number of registered products[4] **68**

Revenue[4] **¥242.9** billion

Intellectual capital

Included in Clarivate’s Top 100 Global Innovators[3] for eight times (2015–2024)

3 A selection of the world’s top 100 innovative companies and institutions based on an analysis of intellectual property and patents using data about patent holdings.

Human capital

Ratio of employees for whom both “supportive environment” and “employee engagement” are high **29** %

Social and relationship capital

CDP Climate Change Survey A List company (2nd consecutive year), selected for inclusion in the DJSI Asia Pacific Index (11th consecutive year)

Natural capital

CO_2 emissions from business activities (Scope 1, 2) **416** kt-CO_2 (market-based)

Reduction of CO_2 emissions through product-based contributions[4] **16,300** kt-CO_2

Water consumed[4] **1.313** million m³

4 Total for Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors

Financial targets

- Business profit margin
  ⇒ Above 10% by fiscal 2030
- After-tax ROIC
  ⇒ 3% or more higher than WACC[2]

2 Current weighted average cost-of-capital (WACC) estimated to be in the 4–5% range

Major products and services

A safe and secure remotely connected society
New value creation using remote technology

Existing businesses
- Industrial robots
- Disaster prevention products (stand-by gas turbines, doctor helicopters/disaster relief helicopters, off-road motorcycles/off-road four-wheelers
- Development of “Successor®” robot system/humanoid robots

New businesses
- The *hinotori*™ surgical robot system
- Nursing care support service business
- Addressing societal challenges through the Remolink platform
- The mapxus Driven by Kawasaki™ indoor positioning information service

Near-future mobility
Transforming the movement of people and freight

Existing businesses
- Rail cars • Ships • Airplanes • Motorcycles
- Off-road four-wheelers

New businesses
- K-RACER unmanned VTOL Aircraft
- FORRO indoor delivery robot
- Z-Leg™ helicopter arrangement service
- Mobility to support smart cities
- Logistics solutions

Energy and environmental solutions
Working toward the stable generation of clean energy

Existing businesses

Solutions for low environmental burden
- Rail cars • Motorcycles • Airplanes
- CCPP[5] / Industrial plants
- Hydraulic Components & Systems

New businesses

Decarbonization solutions
- Hydrogen supply chain • Making use of hydrogen fuel
- Electrification • Green power grids • DAC[6]
- CCUS • Alternative fuels

5 Combined cycle power plants
6 Direct Air Capture

Outcomes

Creation of Social Value

A safe and secure remotely connected society

New value creation using remote technology

For more details, refer to pp. 55–56.

Near-future mobility

Transforming the movement of people and freight

For more details, refer to pp. 57–58.

Energy and environmental solutions

Working toward the stable generation of clean energy

For more details, refer to pp. 43–54.

Practice of Strategy and Performance | Group Vision 2030: Goals and Results in the Three Focal Fields

Focal field and goal	Main actions	Social outcomes (results)	Targets for 2030	Key performance indicators (KPIs)	Specific measures	Achievements in fiscal 2023
A safe and secure remotely connected society **New value creation using remote technology** Create a society that is rich, safe, and secure for all with remote technology	• **Healthcare** ○ Realization and dissemination of minimally invasive and advanced robotic endoscopic surgery using **robotic-assisted surgery system** ○ Practical application of telesurgery using **robotic-assisted surgery system** ○ Social implementation of nursing care robots • **Business in automated, autonomous, and remote technology support for manufacturing and service industries**	• **Improve patient quality of life through** minimally invasive and advanced **robotic-assisted surgery** • **Eliminate regional disparities** in healthcare **through telesurgery** • Reduce the burden on healthcare and nursing care workers • Improve productivity and alleviate labor shortages	• **Robotic-assisted surgery system** made widely available **globally** and being used in many surgeries • **Practical application of telesurgery** using **robotic-assisted surgery system** • Eliminate 5% of **Japan's approximately 2,000,000 shortage in healthcare and welfare workers** (market estimated at over ¥1 trillion) • Eliminate 5% of **Japan's approximately 4,000,000 shortage in manufacturing and service industry workers** (market estimated at over ¥2 trillion)	(a) **Annual number/cumulative total of cases using surgical robot system** (b) Steady achievement of **telesurgery** development milestones (c) Remote platform active users	• Realization of easy-to-use **robotic-assisted surgery system through improved operability and functions** • Obtaining **regulatory approvals in respective regions toward global expansion** • **Implementation of telesurgery demonstration tests** using **robotic-assisted surgery system** • Adoption of nursing care robots in hospitals • Market introduction of personal care products that use remotely connected technologies • Development and implementation of robots for warehouses and stores • Practical application of humanoid robots • On-site work using remotely controlled robots at plants (proof of concept demonstration begun in fiscal 2021)	• ***hinotori*™ surgical robot system (Medicaroid Corporation)** ○ Systems installed: cumulative total of 55 facilities Number of operations conducted: over 2,900 annually / cumulative total of over 4,200 ○ Obtained regulatory approval in Singapore ○ Implemented telesurgery demonstration test with Singapore at a distance of approximately 5,000 km • Launched the **RemolinkBuilder, a service to enable remote system development** and **the Remolink™, a service to connect businesses and workers using remote robots** • Implemented demonstration test of **support service business for nursing care work to support sites of nursing care** utilizing nursing care devices and robots • Introduced **indoor positioning service** in commercial and other facilities
	• **Offer new ways of working and living to realize a remotely connected society Provide a platform** to match workers with businesses seeking labor using remote robots (joint venture business with Sony Group)	• **Work style reforms** ○ Time flexibility ○ Eliminate strenuous, dirty, and dangerous work ○ Remote work that includes on-site operations • **Secure labor** • **Provide opportunities for all people to participate in society**				
	• **Provide transportation, power generation, and other equipment at times of disasters**	• Support for evacuees (improve quality of life) • **Save more lives**			• Deliver medical service helicopters • Deliver standby generator sets	
Near-future mobility **Transforming the movement of people and freight** Create a society where people and freight move safely, quickly, and efficiently using new forms of mobility	• **Offer new equipment and systems**, such as delivery robots and unmanned transport helicopters • **Offer automated, autonomous, and remote solutions** for the logistics industry • Reduce environmental burden and utilize advanced safety technology in transportation equipment	• Handle increasing logistics volumes and **alleviate labor shortages** • Provide safe working conditions • Realize a society that enables the environmentally friendly and safe movement of people and freight	• Eliminate 20% of Japan's approximately 200,000 **shortage in logistics workers** • **Commercialize new mobility** ○ Delivery robots ○ Unmanned VTOL aircraft (vertical take-off and landing aircraft) ○ Autonomous four-wheelers ○ Supply chain optimization services, etc. • Autonomous marine transport (Marine Collaboration Project) • **Take part in super city projects**	(a) Number of unmanned VTOL aircraft and total volume transported (b) Number of delivery robot users and total volume transported	• **Logistics chain optimization** **Phase 1** ○ Autonomous transportation and loading equipment (autonomy that extends to the last mile) **Phase 2** ○ Supply chains (create seamless connections: improve efficiency, including for reloading systems) ○ Overseas expansion by 2030 • **New mobility** ○ Commercialize delivery robots and autonomous four-wheelers by 2025 ○ Full-scale operation of VTOL and integrated transport service business by 2030 • **Realize super cities** ○ Coordinate with municipalities to take part in super city projects (total optimization of urban transportation, including the movement of people) ○ Build overarching management systems for the movement of people and freight (local MaaS) Organically link these with other Group businesses ○ Build cooperative relationships with logistics companies and software companies	• Commissioned by Ina City, Nagano Prefecture, for its Unmanned VTOL Cargo Transport Platform Development Project (ongoing) • Participated in the Shinshu DX Promotion Consortium; currently constructing **communications systems in mountainous areas** (ongoing) • Conducted verification tests and demonstrated the high effectiveness of robot introduction in specimen delivery at Fujita Health University Hospital **toward realizing the "Smart Hospital" concept** (deployed multiple delivery robots in actual tasks and succeeded in having both human and robots ride together in elevators at the same time) • **Provided the Z-Leg™ one-stop service for air travel arrangements by helicopter**, in collaboration with municipalities, travel agencies, railway companies, and others
	• Respond to mobility as a service (MaaS) • Increase speed and efficiency of inter-city transport • Promote optimization via integrated control of marine, land, and air transport • Develop new personal mobility • **Take part in super city projects** Coordinate with municipalities to realize advanced cities	• **Realize seamless urban transportation** Increase the speed and efficiency of the movement of people and freight • **Alleviate traffic congestion and logistics delays** • **Disaster-resilient community building** Rapid transportation of emergency supplies, etc.				
Energy and environmental solutions **Working toward the stable generation of clean energy** Quickly achieve a stably powered, carbon-neutral society at low cost	• **Build a hydrogen supply chain** High-volume, stable supply of hydrogen • **Expand the use of hydrogen** Power generation systems, transportation equipment, etc.	• **Reduce the price of hydrogen energy** • **Help address climate change by reducing CO_2 emissions** • **Provide clean travel and transportation by land, sea, and air**	**Hydrogen** • Hydrogen supply from Kawasaki solutions: 225,000 t/year (when commercialized) • CO_2 reduction of 1.6 million tons (theoretical value) through hydrogen energy from Kawasaki solutions **Existing products** • Manufacture of even more environmentally friendly products • Reduction of CO_2 emissions from products	**Hydrogen** (a) Hydrogen supplied by Kawasaki solutions (b) CO_2 reductions from Kawasaki's hydrogen energy solutions **Existing products** (a) Reduction of CO_2 emissions through product-based contributions (b) Number of registered products and revenue in Kawasaki Ecological Frontiers (formerly Green Products)	• **Form a hydrogen consortium** • Technological development Establish technologies for larger scale, leveraging NEDO subsidized projects and partnerships • **Increase transport volume** (Two or more carriers in 2030; 80 or more carriers in 2050) • Develop hydrogen-fueled rolling	**Hydrogen** • Signed a collaboration agreement with Kawasaki City with a view to building a liquefied hydrogen supply chain centered on the Kawasaki Coastal Area. Furthermore, signed an MOU with Resonac Holdings Corporation, a power generation business active in the Kawasaki area, on collaboration for development of the hydrogen power generation business in the Kawasaki area • Completed the basic design of a "Hydrogen Platform," a mechanism to "visualize" distribution of hydrogen throughout the supply chain, from production to utilization, through digital management, and thereby facilitate the tracing of hydrogen **Existing products** (a) CO_2 reduction contribution by products: 16.30 million t-CO_2 (b) Number of registered products and net sales in Kawasaki Ecological Frontiers: 68 products registered with net revenue of ¥242.9 billion
	• **Electrify** products Transportation equipment and systems as well as components for construction machinery	• Help address climate change by reducing CO_2 emissions			• Mass production of hybrid and electric motorcycles and off-road four-wheelers • Deliver hybrid and electric marine propulsions	
	• **Alternative fuels** Sustainable aviation fuel (SAF), biomass, etc.					
	• **CCUS** Capture and use CO_2 in fields that cannot eliminate fossil fuels				• Begin pilot-scale demonstration testing of energy saving CO_2 separation and capture system (Kansai Electric Power Company)	
	• Reduce environmental burden throughout the value chain					

Refer to pp. 47–50 for more on the promotion of carbon neutrality. For other initiatives, please refer to information regarding sustainability on the Company website.

Focal Field 1

Working Toward the Stable Generation of Clean Energy

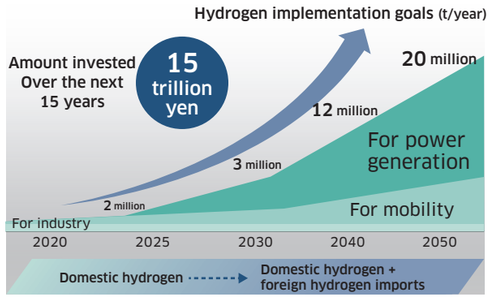
1. The coming of a hydrogen society

/ Rise of Carbon Neutral Markets

Due to the Japanese government's "2050 Carbon Neutral Declaration" and various carbon-neutral policies worldwide, the market for carbon-neutral technologies such as renewable energy, hydrogen, CCUS (Carbon Capture, Utilization, and Storage), and carbon removal technologies continues to expand both domestically and internationally. Japan, for example, plans to attract over 150 trillion yen in public and private investments related to Green Transformation (GX) over the next decade, with the government initially investing around 20 trillion yen. Additionally, a more specific measure includes an estimated investment of 15 trillion yen over the next 15 years in the hydrogen supply chain by both the public and private sectors.

Kawasaki Heavy Industries views these societal demands and market growth as business opportunities, and aims to achieve carbon neutrality by utilizing hydrogen energy, which enables large-scale, long-term storage and can contribute to the stability of power supply and demand systems.

Hydrogen energy implementation in Japan

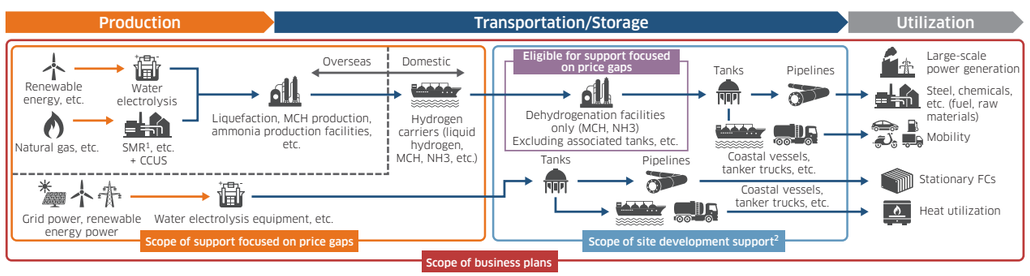


/ Support for the Social Implementation of Hydrogen Takes Shape

Based on the revised Basic Hydrogen Strategy of June 2023, the Hydrogen Society Promotion Act was enacted and promulgated in May 2024. The law specifically outlines measures to promote the supply and use of low-carbon hydrogen, including government certification of business plans for companies producing or importing hydrogen, subsidies to cover the price difference with existing fuels, and site development support. During deliberations on the bill, Yasuhiko Hashimoto, our company's president and the vice-chairman of the Japan Hydrogen Association (JH2A), was invited as a witness and expressed his opinions.

With these environmental improvements as a tailwind, our company will contribute to the social implementation of hydrogen through the provision of equipment and services for all aspects including production, transportation, storage, and utilization.

Facilities and equipment that can be included in calculating a reference price for support focused on price gaps



Prepared by the Company based on the section concerning "Facilities and equipment that can be included in calculating a reference price for support focused on price gaps" included in the materials regarding the Hydrogen Society Promotion Act from the Ministry of Economy, Trade and Industry.
1 SMR: Steam methane reforming 2 The specific scope will be adjusted in the future

/ Seeking a 400-Billion Yen Business in FY2030:
Activities in Existing Business Fields to Support Promotion of Hydrogen Business

In relation to our existing business, our shipbuilding division has a proven track record in constructing liquefied gas carriers of various sizes. Since the construction of the world's first liquefied hydrogen carrier, *SUISO FRONTIER*, we have been contributing to the commercialization of large liquefied hydrogen carriers by completing their basic design. Additionally, we are expanding our lineup to include medium and small-sized vessels, which are in higher demand during the early stages of this market. Furthermore, the expertise of our plant division, which has a significant track record in delivering large LNG tanks, is being extensively utilized in the development of large liquefied hydrogen tanks. Leveraging these strengths of our existing businesses, we are steadily progressing towards our goal of establishing a 400 billion yen liquefied hydrogen supply chain by fiscal year 2030.

Expanding the lineup of liquefied hydrogen carriers

Small vessels — Tank capacity 1,250 m³ (1,250 m³ x 1 ship)

Medium vessels — Tank capacity 40,000 m³ (10,000 m³ x 4 ships)

Large vessels — Tank capacity 160,000 m³ (40,000 m³ x 4 ships)

Plans call for liquefied hydrogen carriers introduced going forward to be zero-emission fuel vessels.

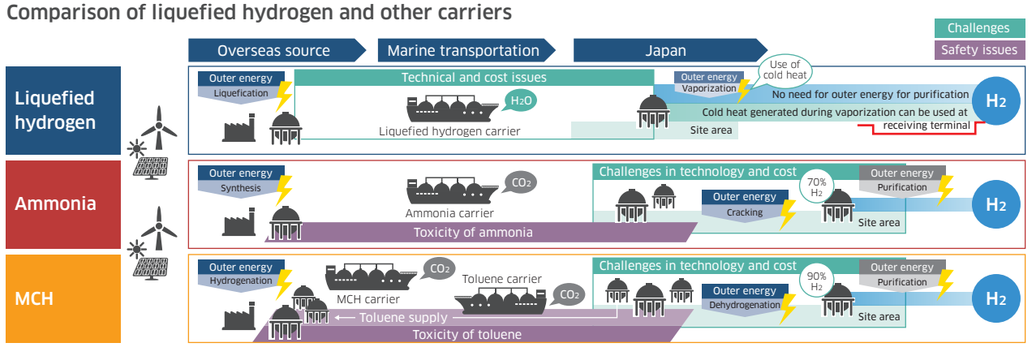
Development of large liquefied hydrogen tanks (200,000 m³ class, future project)

/ Superiority of Liquefied Hydrogen

In the aerospace field, we have 40 years of experience and expertise in handling hydrogen, and we also have an established track record with hydrogen power generation operations and electric power supply. Also, in the spring of 2022, we completed a demonstration of maritime transportation between Japan and Australia and cargo handling using the *SUISO FRONTIER*, the world's first liquefied hydrogen carrier, which we constructed, demonstrating the feasibility of an international liquefied hydrogen supply chain. While other methods such as ammonia and MCH exist for the mass transportation of hydrogen, liquefied hydrogen is superior in the following respects. In the medium to long term, liquefied hydrogen is expected to be the most cost-effective and promising energy carrier.

- A liquefied hydrogen cargo handling base is located just 800 meters from the runway of the adjacent Kobe Airport, ensuring safety in handling based on our track record
- It is non-toxic, and during maritime transport, vaporized hydrogen gas can be used directly as fuel
- here is no energy loss required for decomposing the energy carrier to extract hydrogen or to increase its purity at the demand sites such as Japan
- Consequently, the equipment at the demand sites can be made simpler and more compact
- From an environmental perspective, it has the lowest greenhouse gas emissions in the international hydrogen supply chain

Comparison of liquefied hydrogen and other carriers



/ Toward Implementation of a Hydrogen Society

Liquefied hydrogen receiving terminal for commercialization demonstration has been confirmed (land lease agreement signed with JFE Steel)

In July 2024, JFE Holdings, Inc., JFE Steel Corporation, and our subsidiary Japan Hydrogen Energy Co., Ltd. agreed to lease land at the JFE Steel East Japan Works in Ogishima for the purpose of a commercialization demonstration of the liquefied hydrogen supply chain.

The Ogishima area, part of the Keihin Industrial Zone—one of Japan's leading industrial zones—is suitable as a liquefied hydrogen receiving terminal due to its potential hydrogen demand. We aim to complete facility construction by fiscal year 2028, receive the liquefied hydrogen carrier in fiscal 2029, and complete the demonstration project and begin supplying hydrogen within Japan in fiscal 2030.

Planned construction site (red frame area)

Land lease agreement signed with JFE Steel

Building a liquefied hydrogen transport network in Germany and Europe (Memorandum of Understanding signed with Daimler Truck)

In June 2024, the Company and Daimler Truck signed a Memorandum of Understanding on collaboration to build a liquefied hydrogen supply chain for Germany and establish a transport network for liquefied hydrogen stations in Europe. A signing ceremony was held in Berlin, Germany's capital.

The Memorandum aims to expand the use of liquefied hydrogen to decarbonize road freight transportation. Going forward, the two companies will jointly explore the development of a liquefied hydrogen supply chain, including consideration of liquefied hydrogen terminals, maritime transport, and liquid hydrogen storage, with the goal of establishing a liquefied hydrogen supply chain for Europe by the early 2030s.

Ceremony in Berlin

World's first public demonstration run of a hydrogen engine motorcycle by a mass-production motorcycle manufacturer

On July 20, 2024, Kawasaki Motors, a member of the Kawasaki Group, conducted the world's first public demonstration run by a mass-production manufacturer of a hydrogen engine motorcycle.

Research on the motorcycle began in March 2023, with test runs held starting in 2024. Mounted in the machine is a hydrogen engine based on the 998 cc In-Line Four Supercharged Engine found in Kawasaki's Ninja H2 motorcycle, with modifications made to allow direct injection of hydrogen fuel into the cylinders.

Hydrogen engine motorcycles run by burning hydrogen, allowing the rider to enjoy the engine's pulsation and feel, while primarily emitting only water.

We are currently conducting research and development with the aim of realizing a functioning hydrogen engine motorcycle of the options to achieve carbon neutrality by the early 2030s.

Public demonstration run held at the Suzuka Circuit

/ Contributing to Realizing a Carbon-Neutral Society

Promoting the CO_2 separation and capture business

Storing captured CO_2 underground makes it possible to achieve effectively negative emissions. As a result, expectations for Direct Air Capture (DAC) of CO_2 are increasing as a means to achieve carbon neutrality, with CO_2 capture via DAC project to reach about 1 billion t-CO_2 annually by 2050.

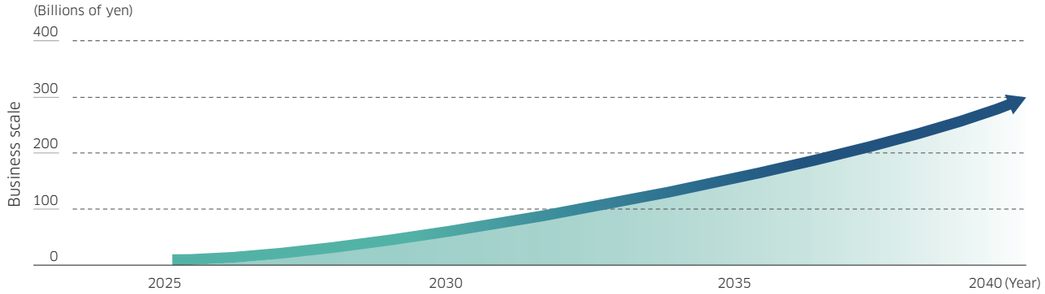
We aim to supply DAC systems utilizing CO_2 capture technology developed through our years of expertise in submarines, and to collaborate with various energy providers to develop a carbon dioxide capture, utilization, and storage (CCUS) service business of CO_2.

In the future, by around 2025, we plan to establish a large-scale DAC demonstration plant. By around 2030, we aim to operate large-scale DAC facilities in priority areas, targeting a business scale of approximately 50 billion yen.

Furthermore, we plan to expand the business scale through licensing by 2050.

Illustration of a large-scale DAC (approx. 0.5–1 million t-CO_2/year)

Outlook for the Company's DAC business



Launch of joint research with Kajima Corporation

In July 2024, joint research was initiated to apply our DAC technology for the production of CO_2-SUICOM®, a CO_2-storing concrete developed by Kajima Corporation and others. CO_2-SUICOM is a technology that stores CO_2 during concrete production through carbonation curing*, effectively reducing CO_2 emissions to below net zero.

Currently, the CO_2 used in the production of Kajima's CO_2-SUICOM is purchased externally and procurement of CO_2 is a major obstacle to its widespread deployment. To overcome this challenge, a collaborative research project focusing on applying our DAC technology, which is capable of procuring the required amount of CO_2 wherever it is needed in a timely manner, was initiated. The DAC technology we developed captures CO_2 directly from the atmosphere and uses a solid absorbent composed of porous material and amine compounds optimized for CO_2 absorption to effectively separate and capture CO_2 in the air.

Going forward, we will evaluate configurations of DAC equipment suitable for application to precast concrete product manufacturing plants, and proceed with demonstration of its application to CO_2-SUICOM production. By combining our cutting-edge DAC technology with CO_2-SUICOM developed by Kajima and others, we will contribute to the realization of a carbon-neutral society.

A CO_2-SUICOM carbonation curing chamber

* A method of curing concrete in a closed chamber filled with CO_2, which allows CO_2 to be stored in the concrete in a controlled environment.

Focal Field 1

Working Toward the Stable Generation of Clean Energy

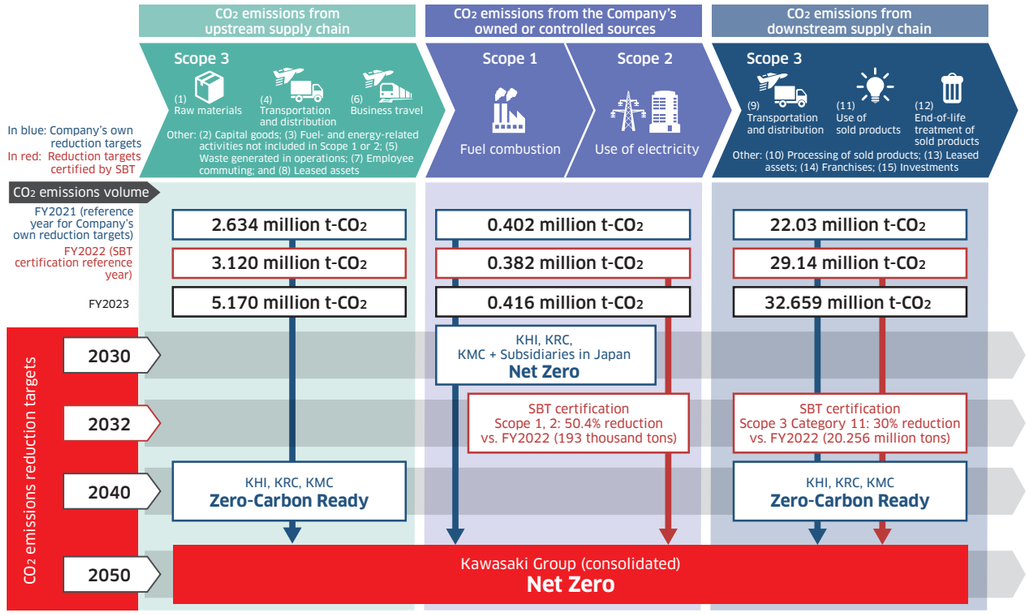
2. Initiatives to achieve zero CO_2 emissions

Carbon neutrality targets

In August 2024, Kawasaki received certification of its greenhouse gas reduction targets from the Science Based Targets initiative (SBTi[1]), an international climate change initiative. The certified targets include two types based on fiscal 2022: a short-term target (NEAR-TERM) and a long-term target (NET-ZERO). The short-term target aims to reduce Scope 1 and 2 emissions by 50.4% compared to fiscal 2022 by fiscal 2032, and Scope 3 Category 11 emissions by 30% compared to fiscal 2022. The long-term target aims to achieve net-zero greenhouse gas emissions across the entire value chain by fiscal 2049.

The Group has set its own CO_2 emission reduction targets in advance of obtaining SBT certification. In particular, for Scope 1 and 2, we have established ambitious targets that exceed SBT certification standards. Through voluntary initiatives centered on hydrogen power generation, we aim to achieve net zero domestically by 2030. To address Scope 3 emissions, we will decarbonize products and services with hydrogenation, electrification, green power grid, alternative fuels, and CCUS[2] as our keywords and strive to achieve by 2040 a status where customers select our Zero-Carbon Ready decarbonization solutions. The target for Scope 3 Category 11, already SBT-certified, is positioned as an intermediate goal for 2040. Ultimately, we aim to achieve net zero across our entire value chain by 2050, in line with the long-term goals of SBT certification. We will expand our decarbonization solutions together with our business partners and customers, contributing to the early realization of carbon neutrality.

1 SBTi: An international initiative jointly established in 2015 by CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). It defines and promotes best practices for science-based target setting and independently evaluates corporate targets.
2 CCUS (Carbon dioxide Capture, Utilization and Storage): Capture CO_2 emissions + Store underground + Utilize CO_2



Regarding Scope 3, the calculation method has changed and the scope of aggregation expanded in recent years to ensure more accurate emissions data.
For more details, refer to ESG Data in the Sustainability section of our website.

Scope 1, 2

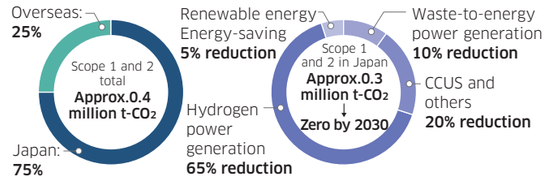
Scope 1, 2 In-house fuel and power use

Carbon Neutrality in Japan by 2030

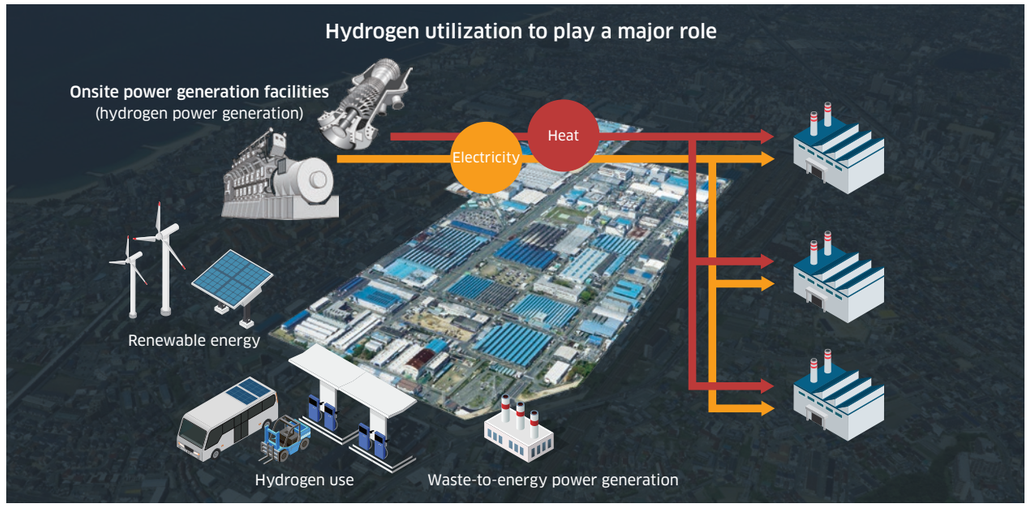
As shown to the right, the Kawasaki Group's Scope 1 and 2 CO_2 emissions are approximately 400,000 tons annually, of which Japan account for three-quarters.

We will continue efforts to save even more energy and promote electrification and the use of sustainable energy, such as solar power generation, to reduce CO_2 emissions through 2030. We will also introduce in-house hydrogen-fueled power generation facilities and achieve zero-emissions plants by combining this with power generation from waste, renewable energy, and other energy sources. Through these initiatives, we plan to achieve independent carbon neutrality with zero CO_2 emissions by the Group in Japan by 2030. We are also working to reduce CO_2 emissions overseas.

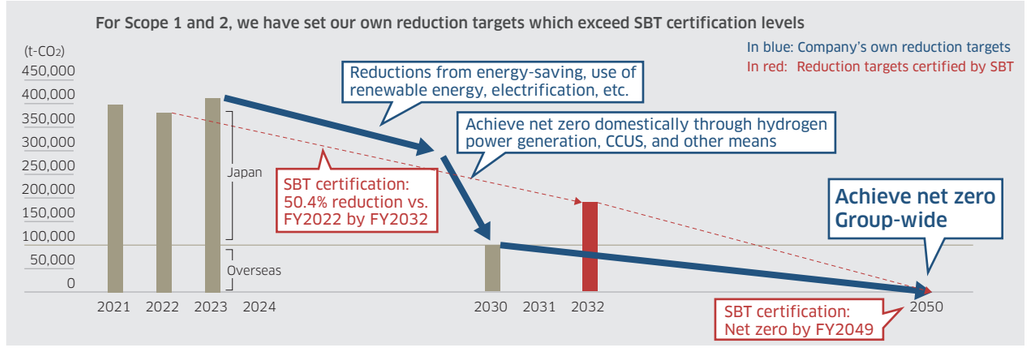
CO_2 emissions reduction plan in Japan



Zero-emission plant



CO_2 emissions and reduction targets (Scope 1 and 2)

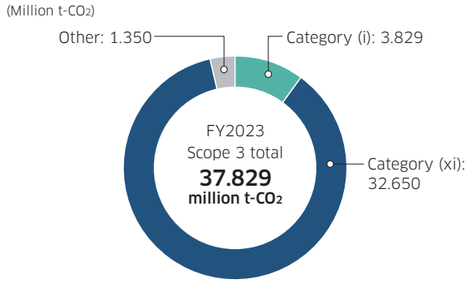


Scope 3

/ Leading Society by Advancing Toward Zero-Carbon Ready

Scope 3 Net Zero can only be achieved when all parties in the value chain including trading partners and clients become Zero-Carbon Ready. The Company will implement the maximum possible measures concerning Scope 3 to become Zero-Carbon Ready by 2040. Specifically, for category (i), we will slash CO_2 emissions by suppliers of materials and parts by 80%, and for category (xi), we will develop a lineup of CO_2-free standard solutions in all businesses. Moreover, we will reduce CO_2 emissions by more than the Company's own Scope 3 emissions by working toward achieving a hydrogen-based society and engaging in the CCUS business, thereby contributing to the early achievement of carbon neutrality around the world.

Scope 3 breakdown by categories

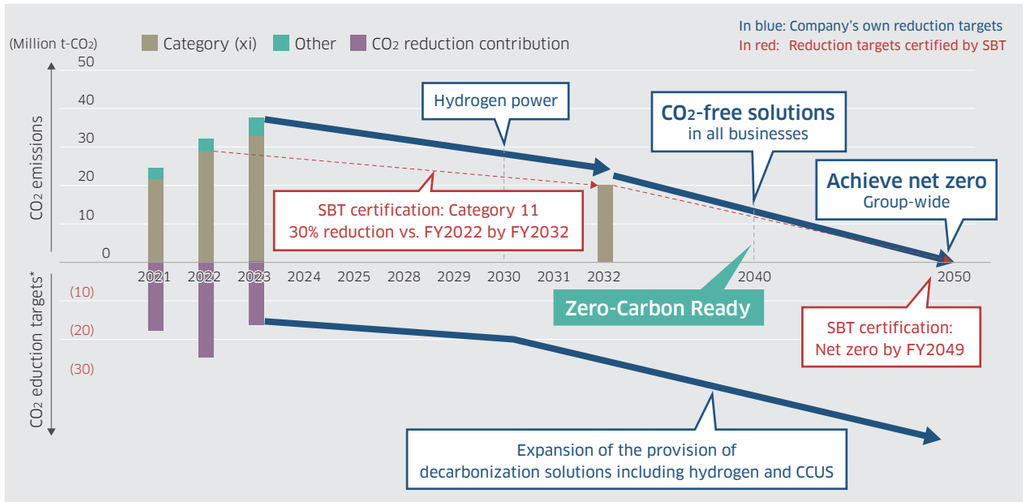


Scope 3 CO_2 emissions reduction targets

2040 Zero-Carbon Ready (KHI, KRC, KMC)

Reduce CO_2 at least 100% in real terms by engaging in the CCUS business
- Category (i): 80% reduction (compared with fiscal 2021)
- Category (xi): Develop a lineup of CO_2-free standard solutions and facilitate global CO_2 reductions

CO_2 emissions and reduction targets (Scope 3)



* CO_2 reduction contribution: Equal to the difference between greenhouse gas emissions volumes of earlier products and services and new products and services. A quantification of the contribution to the mitigation (impact) of climate change throughout society as a whole through the provision of products and services.

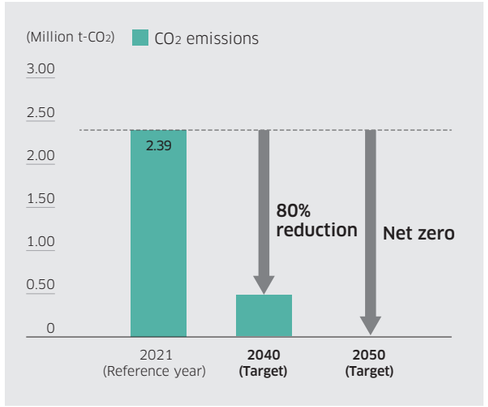
Scope 3 Category (i) CO_2 emissions from procurement of materials and parts

Support industrial initiatives with hydrogen and CCUS solutions to further accelerate reductions

The Company will deepen collaboration with business partners that supply materials and parts, including sharing emissions data, offering support for CO_2 reductions and striving for early achievement of zero emissions. This will be achieved by means not limited to in-company utilization by the Group of solutions such as hydrogen power, hydrogen fuel, and other alternative fuels, as well as CCUS, but also by providing these solutions to business partners.

In promoting CO_2 emissions reductions from procured goods, in April 2024, we held a "Carbon-Neutral Briefing" in Kobe (see p.78 for details), with the goal of collaboration between our suppliers and the Group in efforts to reduce emissions. Going forward, we will expand these initiatives company-wide and build cooperative structures with business partners for reducing emissions.

Scope 3 Category (i) (CO_2 reductions scenarios)



Scope 3 Category (xi) Providing customer solutions

Provide CO_2-free solutions to all customers

We will take action to decarbonize products and services with hydrogenation, electrification, green power grids, alternative fuels, and CCUS as our keywords.

• Initiatives in the leadup to 2030 (short term)

Through Kawasaki Ecological Frontiers, a program for certification of environmentally friendly products, and other initiatives, we will continue to reduce the energy consumption and improve the efficiency of existing products and promote the shift to hybrid electric and battery electric motorcycles and other vehicles as part of the transition to a decarbonized society. We will also conduct development for the commercialization of hydrogen energy and expand the use of hydrogen in gas turbines, gas engines, and other equipment. Furthermore, we will work toward the development of Kawasaki CO_2 Capture and DAC for the capture and use of CO_2.

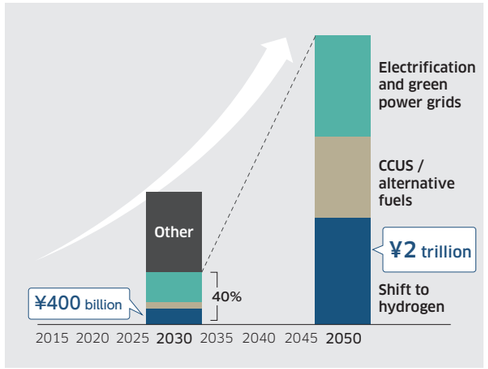
• Initiatives in the leadup to 2040 (medium to long term)

The Group will actively further the following three major initiatives.

(1) We will provide CO_2-free fuels and electrical power to society with a focus on the hydrogen business.
(2) We will make a selection of choices for electrification and CO_2-free fuels available to customers utilizing our various solutions including mobility and robots.
(3) In addition to CO_2 capture, we will promote the effective use of CO_2 including the manufacture of synthetic fuels and chemical products to achieve a circular CO_2 society.

With these three pillars, the Group will make choices available to our customers of products and services (excluding defense and related; emergency products business) that contribute to the achievement of carbon neutrality by 2040, and promote global reductions in CO_2.

Envisioned scale of business by future solution



Disclosure in Line with the Recommendations of the Task Force on Climate-related Financial Disclosures

For more details, refer to the TCFD Report 2024 listed under Sustainability on the Company's website.

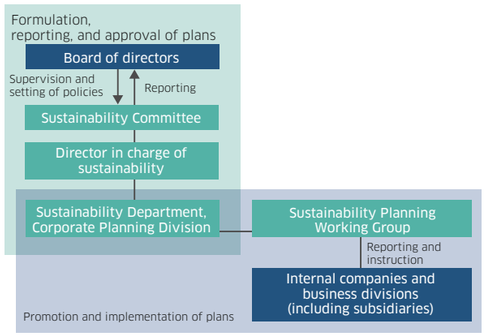
Under its Group Vision 2030, the Kawasaki Group will actively contribute to the realization of a society in which the average global temperature rise is held to 1.5°C above pre-industrial levels—the goal of the Paris Agreement—through its business, by advancing its hydrogen business, CCUS and other efforts. At the same time, the Group is moving forward with measures, based on risk analysis, to address increasingly severe natural disasters, including business continuity planning (BCP), supply chain resilience and others. Here we report on climate change-related information based on TCFD recommendations.

/ Governance

Organizational governance of climate-related risks and rewards

In the Kawasaki Group, the Board of Directors is the highest decision-making body that deliberates and decides fundamental sustainability policies and fundamental plans throughout the Group. The Sustainability Committee, under the supervision of the Board of Directors, determines those measures to be taken rooted in the basic plan the Board of Directors has decided and reports on their progress to the Board of Directors.

Sustainability promotion system



/ Risk Management

Methods for identifying, assessing, and managing climate-related risks

The identification and assessment of risks related to sustainability including climate change are conducted by the Sustainability Committee. Changes in the business environment and in the demands and expectations from stakeholders are evaluated from a risk management perspective, and deliberated and reported on as necessary responses. With respect to regular reviews of materiality, too, risk assessments regarding various issues are conducted based on the results of these scenario analyses.

The results of these risk assessments and the identified risks are reported to the Board of Directors which, based on their deliberations over the approach to addressing them, provide the necessary feedback to those departments subject to those risks.

/ Metrics and Targets

Indicators and targets employed when assessing and managing climate-related risks and opportunities

The Group has established CO_2 emissions reduction targets, as shown in the chart below.

For domestic Scope 1 and 2, including Group companies, our goal is to achieve self-sustaining carbon neutrality by 2030 through initiatives centered primarily around hydrogen power generation. For Scope 3, targets have been established for main categories (i) and (xi).

Our goal is for zero CO_2 emissions across the Group as a whole by 2050, in line with the CO_2-free target set out in the Kawasaki Global Environmental Vision 2050.

We obtained SBT (Science Based Targets) certification in August 2024, accelerating our efforts to achieve the Paris Agreement's goal of limiting temperature rise to 1.5°C or below.

Focusing on hydrogen, Carbon Capture and Storage (CCUS), and Direct Air Capture (DAC), we are advancing the decarbonation of products and services across the Company and throughout the entire value chain, including suppliers and customers.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Kawasaki Group CO_2 emissions reduction targets

Scope 1, 2	Scope 3
2030 Carbon Neutrality Scope: Domestic Group companies	2040 Contribute to carbon negative by realizing a hydrogen-based society and promoting commercialization of CCUS Category (i): 80% reduction Category (xi): Promote CO_2 reductions in the world Scope: Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar
2050 Carbon Neutrality Scope: Entire Group (consolidated)	

Reduction targets that have received SBT certification

Targets	Reduction targets receiving certification	
Short-term target NEAR-TERM	Scope 1 Scope 2	By fiscal 2032, reduce greenhouse gas emissions by 50.4% versus fiscal 2022 levels (aligned with the 1.5°C target)
	Scope 3	By fiscal 2032, reduce use in products sold (Category 11) by 30% versus fiscal 2022 levels (well below 2°C target)
Long-term target NET-ZERO	Scope 1, 2, 3	Bring greenhouse gas emissions to net zero (NET-ZERO) across the Group's value chain by fiscal 2049

For more details of carbon neutral targets, refer to pp.47–50.

/ Strategy

Actual and potential impact of climate-related risks and opportunities on business, strategy and financial planning

In energy and environmental solutions, one of three focal fields defined in the Group Vision 2030, the Group is actively advancing business aimed at realizing a decarbonized society primarily through the hydrogen business, CCUS, and DAC.

Recorded below is the scenario analysis process conducted in the formulation of Kawasaki's climate change strategy.

Scenario analysis process

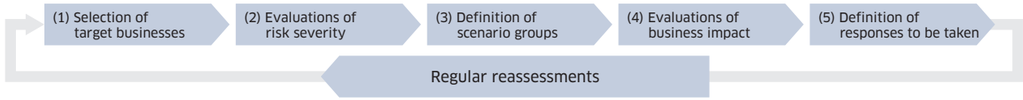
Scenario analysis is conducted through a process that entails (1) Selection of target businesses, (2) Evaluations of risk severity, (3) Definition of scenario groups, (4) Evaluations of business impact, and (5) Definition of responses to be taken.

In (3) Definition of scenario groups, considering consistency with the Group Vision 2030, the year 2030 was set as the target year, and the 1.5°C and 4°C scenarios were adopted.

The business impact of the 1.5°C and 4°C scenarios and the results of the considerations on the measures to be taken are described below.

Going forward, we will regularly conduct reviews and advance the sophistication of the scenario analysis.

Process for scenario analysis (1.5°C scenario, 4°C scenario)



Results of scenario analysis (1.5°C scenario, 4°C scenario)

Financial impact[1] ··· ★: less than ¥10 billion; ★★: ¥10 billion or more, less than ¥100 billion; ★★★: ¥100 billion or more

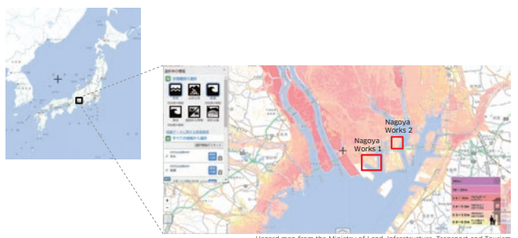
Target: 2030 1.5°C scenario		Energy Solution & Marine Engineering	Aerospace Systems	Powersports & Engine	Precision Machinery & Robot	Rolling Stock
Opportunities		• Hydrogen related • CCUS and alternative fuels • Electrification				
Risks		• Falling demand for LNG power generation facilities, aircraft, gasoline-powered vehicles, and diesel construction machinery • Increase in R&D and capital investments				
Financial impact[1]	Revenue	• Carbon neutrality-related revenue, including hydrogen: ¥650 billion (FY2030)				
		★★★ Sales of hydrogen-related products will rise	★ Creation of hydrogen aircraft will come around 2040 or later	★★★ Move first with the shift from gasoline-powered vehicles to EV/HEV, and shift to e-fuel and hydrogen will progress	★★	★
	Investment amounts	• Carbon neutrality-related investments: ¥350 billion (FY2020–FY2030)				
		★★★ Including use of GI Fund	★★ Including use of GI Fund with respect to the development of hydrogen aircraft	★★★ Investment of ¥150 billion for the period FY2023–FY2027	★★	★

Target: 2030 4°C scenario	Energy Solution & Marine Engineering	Aerospace Systems	Powersports & Engine	Precision Machinery & Robot	Rolling Stock
Financial impact[1]	• ¥650 billion in sales opportunities will be lost from carbon neutrality-related revenue, including hydrogen • Recovery of investments will be delayed (R&D and capital investments related to hydrogen projects, hydrogen aircraft development, and EV/HEV motorcycles, etc.) • Physical losses[2]: Minimum losses will be ¥4 billion for damages at production sites (loss of fixed assets) and ¥24 billion for damages from a halt in operations due to supply chain disruptions (sales decrease) • Food risks, water risks, economic instability, supply chain chaos, and other factors produced by temperature rise will have an enormous impact on operations.				

1 Carbon neutrality-related revenue in 2030, including hydrogen, revised upward from ¥600 billion to ¥650 billion to reflect target revenue from the DAC business.
2 Physical losses: Expected damages for 2030 calculated by multiplying the hypothesized cost of damage at high-risk sites based on damage reports, by the growth rate of damage to the GDP.

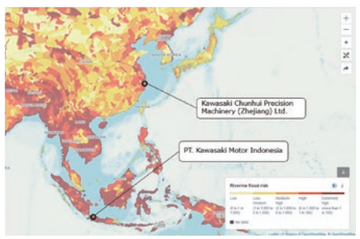
Example of physical loss assessment under the 4°C scenario

Example of domestic production sites (20 sites)



Hazard map from the Ministry of Land, Infrastructure, Transport and Tourism

Example of overseas production sites (16 sites)



Disclosure in Line with the Recommendations of the Task Force on Nature-related Financial Disclosures

As indicated in the Kawasaki Group Policy on Environmental Management, the Group conducts business activities that respect biodiversity as it promotes environmental protection. In this section, we report on our dependence and impact on biodiversity and natural capital by advancing analyses based on the TNFD recommendations and the LEAP approach, an analysis consisting of four steps: Locate, Evaluate, Assess, and Prepare.

/ Evaluate (Evaluate Your Dependencies and Impacts on Nature)

In the Evaluate phase, we conducted a macro-level impact assessment across sectors that include our Group's businesses (such as aircraft and energy equipment).

Using ENCORE, a tool for understanding the scale of dependencies and impacts on nature, we then performed a risk evaluation. Additionally, for upstream supply chains, we conducted risk assessments using similar sectors.

As a result, we identified four high-risk items related to dependencies, as well as ten high-risk items related to impacts. Our Group uses significant amounts of mineral resources such as iron and aluminum as raw materials, making greenhouse gas emissions and water resource usage during mining and refining critical concerns.

Based on these findings, we have determined that while some of our Group's activities, such as those in the plant business, may have a direct impact on biodiversity, the majority of our activities impact biodiversity indirectly through greenhouse gas emissions and water resource usage.

Risk assessment of the Group's business activities and the dependency on the impact on nature

Legend

VH	H	M	L	VL	ND
Very High	High	Medium	Low	Very Low	Non-Detection

	Dependency drivers	Own operations							Upstream activities					
		Aircraft	Energy Solution	Plant Engineering	Ship & Offshore Structure	Railcar	Precition Machinery & Robot	Motorcycle for Leisure, Four Wheeler	Plastic	Iron		Stainless Steel	Alminum	
		Aerospace & Defense (Manufacture of machinery, parts and equipment)	Heavy Electrica Equipment (Manufacture of machinery, parts and equipment)	Construction & Engineering (Infrastructure builds)	Construction Machinery & Heavy Trucks (Manufacture of machinery, parts and equipment)	Construction Machinery & Heavy Trucks (Manufacture of machinery, parts and equipment)	Industrial Machinery (Manufacture of machinery, parts and equipment)	Motorcycle Manufacturers (Manufacture of machinery, parts and equipment)	Commodity Chemicals (Catalytic cracking, fractional distillation and crystallization)	Iron (Iron extraction)	Iron (Iron metal production)	Steel (Steel production)	Aluminium (Mining)	Aluminium (Alumina refining)
Direct Physical Input	Animal-based energy	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	Fibres and other materials	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	Genetic materials	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	Ground water	M	M	ND	M	M	M	M	H	H	M	M	H	M
	Surface water	M	M	ND	M	M	M	M	H	H	M	M	H	M
Enables Production Process	Maintain nursery habitats	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	Pollination	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	Soil quality	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	Ventilation	VL	VL	ND	VL	VL	VL	VL	VL	ND	ND	ND	ND	ND
	Water flow maintenance	M	M	ND	M	M	M	M	L	M	M	M	H	M
	Water quality	L	L	ND	L	L	L	L	L	ND	ND	ND	ND	ND
Mitigates Direct Impacts	Bio-remediation	ND	ND	ND	ND	ND	ND	ND	VL	ND	ND	ND	ND	ND
	Dilution by atmosphere and ecosystems	L	L	ND	L	L	L	L	ND	ND	ND	ND	ND	ND
	Filtration	VL	VL	ND	VL	VL	VL	VL	VL	ND	ND	ND	ND	ND
	Mediation of sensory impacts	M	M	ND	M	M	M	M	L	ND	ND	ND	ND	ND
Protection from Disruption	Mass stabilisation and erosion control	VL	VL	M	VL	VL	VL	VL	L	M	VL	L	M	L
	Climate regulation	VL	VL	ND	VL	VL	VL	VL	L	M	VL	VL	H	M
	Disease control	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	Flood and storm protection	M	M	ND	M	M	M	M	M	ND	ND	ND	ND	ND
	Bio-remediation	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
	Pest control	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND

Risk assessment of the Group's business activities and the relationships of the impact on nature

	Impact drivers	Own operations							Upstream activities					
		Aircraft	Energy Solution	Plant Engineering	Ship & Offshore Structure	Railcar	Precition Machinery & Robot	Motorcycle for Leisure, Four Wheeler	Plastic	Iron		Stainless Steel	Alminum	
		Aerospace & Defense (Manufacture of machinery, parts and equipment)	Heavy Electrica Equipment (Manufacture of machinery, parts and equipment)	Construction & Engineering (Infrastructure builds)	Construction Machinery & Heavy Trucks (Manufacture of machinery, parts and equipment)	Construction Machinery & Heavy Trucks (Manufacture of machinery, parts and equipment)	Industrial Machinery (Manufacture of machinery, parts and equipment)	Motorcycle Manufacturers (Manufacture of machinery, parts and equipment)	Commodity Chemicals (Catalytic cracking, fractional distillation and crystallization)	Iron (Iron extraction)	Iron (Iron metal production)	Steel (Steel production)	Aluminium (Mining)	Aluminium (Alumina refining)
Ecosystem Use	Terrestrial ecosystem use	ND	ND	VH	ND	ND	ND	ND	H	VH	ND	ND	VH	ND
	Freshwater ecosystem use	ND	ND	H	ND	ND	ND	ND	ND	ND	ND	ND	H	ND
	Marine ecosystem use	ND	ND	VH	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Resource Use	Water use	H	H	H	H	H	H	H	H	VH	VH	H	VH	VH
	Other resource use	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Climate Change	GHG emissions	H	H	H	H	H	H	H	H	H	H	H	H	H
Pollution	Non-GHG air pollutants	M	M	H	M	M	M	M	H	H	H	ND	H	ND
	Water pollutants	H	H	M	H	H	H	H	H	ND	M	ND	H	H
	Soil pollutants	H	H	H	H	H	H	H	H	ND	ND	ND	H	H
	Solid waste	H	H	M	H	H	H	H	H	ND	H	H	H	H
Others	Disturbances	M	M	H	M	M	M	M	ND	H	H	ND	H	ND

/ Locate (Locate Your Interface with Nature)

In the Evaluate phase, we analyzed macro-level impacts in each sector, but in the Locate phase, we assess the impact on nature of geographical factors at operational sites.

An impact assessment of our Group's 26 domestic and 16 overseas production sites revealed that domestic sites have relatively low risk. In contrast, water-related risks in India, China, and Mexico, and biodiversity risks in Brazil, are comparatively higher.

Impact assessment at overseas production sites

Assessment items	Number of sites with an impact	Location of sites
Importance of biodiversity	3	South America, Asia, Europe
Ecosystem integrity	1	South America
Rate of tree loss	2	South America, Asia
Water availability	9	North America, Asia
Water pollution	12	North America, Asia, Europe

/ Assess (Assess Your Nature-related Risks and Opportunities)

Based on the results from Evaluate and Locate, in the Assess phase, we analyze opportunities and risks, focusing on relatively high-risk businesses and sites within the Group.

Incorporating TNFD examples, we identified potential opportunities and risks related to water, soil, waste, and other factors. These were assessed along two axes: importance and level of inadequate response (see figure at right). For overseas sites, water was determined to represent both an opportunity and a risk (see table below). In addition, anticipating promotion of resource circulation, demand for resource sorting was identified as an opportunity.

Production sites	Opportunities	Risks
India, China, others	• Water resource scarcity improvement technology • Demand for monitoring • Demand for resource sorting systems	• Water resource scarcity • Water pollution

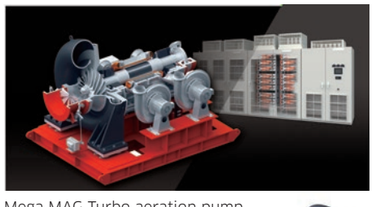
Opportunity and risk assessment

/ Prepare (Prepare to Respond and Report)

In the Prepare phase, we are advancing the following responses.

To address water resource scarcity, we are promoting water conservation and recycling during the manufacturing process. In addition, with products such as the MAG Turbo and Mega MAG Turbo aeration pumps for wastewater treatment, we aim to contribute to addressing global water issues and realize sustainable wastewater treatment plants.

Regarding resource sorting, through solutions such as K-Repros, an AI-equipped resource sorting support system utilizing collaborative robots, we are advancing resource circulation while also addressing social challenges, such as reducing the burden on workers.



Mega MAG Turbo aeration pump

K-Repros
AI-equipped resource sorting support system

Focal Field 2

New Value Creation Using Remote Technology

Create a society that is affluent, safe, and secure for all with remote technology

Kawasaki's solutions to social issues

- In industrial robots, we will use automation and remote technologies to offer solutions to labor issues ranging from worker shortages in developed countries to difficult and dangerous worksites.
- In the healthcare field, we will alleviate patient burden, the increasing burden on doctors, and regional healthcare disparities.
- Reflecting work and lifestyle diversification, we will facilitate remote work environments that enable participation in society regardless of distance, lifestyle constraints, or health limitations as well as the use of overseas workers and skilled workers.
- We will use sophisticated and diverse transportation and energy equipment to prevent and alleviate damage from increasingly severe natural disasters and help ensure economic continuity and stability in daily life.

Of these, here we introduce the following initiatives.

Achieving Telemedicine

Related business
- Precision Machinery & Robot

The *hinotori*™ Surgical Robot System

Kawasaki Heavy Industries established Medicaroid Corporation as a joint venture with Sysmex Corporation to develop, manufacture, and sell medical robots. On the basis of the industrial robot technologies that Kawasaki accumulated over a history of more than 50 years, Medicaroid developed the *hinotori*™ Surgical Robot System, and introduction of the system into medical settings in Japan has been expanding since regulatory approval was obtained from the Ministry of Health, Labour and Welfare in 2020. The system was approved for insurance coverage in the field of thoracic surgery (respiratory surgery) in June 2024, adding to already-approved uses in urology, gastroenterology, and gynecology, and has been utilized in a total of over 5,000 cases to date. Since the system's launch, Medicaroid has incorporated opinions from surgeons to provide functions with enhanced usability while expanding business in Japan. At the same time, in September 2023, Medecaroid obtained regulatory approval from Singapore's Health Sciences Authority, and are advancing efforts toward global expansion.

In addition, Medicaroid has been participating in projects aimed at realizing remote surgery and conducting multiple demonstration tests as initiatives for solving social issues. There are high expectations that this technology will contribute to solving regional disparities in healthcare.

The *hinotori*™ Surgical Robot System, from Medicaroid Corporation

DX Solution Service Using positioning Information

Business development through collaboration

Workstyle reforms through visualization of the movement of people and goods

In 2021, we launched our PNT business and invested in Mapxus, a company operating primarily in Asia, and have since been offering mapxus Driven by Kawasaki™, an indoor positioning information service as an exclusive business in Japan. This service does not require any special hardware, relying solely on the Wi-Fi signal environment. Further, it can seamlessly connect indoor positioning information with outdoor positioning information obtained through GPS and other means.

The service has already been employed at Mitsui Fudosan's commercial facilities, Narita International Airport, Kobe Suma Sea World, as well as at factories of major manufacturers. In addition, through collaboration with our delivery robot services and healthcare business, we can offer complete solutions for enhancing operational efficiency in hospitals and nursing facilities.

We aim to provide a wide range of DX solutions, including for capturing and analyzing information on the positioning and movement of people and goods indoors, and for driving operational improvements.

DX solution service using positioning information

Development of New Business in the Healthcare Field

Related business
- Precision Machinery & Robot

Initiative in nursing care support services to provide equipment and robots to care facilities

Kawasaki will enter the nursing care support services field, which entails providing support for nursing care facilities—which face labor shortages and other challenges—via the introduction of suitable nursing care equipment and robots. In cooperation with the No Lifting Association, Kawasaki will analyze onsite issues and needs at nursing care facilities and nursing care equipment manufacturers, and recommend nursing care equipment and robots to support those needs. In addition, Kawasaki will offer support measures for the development of new equipment in this field and its introduction, utilization, and establishment in nursing care facilities. Our indoor positioning information service, mapxus Driven by Kawasaki™, will be utilized to measure the activities of caregiver staff. The Company is currently a participant in the Kobe City Eldercare Technology Implementation and Promotion Project, through which it is conducting verification test at several nursing facilities in Kobe.

Nursing care support service

Toward a Society Where People Can Work Anywhere with Remote Technology

Related business
- Precision Machinery & Robot

Seeking a remotely connected society in which every person can participate

In December 2021, we established Remote Robotics Inc., a joint venture with Sony Group Corporation. The company continues working to develop this new business with the purpose of realize a remote society where all people can participate.

As worker shortages associated with a declining working age population (those between 15 to 64 years old) become an issue, the situation is such that there are those who wish to work but are unable to go to work. Remote Robotics will contribute to solutions to these social issues through the Remolink platform.

We have built relationships with companies that share the purpose of Remote Robotics and that aim to address these social issues with us, resulting in signed partnership agreements with more than 10 companies to date. In fiscal 2023, we began offering the Remolink Builder service, which enables remote system development, as well as Remolink, a cloud-based service that makes possible new types of remote work via robot. Building around these two services, we will propose a new option for allocation of tasks between humans and robots through remote operation.

Focal Field 3

Transforming the Movement of People and Freight

Create a society where people and freight move safely, quickly, and efficiently using new forms of mobility

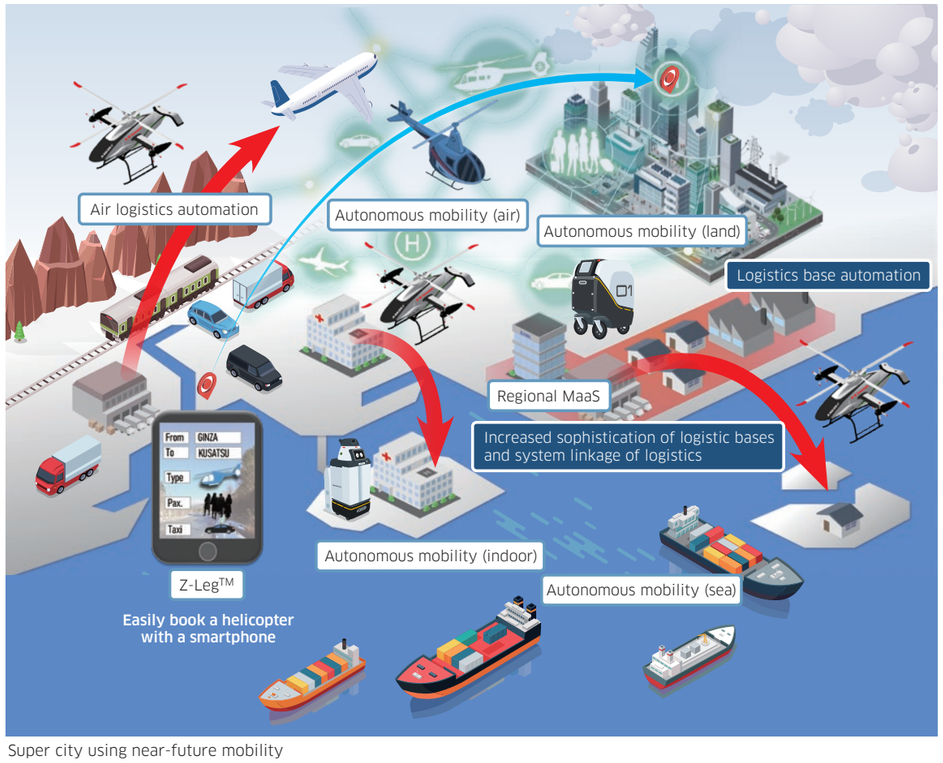
Kawasaki's Solutions to Social Issues

- We will provide new solutions based on Kawasaki's wealth of technologies necessary to the transportation chain, including those related to airplanes, helicopters, ships, rolling stocks, and motorcycles. These solutions will address the changing manner of mobility, including growth in e-commerce, sharing services, and demand for personal mobility.
- Addressing the increasingly severe issues related to labor shortages and worsening working conditions caused by growing logistics volumes, we will offer new systems that combine transportation equipment with robotics and remote technologies.
- We will offer solutions leveraging new transportation systems that combine land and air transport to address such issues as time lost in transport due to higher traffic congestion because of economic development and disruptions caused by increasingly serious natural disasters.

Working toward the social implementation of near-future mobility

We have been building strategic partnerships in logistics since fiscal 2022 with the aim of achieving social implementation in regional cities, commercial facilities, hospitals, etc.

In addition, we will also encourage deregulation and institutional development with regard to remote and autonomous mobility.



Super city using near-future mobility

Commercialization of New Modes of Mobility

Related business
- Aerospace Systems
- Powersports & Engine

Our activities for social implementation of the K-RACER unmanned VTOL* Aircraft

In order to address the labor shortage in the logistics industry, we are developing the K-RACER unmanned VTOL Aircraft that combines our helicopter technology with the compact, high-power engines that our motorcycles have. Its characteristics are the ability to take off and land vertically without a runway and a payload capacity that a drone cannot achieve. In 2023, we developed the K-RACER-X2, an evolution of the K-RACER-X1, with a payload capacity of 200 kg, and successfully demonstrated that payload capacity in test flights. In 2024, demonstration tests for beyond-visual-line-of-sight (BVLOS) flights are planned, as we steadily advance toward social implementation, including utilization during disasters.

We received a contract from Ina City, Nagano Prefecture for an Unmanned VTOL Cargo Transport Platform Development Project. Under this project, we will coordinate with stakeholders and perform permitting and licensing procedures pursuant to laws and regulations in order to achieve delivery of materials to mountain lodges, which are facing a shortage of pilots, weather conditions unique to mountainous regions, and other issues.

K-RACER unmanned VTOL aircraft

* Vertical Take-Off and Landing aircraft

Automation of Delivery Work

Related business
- Precision Machinery & Robot

In-hospital delivery service using indoor delivery robots officially begins

Working in collaboration with Fujita Health University and SEQSENSE Inc., we started a trial of a delivery service using the FORRO indoor delivery robot on July 10, 2023, in an effort to reduce the burdens on medical workers. The effectiveness of the deployment has since been confirmed, and in April 2024, we officially signed contracts with and deployed the service at Fujita Health University Hospital (Toyoake, Aichi Prefecture) and Fujita Medical Innovation Center Tokyo (Ota-ku, Tokyo). In addition, both short- and long-term demonstrations have been conducted at several other hospitals, and more than 10,000 delivery services have been provided without any personal or property damage incidents as of the end of July 2024.

We will realize a system in which humans and robots can work together, and develop an environment for the provision of even higher-quality healthcare by having people focus on the healthcare services that only people can provide.

FORRO indoor delivery robot

Helicopter Booking Service Makes Flexible Air Travel a Reality

Related business
- Aerospace Systems

Provision of Z-Leg™

As the mobility as a service (MaaS) industry grows rapidly, we have begun offering Z-Leg™, a new business that takes advantage of our experience and reputation for reliability in manufacturing helicopters, and an innovative solution for travelers in need of one-stop helicopter booking.

Helicopters, pilots, heliports, taxis, and more can all be arranged online, offering a one-stop solution for seamless and efficient travel across Japan. This dream mobility service not only shortens travel times, but also allows passengers to enjoy Japan's stunning landscapes from a helicopter's unique altitude, providing a luxurious air travel experience. To ensure safety, the service utilizes commercial twin-engine helicopters in collaboration with highly reliable operators.

Efforts are underway to develop takeoff and landing sites throughout Japan, open new routes, and collaborate with municipalities, travel agencies, railway companies, department stores, and others. Coverage and features in the business media, lifestyle magazines, and local newspapers have been increasing, drawing growing interest as a new option for air travel.

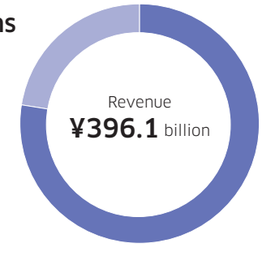
Z-Leg™ one-stop service for air travel arrangements

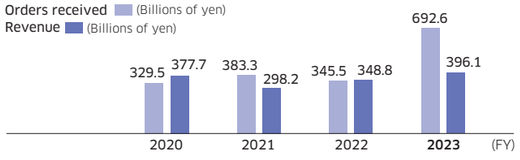
At a Glance

1 Amounts for the factors contributing to increases/decreases in business profit and loss—of foreign exchange fluctuations, sales fluctuations, and change in product mix, etc.—are estimated values calculated based on certain criteria set by the Company. In addition, there is a possibility of circumstances in which it is advisable to confirm combined amounts, especially for sales fluctuations and changes in sales composition, as these factors are often of an inseparable nature.

Aerospace Systems

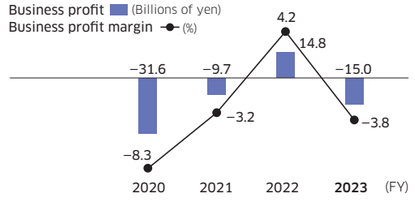
- Aerospace ¥307.4 billion (77.6%)
- Aero engine ¥88.7 billion (22.4%)



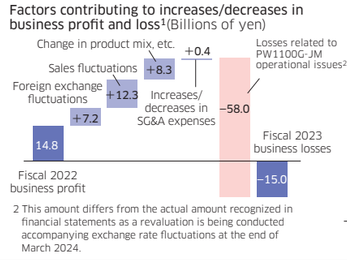


Orders received Increased, due mainly to an increase in orders for the Japan Ministry of Defense and Boeing, despite losses recorded on the PW1100G-JM engine (reduced monetary value of orders received)

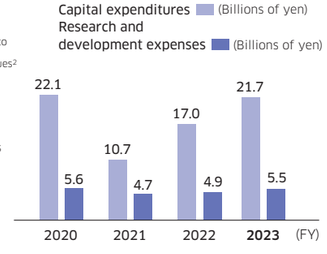
Revenue Increased due to an increase in revenue from the Japan Ministry of Defense and Boeing as well as commercial aero engines despite losses recorded on the PW1100G-JM engine (reduced amount of revenue)



Decreased, due mainly to losses recorded on the PW1100G-JM engine, despite higher profits from increased revenue

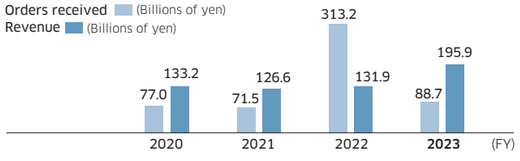


2 This amount differs from the actual amount recognized in financial statements as a revaluation is being conducted accompanying exchange rate fluctuations at the end of March 2024.



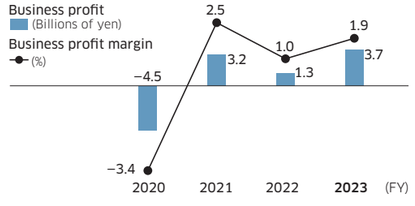
Rolling Stock

- Japan and Asia ¥81.2 billion (41.4%)
- North America ¥114.6 billion (58.4%)

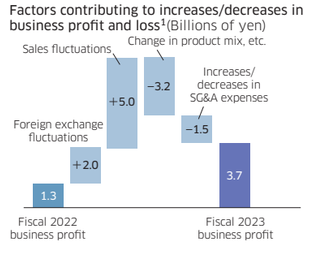


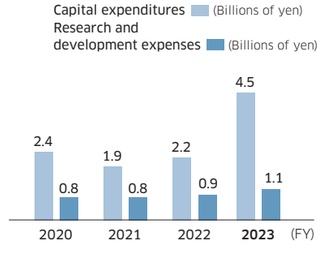
Orders received Decreased compared to the previous fiscal year, when major orders, such as of subway cars for New York City Transit, were received

Revenue Increased due to an increase in revenue from rolling stock for the U.S. despite a decline in revenue from rolling stock for the domestic market and for the Asian market



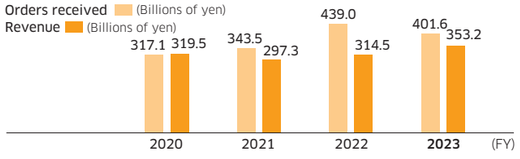
Increased, due mainly to higher revenues, despite a decline in operations in Japan





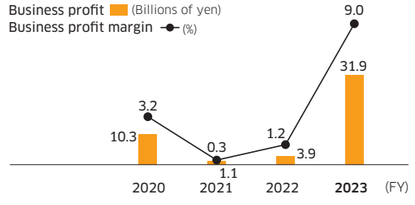
Energy Solution & Marine Engineering

- Energy, plant & marine machinery ¥260.6 billion (73.7%)
- Ship & offshore structure ¥92.5 billion (26.1%)

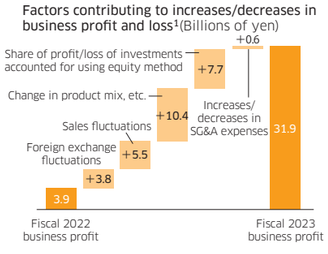


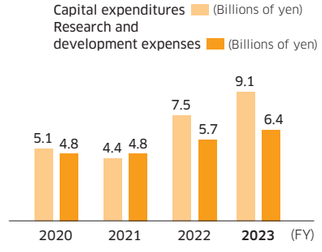
Orders received Decreased, due mainly to a decrease in LPG/ammonia carriers, despite an increase in orders of naval equipment for the Japan Ministry of Defense and municipal waste incineration plants for the domestic market

Revenue Increased, due mainly to higher revenues in Ship & Offshore business centered on from LPG/ammonia carriers, and in Energy business



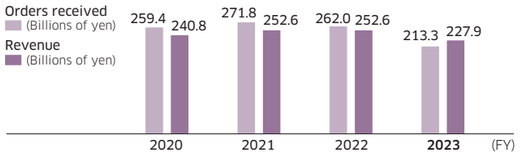
Increased, due mainly to higher revenues and returns from equity method investments





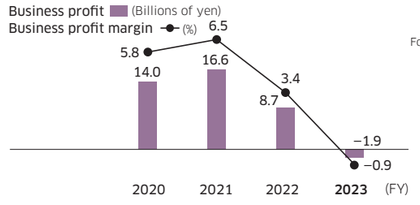
Precision Machinery & Robot

- Hydraulic components & systems ¥141.5 billion (62.0%)
- Robotics ¥86.3 billion (37.8%)

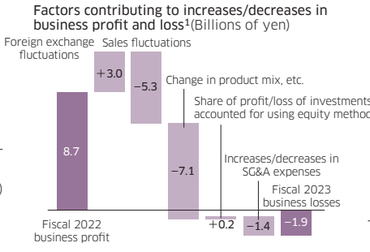


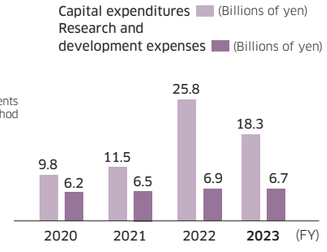
Orders received Decreased, due mainly to a decrease in hydraulic components for construction machinery market in China and industrial robots

Revenue Same as above



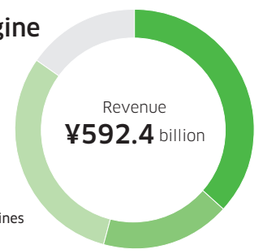
Decreased, mainly due to lower revenues and decline in operations

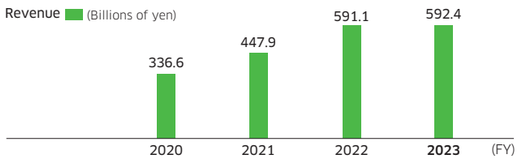




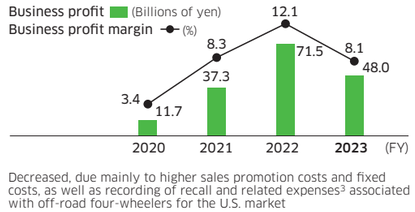
Powersports & Engine

- Motorcycles in developed countries ¥217.9 billion (36.7%)
- Motorcycles in emerging countries ¥103.4 billion (17.4%)
- Off-road four-wheelers / PWC ¥180.6 billion (30.4%)
- General-purpose gasoline engines ¥90.3 billion (15.2%)



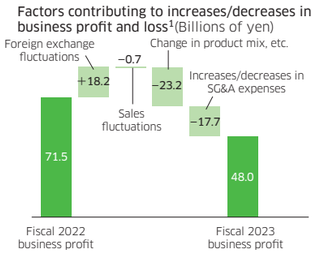


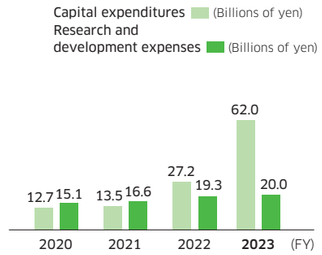
Revenue Equivalent level to 2022, due mainly to a decrease in motorcycles for emerging countries and general-purpose gasoline engines, despite an increase in off-road four-wheelers for the U.S. and motorcycles for Europe



Decreased, due mainly to higher sales promotion costs and fixed costs, as well as recording of recall and related expenses[3] associated with off-road four-wheelers for the U.S. market

3 Receipt of a notice from the U.S. Consumer Product Safety Commission (CPSC) imposing fines in relation to a recall of certain models of off-road four-wheelers





Aerospace Systems

Reaching greater heights in the domains of aviation and space through the integration of cutting-edge technologies

Since Kawasaki's launch of aircraft manufacturing in 1918, we have branched out into a wide range of businesses as one of Japan's leading makers of aircraft and aircraft engines.

In the second quarter of fiscal 2023, we reported 58.0 billion yen in one-time losses in relation to the PW1100G-JM Engine Program for commercial aircraft, causing inconvenience and concern to our stakeholders. On the other hand, air travel passenger demand has returned to pre-COVID levels. In addition, under the government's policy of drastically reinforcing defense capabilities, we anticipate that the favorable business environment will continue into the future and that the profitability and scale of the defense business will improve. We will ensure stable earnings through comprehensive risk management and other measures while taking action to create future opportunities.

Hiroyoshi Shimokawa
President, Aerospace Systems Company

Main Products

- Aircraft for the Japan Ministry of Defense
- Components for commercial aircraft
- Commercial helicopters
- Missiles/Space equipment
- Aero engines
- Aerospace gearboxes

SWOT Analysis by Business

Core Competence (Strengths)	Aerospace	• Technological capabilities as a manufacturer of finished aircraft acquired through the defense aircraft business (system integration capabilities) • Technological capabilities based on international joint development with Boeing, and sophisticated, large-scale production facilities • High quality and productivity through the Kawasaki Production System (KPS)
	Aero engine	• Sophisticated technological capabilities built through international joint development projects and developing engines for defense aircraft • High quality and productivity through leading-edge production technology
	Shared	• Broad expansion of development, manufacturing, and services to aircraft and aero engines
Challenges (Weaknesses)		• High degree of reliance on specific customers (high-volatility revenue structure) • Businesses that require large volumes of invested capital
Opportunities		• Long-term growth in air passenger and air freight demand • Decarbonization of the aircraft industry • Increase in defense budget and ongoing development and production of domestically-manufactured defense equipment • Improvement in profitability of defense equipment • Prospects of defense equipment exports
Risks (Threats)	Aerospace	• Fiercely competitive environment, reflecting competition for market share between Boeing and Airbus • Rise of manufacturers in emerging countries • Supply chain risks throughout international joint development structures
	Aero engine	• Development risks related to introducing cutting-edge technologies • Substantial impact if risks materialize (risks borne by other companies) in international joint development projects (commercial aero engines)

Initiatives to Achieve Group Vision 2030

A safe and secure remotely connected society	–
Near-future mobility	• Developing vertical take-off and landing (VTOL) aircraft to link logistics bases and cover the last mile • Realizing urban transportation that seamlessly connects people and freight • Provision of Z-Leg™ (Zeta Leg), a one-stop service for arranging air travel
Energy and environmental solutions	• Studying CO_2-free (hydrogen-fueled) air transportation systems

Topic | Disaster support and growth potential through Z-Leg™

Z-Leg™ is a helicopter reservation service that was launched in March 2023. After the 2024 Noto Peninsula Earthquake in January 2024, the service was used to airlift 650 kg of relief supplies, including gasoline, to evacuation centers in the Orito and Kawaura districts of Suzu City. During normal times, helicopters function as a means of efficient transport to places that passengers want to visit, and this experience demonstrates that they can also be useful in disaster relief.

Going forward, we will take advantage of the flying capabilities and vertical takeoff and landing ability of helicopters to expand our "anytime, anywhere" transportation services so that geographical features do not cause disadvantages to regions or customers. In conjunction with this, we will make proposals that lead to regional revitalization.

We plan to ramp up sales to individuals in fiscal 2024 with a target of reaching annual net sales of 10 billion yen by fiscal 2030.

Cargo loading work for the Z-Leg™ service

Priority Measures and Concrete Initiatives

Creating structures for business expansion	• Reorganize supply chains and production expansion systems to respond to robust demand • Promote business efficiency and productivity improvements to obtain new business opportunities • Make steady progress on existing orders for development projects and mass production contracts for defense aircraft and helicopters
Reinforce activities in the defense business	• Take action in seven priority fields to strengthen defense capabilities
Implement technology strategies based on market trends	• Promote technology development including the use of civilian technologies to achieve stronger defense capabilities • Undertake environmental technology development for the creation of a decarbonized society using the NEDO Green Innovation Fund

Topic | Increase orders from the Ministry of Defense and improve profitability

The Defense Buildup Program was formulated in December 2022 to dramatically strengthen Japan's defense capabilities. As a result, we expect to expand our business with the Ministry of Defense in the future. In fiscal 2023, orders from the Ministry of Defense in the aerospace systems segment reached 449 billion yen, an increase of 283.5 billion yen from the previous fiscal year, mainly due to an increase in orders in the large aircraft field (the companywide balance of orders in fiscal 2023 was 553 billion yen, a year-on-year increase of 283.5 billion yen).

In addition, a new policy regarding the assessment of profit margins adopted by the Ministry of Defense has led to improved profitability, and this is expected to contribute to improved profitability in this segment over the medium term.

RC-2 (Signals intelligence aircraft)

Rolling Stock

A railway systems manufacturer meeting customer needs by delivering the highest standard of technology

Since Kawasaki began the manufacture of railcars in 1906, we have expanded our business in Japan, the United States, and Asia as Japan's top manufacturer possessing the highest levels of technology.

Since the corporate split from Kawasaki Heavy Industries in fiscal 2021, we achieved profitability in the three fiscal years up to fiscal 2023. In the United States, we successfully shipped the final railcar for the Long Island Rail Road M-9 Project, which we have been working on for some time, and we are now ramping up manufacture and delivery of R211 mass-production subway cars for the New York City Transit Authority. Going forward, we will continue our efforts to improve profitability.

Against the background of structural reforms carried out since the corporate split in October 2021, we will strive to enhance profitability by accepting orders at reasonable prices, reinforcing contract risk management, promoting concentration on focal markets, and introducing the production know-how of the Kawasaki Group.

Hiroshi Murao
Representative Director,
President and Chief Executive Officer,
Kawasaki Railcar Manufacturing Co., Ltd.

Main Products

- Electric train cars (including Shinkansen [bullet trains] and new transit systems)
- Electric and diesel locomotives
- Passenger coaches
- Bogies

SWOT Analysis by Business

Core Competence (Strengths)		• Ability to fulfill contracts cultivated from extensive domestic and overseas track record • Partnership capabilities with other companies in execution of overseas projects (Kawasaki Initiative) • High-tech expertise built on comprehensive heavy industry strengths leveraging synergies with other business areas
Challenges (Weaknesses)		• Small business scale in comparison with major overseas competitors • Business model centered on rolling stock supply (fulfilling railway system needs through facility to engage in external partnerships)
Opportunities	Domestic market	• Demand for railcars that contribute to carbon neutrality • Shift of cargo transportation to railways
	Asian emerging nations market	• Demand for urban transportation infrastructure • Participation in high-speed railway project in India
	North American market	• Demand for subway and commuter train rolling stock • Provision of remote track monitoring
	Common to all markets	• Expanding stock demand including components, maintenance contracts, and repair and rebuild work for rolling stock
Risks (Threats)	Domestic market	• Decline in operations at domestic plants due to lower investment in railcars during the COVID-19 pandemic • Intensifying price competition due to declining demand
	Asian emerging nations market	• Country risk in new markets for Kawasaki • Emergence of Chinese companies
	North American market	• Soaring prices for materials and equipment • Securing human resources

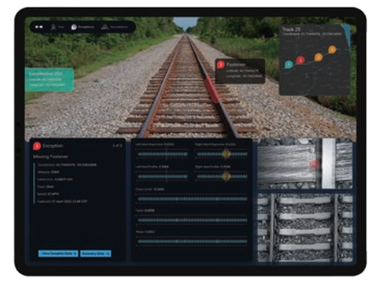
Initiatives to Achieve Group Vision 2030

A safe and secure remotely connected society	• Streamlining of rolling stock and rail track maintenance, promotion of condition monitoring projects aimed at automation and labor saving
Near-future mobility	• Achieving railways mobility which seamlessly connects people and commodities
Energy and environmental solutions	• Catering to carbon-neutral needs for internal combustion rolling stock

Topic | Advances in the parts and service business including remote track monitoring services

We are taking action in Japan and overseas to commercialize services for remotely monitoring the condition of railcars and tracks. For the service, we install monitoring devices including sensors and cameras on railcars and bogies to measure and analyze the status of railcars and tracks in real time during commercial operation, and if any abnormalities are detected, the railway operator is immediately notified. In addition, by analyzing the accumulated data and making predictions concerning and proposing appropriate maintenance times, operators can perform efficient maintenance.

In the Rolling Stock business, based on our extensive experience of delivering railcars, we seek to capture business opportunities throughout the entire lifecycle of the railcars and have established a policy of increasing the portion of sales revenue from the parts and service business to at least 20% by fiscal 2030.



Remote track monitoring system

Priority Measures and Concrete Initiatives

Compliance with delivery schedules for overseas projects	• Dhaka MRT Line-6 Fiscal 2024: Delivery of last railcars and depot equipment • U.S. R211 Fiscal 2024: Delivery of last railcars (base contract) Fiscal 2025: Start of delivery of mass production railcars (Option 1 contract)
Achieving quality levels trusted by customers	• Reduction of failures and reworking expenses • Further advancement of the Kawasaki Production System (KPS) and deployment at plants in North America
Expansion of component and aftersales service sales and of maintenance businesses	• Expansion of remote track monitoring equipment in North America and development of a service provision platform • Expansion of sales of rolling stock condition monitoring equipment for domestic railways operators

Topic | Delivery of R211 subway cars to New York City Transit Authority starts

Mass production of subway cars (R211) under the Base Contract with the New York City Transit Authority (a total of 535 cars ordered in fiscal 2018) is progressing, and a total of 160 cars were delivered in fiscal 2023.

We have been conducting business with the New York City Transit Authority for more than 40 years, gaining recognition for the high reliability of our railcars and our ability to perform contracts. In fiscal 2023, we held a 35% share of deliveries to the Transit Authority. In addition, deliveries under the Option 1 Contract (640 cars), which were ordered in fiscal 2022, will commence in fiscal 2025, and we also expect to receive orders under the Option 2 Contract.

If the Option 2 Contract is exercised, we will receive orders for a total of approximately 1,600 railcars with an order amount of approximately 4.4 billion dollars, making this our largest railcar project, and our share of deliveries to the Transit Authority will expand to approximately 50%.

R211 subway cars for the New York City Transit Authority

Energy Solution & Marine Engineering

Seamless progress from low carbon to decarbonization through highly efficient products and hydrogen technologies

Motohiko Nishimura
President, Energy Solution & Marine Engineering Company

Ever since the establishment of the Kawasaki Tsukiji Shipyard in 1878, we have been developing business in the four fields of energy solution, plant engineering, marine machinery, and ship and offshore structures based on our strengths in technological prowess and quality. In addition, we established "hydrogen and carbon neutral" as a new business field in August 2023.

In fiscal 2023, we achieved significantly higher profits compared to the previous fiscal year. In the energy solution, plant engineering and marine machinery fields, gas turbines and gas engines in particular had higher profits, and in the ship and offshore structures field, there were contributions from higher profit on equity method investments and cost reductions for LPG/ammonia carriers.

Going forward, we will endeavor to maintain and improve earnings power through appropriate risk management and sales at appropriate prices. Furthermore, we will promote the development of products and green transformation products that contribute to the low-carbon and decarbonized society and aim to achieve high growth in the domain of "energy and environmental solutions" set out in the Group Vision 2030.

Main Products

Hydrogen/CN	Energy solution	Plant engineering	Marine machinery	Ship & offshore structure
•Shipping/receiving terminals •Liquefied hydrogen tanks •Onshore LNG tanks •Carbon dioxide capture, utilization and storage (CCUS)	•Gas turbine cogeneration systems •Gas and diesel engines for power generation •Steam turbines •Aerodynamic machinery •Boiler plants •Combined cycle power plants (CCPPs)	•Industrial plants (cement, fertilizer, and others) •Municipal waste incineration plants •Material handling systems •Tunnel boring machines •Crushing machines	•Marine gas turbines/reduction gear •Marine reciprocating engines •Marine propulsion systems	•Gas carriers •Liquefied gas carriers •Jetfoils •Submarines

SWOT Analysis by Business

Core Competence (Strengths)	Hydrogen/CN	•Hydrogen production, liquefaction, storage, transportation, and use (power generation) technology
	Energy solution	•Sales structures with close ties to local communities that use overseas bases
	Plant engineering	•Integrated engineering powers acquired and refined through various plant projects
	Marine machinery	•Capability to make optimized proposals for whole marine propulsion systems with advantages in core components
	Ship & offshore structure	•Energy-saving, environmental burden-reducing technologies, and ability to develop new ship designs
	Shared	•High-efficiency and high-performance core components that can seamlessly achieve a transition from low carbon to decarbonization while using customer assets •Proposal of solutions that use synergies generated through combinations of high-efficiency core components
Challenges (Weaknesses)	Hydrogen/CN Plant engineering	•Number of construction projects undertaken at overseas hydrogen-related plants
	Energy solution	•Recognition in overseas markets
	Marine machinery Ship & offshore structure	•Improvement of cost structures of commercial vessels built at domestic shipyards and propulsion systems for commercial vessels
Opportunities	Shared	•Acceleration of trend to realize the goal of carbon neutrality, including strengthening of environmental regulations •Expanding demand for facilities that can use both existing fuels and hydrogen in response to increasing needs for decarbonization •Growing demand for energy and infrastructure in emerging and resource-rich countries
Risks (Threats)	Shared	•Weakening investment appetite paralleling economic slowdowns in emerging countries and resource-rich countries •Energy policy trends in respective countries (taxonomy regulations, amendments to subsidies systems, changes accompanying geopolitical risks, etc.)

Initiatives to Achieve Group Vision 2030

1 Autonomous Underwater Vehicle 2 Virtual Synchronous Generator
3 Direct Air Capture 4 Kawasaki CO_2 Capture

A safe and secure remotely connected society	•Providing solutions for disaster response, such as stand-by gas turbines •Promoting the automation of waste incinerator operation •Developing AUVs[1]
Near-future mobility	•Promoting the uptake of electric and hybrid propulsion systems (gas engine hybrid-propelled / battery-propelled) for environmentally-friendly vessels •Demonstration testing of advanced safety berthing support system
Energy and environmental solutions	•Quickly establishing a hydrogen supply chain (production, transportation, storage, utilization) •Accelerating initiatives and forming partnerships aimed at the realization of a hydrogen-based society by encouraging stakeholders to be involved •In an environment where fluctuating capacity of renewable energy is increasing, social implementation of gas turbines and gas engines that can provide "adjustability" and energy storage systems with virtual synchronous generator (iVSG*[2]) functions that can provide "inertia" •Undertaking development aimed at the practical application of carbon recycling technology •Development of a large-scale carbon capture business (DAC[3] & KCC[4])

Topic | Rollout of hydrogen gas turbines that respond to diverse hydrogen use needs

PUC17MMX

- In September 2023, IBIDEN Engineering Co., Ltd. and Kawasaki received an order from JFE Engineering Corporation for one PUC80D 8MW-class co-generation system capable of hydrogen co-firing. Operation is scheduled to commence in April 2025, and we aim to convert the turbine to hydrogen fuel in 2027 or later.
- In October 2023, we completed conversion for Belgium-based Chevron of a GPB17D 1.8MW-class natural gas fired gas turbine co-generation system to a GPB17D-H2 capable of hydrogen co-firing at any ratio up to 30% hydrogen by volume, and commercial operation started.
- In January 2024, the PUC17MMX 1.8MW-class 100% hydrogen-fueled, dry-combustion gas turbine cogeneration system received the Masuda Award of the Nikkan Kogyo Shimbun Ten Great New Product Awards. The system was recognized for its ability to contribute significantly to reducing CO_2 emissions through the commercialization of the world's first gas turbine capable of hydrogen combustion using a dry method that does not require water to reduce NOx emissions.

Priority Measures and Concrete Initiatives

Providing products that contribute to the achievement of a low/decarbonized society	•LPG/ammonia carriers •High-efficiency gas turbine / gas engines •New municipal waste incineration plants (energy-saving) •Hybrid and electric marine propulsions systems
Developing products for the transition to decarbonized energy	•Commercialization of liquefied hydrogen carriers •Commercialization of hydrogen shipping/receiving terminals •Development of marine hydrogen boilers and marine hydrogen-fueled engines •Promotion of the introduction of energy-saving systems that use gas turbines and gas engines and can support the transition from low-carbon (natural gas-fired and hydrogen mixed fuel) to decarbonization (hydrogen-only fired) •Development of technologies to separate and capture CO_2

Topic | Provision of marine hybrid propulsion systems that contribute to the creation of a decarbonized society

In December 2023, we delivered a gas engine hybrid propulsion system that combines a natural gas-fired engine with a large capacity battery for use in a bulk carrier operation by NS United Naiko Kaiun Kaisha, Ltd. This was the world's first delivery of a hybrid propulsion system using a gas engine as the main engine of a bulk carrier.

Compared to a comparable vessel with a conventional heavy oil-fired engine, this new system can reduce CO_2 emissions by approximately 24% and substantially reduce SOx and NOx emissions as well. In addition, by operating in electric propulsion mode powered by the battery when arriving in and departing from port, zero-emission propulsion with no greenhouse gas emissions is possible.

The Shimokita Maru equipped with a Kawasaki gas engine hybrid propulsion system

Precision Machinery & Robot

Building the future for people and society through integrated solutions that use hydraulic systems and robots

We are contributing to the development of industry both in Japan and overseas, in the field of hydraulic components and systems as a top maker with the industry's foremost scale and production equipment and in the field of robotics as a pioneer of industrial robots.

Fiscal 2023 was a challenging year, with slowdowns in the semiconductor market and the construction machinery market in China as well as a decline in operations at Chinese factories. In fiscal 2024, we expect that the semiconductor market will turn toward recovery, and we will continue our efforts undertaken since fiscal 2023 to set appropriate prices and reduce costs, enabling the company to achieve a certain level of profit even under a difficult business environment.

In the field of hydraulic components and systems, our aim is to improve our profitability by utilizing Kawasaki's strengths in quality and development capability to introduce new products and systems in response to the electrification and automation of construction machinery. And in the field of robotics, we will promote business expansion on the semiconductor field and leverage open innovation to tap new fields with high levels of growth potential, such as medical care and logistics.

Hidehiko Shimamura
President, Precision Machinery & Robot Company

Main Products

- Hydraulic components for construction machinery
- Hydraulic components for agricultural machinery
- Hydraulic components and systems for industrial machinery
- Hydraulic steering gears for marine products
- Hydraulic deck machinery for marine products
- Industrial robots
- Medical and pharmaceutical robots

SWOT Analysis by Business

Core Competence (Strengths)	Hydraulic components & systems	• Accumulated world-class, leading-edge technology, systemization capabilities, and brand power in the area of excavator hydraulic machinery • Ability to respond to customer requests
	Robotics	• Diverse production sites within the Group as a comprehensive heavy industries enterprise • Ability to develop applications and make system proposals closely matched to customer needs • Ability to create new technologies and new fields in such areas as medicine and remote control technology
	Shared	• New product development capabilities in the field of motion control based on the integration of hydraulic technologies and robotics
Challenges (Weaknesses)	Hydraulic components & systems	• Sales expansion for aftersales service business • High percentage of sales to the Chinese construction machinery market
	Robotics	• Need to expand business to realize merits of scale
Opportunities	Hydraulic components & systems	• Advances in electrification and automation of construction machinery • Need to expand sales in such fields as agricultural machinery and forestry machinery • Progress toward achieving carbon neutrality
	Robotics	• Expansion of fields of robot application through the realization of coexistence and collaboration between humans and robots • Expansion of demand intended to eliminate labor shortages and raise quality • Progress in use of robots beyond industrial applications (such as medical treatment and nursing care)
Risks (Threats)	Hydraulic components & systems	• Emergence of competing manufacturers and intensifying competition in the Chinese construction equipment market • Long-term slump in the Chinese construction machinery market
	Robotics	• Increasingly fierce competition with rival companies • Sluggish demand for semiconductor manufacturing machinery
	Shared	• Rising materials costs

Initiatives to Achieve Group Vision 2030

A safe and secure remotely connected society	• Developing healthcare-related businesses, such as the *hinotori*™ surgical robot system and a robotic operating table • Building the remote robot platform business connecting people who want to work with businesses seeking labor
Near-future mobility	• Creating delivery robots to link logistics bases and cover the last mile • Developing in-hospital delivery services using the FORRO indoor delivery robot
Energy and environmental solutions	• Developing hydrogen fuel-related products • Reinforcing and expanding the hydraulic machinery and systems solutions business

Topic | Energy-saving hydraulic booster "Hydrogen Compressor" for hydrogen stations launched

We released an energy-saving hydraulic booster "Hydrogen Compressor" for hydrogen stations in April 2023.

The hydrogen compressor, developed jointly with Sugino Machine Limited, performs the role of compressing the hydrogen gas needed for fueling fuel cell vehicles (FCVs). The hydraulic unit uses a Kawasaki ECO SERVO® rotation speed control unit, which has been highly praised in the industrial equipment field, to achieve substantial energy savings.

By expanding sales of hydrogen compressors in response to the increased use of FCVs, we are contributing to the development of hydrogen stations and other infrastructure.

Hydraulic booster "Hydrogen Compressor"

Priority Measures and Concrete Initiatives

Measures for development of the hydraulic business	• Develop new products and markets in the construction field: Leverage our advanced control technologies and development capabilities to develop markets in response to electrification and automation • Reinforce the after-sales service business: Expand after-sales service by making use of past sales performance and build and expand sales networks • Reinforce the hydrogen-related business and defense business: Develop hydrogen compressors, fuel cell systems, and other products and expand defense-related products for in-Group transactions
Strategic challenges in the robot business	• Concentrate investment in high value-added fields: Establish supply systems in preparation for the full-scale recovery of the semiconductor market and expand business in new fields • Reinforce business in the medical field: Expand adoption of the *hinotori*™ robot and differentiate our products based on their remote operation surgery and other technology • Strengthen brands: Promote collaboration with unicorn startups with a focus on rapid implementation and promote commercialization in the social robot field

Topic | Future development of the semiconductor-related business

As a meeting held in December 2023 to report on the progress of implementation of Group Vision 2030, we announced our policy of future business development in the semiconductor-related business.

As of 2024, we boast a share of approximately 60% of the global market for wafer transport robots (atmospheric processes) that operate within leading semiconductor manufacturing devices in semiconductor manufacturing front-end processes. Going forward we will seek to increase this share even further while developing products in new fields, including back-end processes, vacuum processes, and system products. In addition, we will expand business for semiconductor manufacturing equipment maintenance, automation solutions, and other areas with a target of achieving sales revenue of 100 billion yen in the semiconductor-related business by fiscal 2030.

A wafer handling robot for use with semiconductor manufacturing equipment

Powersports & Engine

Let the Good Times Roll! Kawasaki delivers the ultimate in excitement

Ever since Kawasaki commenced the production of engines for motorcycles in 1953, we have been turning out innovative products with “Let the Good Times Roll” (Working for the happiness and joy of all those whose lives Kawasaki touches) as our corporate mission.

Compared to fiscal 2022, when the market inventories contracted due to effects from problems procuring materials and parts and disruption of logistics, in fiscal 2023 replenishment of inventories proceeded and the competitive environment normalized, causing a decline in profit due to increases in various sales costs and other factors. On the other hand, mass production of off-road four-wheelers started at our Mexico Plant, and going forward we will seek to achieve high growth in the off-road four-wheeler business by expanding production capacity and continuously introducing new products.

In addition, we are accelerating development of EVs and HEVs with an eye toward future low-carbon emissions and decarbonization, and we will continue to take on new challenges to achieve sustainable growth and live up to our corporate philosophy as the “Good Times Company.”

Hiroshi Ito
Representative Director,
President and Chief Executive Officer,
Kawasaki Motors, Ltd.

Main Products

- Motorcycles
- Off-road four-wheelers (Utility vehicles, ATVs)
- Personal watercraft (PWC)
- General-purpose engines

SWOT Analysis by Business

Core Competence (Strengths)		• Sales and marketing capabilities that realize unique, premium brands • Development, production, procurement, and quality assurance capabilities that create products embodying both heritage and innovation • Global production, sales, and service structure • Advanced technology expertise built on comprehensive heavy industry strengths leveraging synergies with other companies in the Kawasaki Group
Challenges (Weaknesses)		• Securing production capacity to respond to rapidly rising demand • Building agile organizational structures that can respond to rapid change
Opportunities	Motorcycles	• Stable demand in developed countries with mature markets • Medium- to long-term market expansion in emerging countries due to expanding populations and economic growth
	Utility vehicles, ATVs & PWC	• Steady growth in demand for off-road four-wheelers in North America
	General-purpose engines	• Firm growth of the lawn-related market, reflecting U.S. housing market expansion
	Shared	• Collaborations and alliances with other companies • Entry into new fields using internal combustion engine technologies • Establishing a brand image in the carbon neutrality field
Risks (Threats)	Motorcycles	• Expansion into the leisure sector by brands from emerging markets, such as China and India • Intensifying price competition in emerging markets
	Utility vehicles, ATVs & PWC	• Intensifying product development competition and price competition • Rising customs tariffs and parts costs in conjunction with change of government in the U.S.
	Shared	• Attenuating demand due to global inflation and tightened monetary policies, including increased interest rates in the U.S. • Difficulty procuring engine parts in conjunction with advancing electrification • Higher development expenses and product prices due to tightening of environmental regulation

Initiatives to Achieve Group Vision 2030

A safe and secure remotely connected society	• Providing advanced rider and driver support • Providing disaster response solutions
Near-future mobility	• Realizing a society equipped to achieve the safe environmentally-friendly mobility of people and commodities • Commercializing new modes of mobility towards the elimination of manpower shortages in the logistics field
Energy and environmental solutions	• Making use of hydrogen fuel • Shifting to battery electric vehicles / hybrid electric vehicles

Topic | Hybrid and electric motorcycles announced

In the autumn of 2023, we announced the Ninja 7 Hybrid and Z7 Hybrid, the world’s first strong hybrid motorcycles, and the Ninja e-1 and Z e-1 electric motorcycles.

While seeking carbon neutrality, Kawasaki’s distinctive performance and design, which embody the “Fun to Ride” spirit, has been acclaimed worldwide. In addition, these motorcycles incorporate features unique to electric vehicles not available on conventional gasoline vehicles, providing new value to customers and contributing to strengthening the corporate brand.

Z7 Hybrid

Priority Measures and Concrete Initiatives

Supplying products as much as demanded	• Continuously introduce new models • Flexibly change production and sales plans • Maintain appropriate inventory levels
Expansion of the off-road four-wheeler business and decarbonization/ electrification solution	• Investing in development toward the enhancement of product competitiveness • Stable operations at new Mexico Plant • Development and launch of electrified and hybrid models • Joint research on hydrogen engines with other companies
Promoting business process re-engineering through DX	• Increased efficiency of global operations through digitalization • Reduction of development times and higher efficiency through the use of digital technologies
Securing free cash flow	• Securing stable free cash flow for future investment

Topic | Off-road four-wheelers enter a new high-growth phase with the introduction of appealing new products

In February 2024, to supplement the existing TERYX series (for recreational use) and MULE series (for multi-purpose use), we launched the RIDGE and RIDGE XR series, which can be used for a variety of purposes from day-to-day work to leisure. These models feature high-performance engines and comfortable and high-quality cabins, and high demand is expected, particularly in the mid-western region of the U.S., which experience harsh conditions including heat and cold.

By actively introducing new products in the off-road four-wheeler market, which is expected to undergo steady growth in the future, Kawasaki Motors will take on the challenges of expanding sales revenue to 300 billion yen on the four-wheeler and PWC business in fiscal 2025 (compared to 180.6 billion yen in fiscal 2023).

RIDGE XR HVAC

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. 15

The foundation of our business activities		Goals of Group Vision 2030	Priority matters	Target indicators (or key performance indicators)	Fiscal 2023 results
Items of particular importance going forward (items that will have an ever-increasing impact on future finances)	**Energy and Environmental Solutions (Value Chain)**	• Implement, to the maximum extent, feasible measures concerning Scope 3, to steadily work toward the milestone of becoming Zero-Carbon Ready by 2040.	• For category (i), reduce CO_2 emissions by suppliers of materials and parts • For category (xi), pursue a lineup of CO_2-free standard solutions in all businesses	Scope 3 (category (i))	3,829,334 t-CO_2 (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
				Scope 3 (category (xi))	32,650,318 t-CO_2 (The Kawasaki Group)
				Initiatives to reduce category (i) of Scope 3	Confirmed the status of carbon neutral initiatives with key suppliers
	Business and Human Rights	• No violations of human rights throughout the value chain and no complicity in human rights violations.	• Implement human rights due diligence among subsidiaries and suppliers	Number of human rights audits conducted and revised at subsidiaries	Implemented SAQ[1] targeting four overseas subsidiaries (manufacturing sites in developed countries)
				Number of subsidiaries confirming prohibition of child labor and forced labor (implementation at subsidiaries where the company president has changed)	23 companies
				Number of participants in human rights training	Participants: 10,336 (Attendance rate: 84.7%)
	Promotion of Human Resources Activities	• 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, equity, and inclusion (DE&I) to build an organization in which a wide array of employees can maximize their individuality and potential.	• Implement the personnel system reform and human resource development in ways that enhance corporate value • Promote DE&I	Ratio of employees for whom both “supportive environment” and “employee engagement” are high (employee engagement survey results)	29% (Kawasaki Heavy Industries and some domestic consolidated subsidiaries [19 companies total])
				Proportion of women in managerial positions	2.7% (The Kawasaki Group [Japan])
				Rate at which women, foreign nationals, and individuals with mid-career hires are promoted to senior manager or above	8% (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
				Wage differences between male and female employees	62.0% (The Kawasaki Group [Japan])
				Rate at which male employees take childcare leave	25.0% (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
	Technological Development / Digital Transformation (DX)	• 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.	• 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	22 products and cases First delivery of the Successor-G® remotely-operated grinder robot system, etc.
				Number of cases of major external collaborations (number of cases disclosed in news releases)	5 cases The establishment of the Microsoft AI Co-Innovation Lab in Kobe City, in-orbit technology demonstration of the Debris Removal Unprecedented Micro-Satellite (DRUMS), etc.
				Number of patents held (calendar year basis)	Japan: 3,049 patents Overseas: 4,511 patents
				R&D expenses	53.3 billion yen
Items that were emphasized in the past, but which will be steadily reinforced going forward	**Product Liability/ Safety**	• 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.	• Promote TQM (Total Quality Management) activities	Certification status of quality management system (ISO9001)	73.1% (total of domestic and overseas manufacturing sites)
				Number of TQM training participants	Participants: 5,052
	Compliance	• Monitor as accurately as possible the risks of committing compliance violations. • Build an inclusive and effective compliance system tailored to given risks, and continuously manage and regularly update this system.	• 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	Compliance documents read-through activities: 29,422 persons
				Degree of compliance permeation in employee awareness surveys	71 points
				Attendance rate for compliance training for overseas	Not implemented owing to external circumstances
				Number of whistle-blowing system reports	Japan: 76 reports Overseas: 0 reports
				Number of cases of compliance violations	18 cases
	Occupational Safety and Health	• Ensure that there are no serious occupational accidents Group-wide. • Reduce the need for sick leave. • Maintain and improve employee health.	• 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) (calendar year basis)	0.23 (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
				Health score[2] (calendar year basis)	3.91 (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)
	Information Security	• Maintain and manage cyberattack response and the protection of customer and product information with the world’s highest level of security.	• Strengthen information security governance throughout the Kawasaki Group	Number of employees taking information security training: 20,000	17,053 persons
				Frequency of targeted threat mail training: 20 times	21 times
				Number of receivers of targeted threat mail training: 4,000	6,876 persons
				Scores of 80 points or more for all domains owned by KHI from security risk rating	Percentage of domains exceeding target values: 74%
A wide range of items to be addressed (activities relating to both of the above)	**Sustainable Supply Chain Management**	• Remain aware of environmental, human rights, and other risks associated with the entire supply chain and work with suppliers to promote sustainability.	• 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	Number of major suppliers responding to our sustainable procurement survey	Responses from 533 companies of the total of 685 (77.8% response rate)
				Implementation status of human rights due diligence	Identification of 12 supplier companies as targets for improvements based on the results of the sustainable procurement survey
				Number of reports from our supplier hotline	7 reports

1 Self-assessment questionnaire
2 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

Improving Job Satisfaction and Ease of Work

To realize our Group Vision 2030, we need all our employees to experience "job satisfaction," in working with enthusiasm in a "supportive environment." In the employee engagement survey conducted in fiscal 2023, the results of the vast majority of question items either saw increases or remained unchanged, with a particularly significant favorable improvement seen for the theme of "Pay & Benefits."

One factor in this outcome is that our remuneration system under the new personnel system as well as performance management measures such as Challenge & Commitment are now in their third year of implementation and have achieved better levels of understanding throughout the Company.

Establishment of connections between management and employees

According to the survey results, the themes of "trust in management" and "employee career development" are of particular importance in increasing job satisfaction and ease of work at the Company. To ensure that the intentions of management are delivered to employees, comments from the President and specific future actions are included in the in-house newsletter and distributed to each and every employee after survey results have been ascertained. In this way, we take proactive measures to inform personnel, ensuring that it is not simply 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. In fiscal 2023, town hall meetings were held for new managers, and the same meetings are being held for production specialists working at plants in fiscal 2024. We are creating opportunities to engage in two-way communications, not only for management to directly explain policies to employees, but also for employees to directly express their opinions and pose questions to management.

Support for employee career development

In accordance with our basic policy of "supporting career development that respects the individual wishes of employees," our Group strives to provide substantial opportunities for employees to clarify their goals in terms of skill development, and acquire the required knowledge, skills, and abilities, and gain necessary workplace experience.

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 allows 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.

Engaging in initiatives from two axes: Company-wide actions led by management and workplace actions led by supervisors

Company-wide actions led by management

Establishment of connections between management and employees
Promotion of direct dialogues with employees, including progress reports on business direction and meetings in a circle

Support for employee career development
In addition to career counseling, support for the career development of each and every employee by launching the Career Challenge Program and holding career seminars by generational tier

Fair evaluations based on abilities, role, and achievements
Implementation of appropriate evaluations in line with achievements through Challenge & Commitment as well as feedback toward improvements in work duties through dialogues with supervisors

Resolution of respective company/divisional challenge
Implement actions under the management tier to resolve challenges in organizational units with individually distinct backgrounds and challenges

Promoting Diversity, Equity, and Inclusion (DE&I)

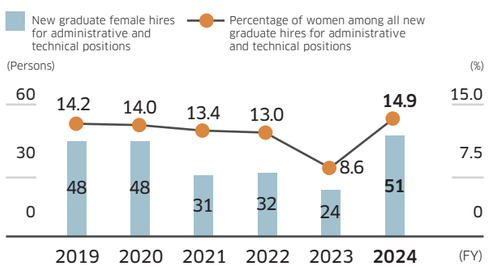
The Kawasaki Group undertakes activities to "promote the active participation of women," "support employees balancing work with childcare and nursing care," "support the active participation of non-Japanese employees," "promote understanding of LGBT issues," and "realize workstyles with an awareness of work-life balance, results, and efficiency," as means to bring together the capabilities of diverse personnel encompassing inherent differences, such as nationality, gender, age, disability status, religion, experience, and values in order to realize our vision. We will set our sights on respecting diversity and striving to build a workplace in which all employees can live up to their full potential.

Promoting the active participation of women

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

With the aim of facilitating the retention and fostering an awareness of career enhancement for female employees, we host the "D&I Forum" for female managers to exchange views on the active participation of women at the Company through a message from the President and a panel discussion among female officers. We also gain insights on facilitating growth from role models outside the Company, and host the "Female Leadership Development Program" and the "Networking Session for Female Engineers" in cooperation with Kobe-based companies, toward building human networks outside the company. Furthermore, the Company undertakes activities to support the careers of students aspiring to science and engineering professions. In fiscal 2023, this included conducting workshops as part of the "Training Program for Female Engineers," in collaboration with universities.

New graduate female hires for administrative and technical positions[1] and percentage of women among all new graduate hires for administrative and technical positions
(Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

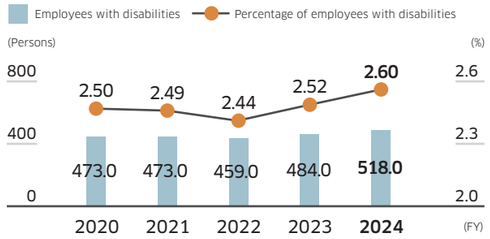


1 As of April 1 of each fiscal year

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, with the employment of persons with disabilities standing in excess of the legally mandated employment rate, at 2.60% for fiscal 2024. We are additionally working actively to create barrier-free workplaces, and cultivate an environment in which people with disabilities are able to develop to their full potential.

Employees with disabilities[2, 3] and percentage of employees with disabilities (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)



2 As of June 1 of each fiscal year. Respective results include those for Kawasaki Heartfelt Service Co., Ltd.
3 People working short hours are calculated as 0.5 persons. One person with a severe disability is counted as two persons.

Work-life balance

Within the Kawasaki Group, it is therefore important to create work environments in which employees can do work that meets the expectations of the Company, those around them, and themselves while leading healthy, fulfilling lives, so that they can engage with their work at a higher level.

To support employees balancing work with childcare and nursing care, we are undertaking initiatives which exceed the relevant standards of the national government. These include a system of "childcare leave" available until employees' children reach age three; a "reduced working hours system" available until employees' children graduate from elementary school; and "nursing care leave" available for up to three years.

Moreover, in order to foster a corporate culture in which employees are not leaving their jobs due to such reasons as childbirth or childcare and in which both men and women are able to balance work with childcare as desired, we have set the target of raising the rate at which male employees take childcare leave to at least 50% by fiscal 2025. We are also proactively working to raise awareness through seminars to promote and support the involvement of men in childcare, as well as seminars for employees returning from childcare leave and their supervisors to ensure that our employees, with their diverse attributes, have the option to choose from a diverse variety of work styles.

Human Resource Development

For our Group to continue to exist and develop as a corporation while engaged in business globally, all of our employees must efficiently, effectively, and completely achieve specific targets in line with our corporate policies and Company-wide actions. It is the "people" of a company who use their minds and act to achieve specific goals, so the development and invigoration of human resources is the most critical factor for the growth and advancement of our Company.

Nurturing management successors

We are nurturing human resources who can assume executive positions and contribute to the medium- to long-term enhancement of our enterprise value amid an increasingly harsh business environment. To this end, our pipeline of candidates encompasses an extensive scope of job ranks, ranging from assistant managers to executive officers, while our training programs are designed to address differing issues in light of their staff grades.

As a specific initiative, we hold the Kawasaki Executive Coaching Program (spanning nine months per fiscal year) for executive candidates selected from section manager equivalents. In addition to instilling participants with corporate management expertise, the program facilitates a deepened understanding of the true nature of corporate management at Kawasaki Group. This is achieved through deliberations involving external lecturers and corporate managers from outside the Kawasaki Group, as well as numerous group discussions. Using these means we aim to nurture in management-level human resources the capacity to embody our corporate philosophy by equipping them with optimal perspectives on the Group as a whole, as well as global perspectives on corporate management, toward the resolution of managerial challenges.

Development of global human resources and project managers

We have been implementing measures for global human resource development with the objective of further developing human resources who can support global business execution. In light of the Group's business environment, 60% of which is accounted for by global business, rather than confining ourselves to the acquisition of English and other skills, we also focus efforts on training to facilitate a deeper understanding of different cultures, as well as in-site training to learn about the realities of business in overseas settings, and selective training.

Additionally, in recent years, we have seen a rise in project-oriented businesses with contracts for entire systems, including peripheral facilities, as opposed to standalone products. Accordingly, we introduced new training programs to secure project managers able to execute such projects.

Strengthening on-site capabilities

The production sites of each business constitute the veritable foundation of the Group's profit-generating operations, and enhancing our on-site capabilities is as such extremely important. For early career employees at production sites, we hold the Skills Qualification Early Acquisition Incentive Program as well as providing basic training programs on KPS* and quality control, to allow them to learn about Kawasaki's production systems.

To bolster the leadership capacities of supervisors, we provide senior foreman training and foreman training. In addition, we are promoting the transmission and enhancement of front-line production skills through the Grand Master System, whereby production specialists possessing high levels of specialist skills are recognized as grand masters and endeavor to systematically pass down these skills to early career employees.

* KPS: The Kawasaki Production System, a proprietary production system developed by Kawasaki.

Main Human Resource Development Initiatives

	Purpose	Details	Targets
Nurturing Management Successors (Kawasaki Executive Coaching Program)	Reinforcing development of managers who can continuously lead business reform	●Visualization of the qualifications required of managers, use of external assessments, and interviews conduct by the President and Senior Corporate Executive Officers ●Implementing tough assignments	Executive candidates
	Systematic manager development	●Kawasaki executive advanced programs, Kawasaki Executive Coaching Programs, Kawasaki Executive Introductory Programs, and other executive development programs	Executive candidates
Project Manager Training	Training for project managers who can carry out projects for entire systems, including peripheral facilities	●The Project Management Course to acquire a systematic knowledge of project management	Project managers (including candidates)
Development of Global Human Resources	Further development of human resources who can support the business expansion worldwide	●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

Hiring Policy

We are committed to securing personnel for new businesses and for business expansion (especially in DX, hydrogen-related businesses, and legal) by means of mid-career hiring, emphasizing skills and experience; and to securing key personnel for organizational units to continuously deepen businesses by means of new graduate hiring, emphasizing potential.

In terms of hiring ratios, the proportion of mid-career hires has been increasing each year, with mid-career hires constituting more than 60% of those recruited in fiscal 2023.

For the hiring of new graduates, we emphasize "objectivity in selection" and "diversity of hires." Toward the realization of our Group Vision 2030, we are endeavoring to use selection methods which differ from traditional models, aiming in particular to secure "transformational talent" possessed of problem-solving mindsets in the face of prevailing circumstances, and who will act with a sense of resolute conviction.

In addition, we hold technical workshops for high school and university students organized in collaboration with educational institutions toward increasing the number of future applicants and in view of the declining birth rate and aging population as well as the burgeoning trend away from science subjects.

Safety and Health Promotion

The Group places great importance on the provision of safe and healthy working environments for its employees, both on physical and mental fronts. To ensure that all our employees can work with peace of mind, in pursuit of the maintenance of occupational safety, hygiene, and health, we promote measures to prevent work-related accidents; those to reduce the need for sick leave; and those to encourage employees to improve their lifestyle habits. We are also endeavoring to improve our safety management activities for the reduction of the lost time injury frequency rate (LTIFR), with an emphasis on the prevention of lost time injuries.

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 of these systems, prevent occupational accidents, and facilitate the creation of a comfortable work environment.

The occupational 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

We regard initiatives to maintain and improve employee health as an "investment" and promote health management, which is a management approach to implement measures to address challenges from a strategic perspective.

As one of the main activities associated with this, we organize the Collaborative Health Committee, comprising representatives of the company, health insurance union, and labor union, to discuss and plan measures with the aim of improving the health of employees. This committee compiles a health report for each business site and related company based on employee health-related data administered by the health insurance union and company so that the committee can adopt effective measures and obtain better results. Regarding issues made clear by the results of the health reports, we decide the theme for each year and set about tackling it on a Group-wide basis.

In fiscal 2023, we reviewed the system including the contents and targets of various aspects of health education such as diet and exercise and provided education at all business sites in order to enable the provision of requisite education for each age group. In fiscal 2024, we are planning a walk rally event in cooperation with business sites with the aim of improving exercise habits.

Feedback from a participant in the Kawasaki Executive Coaching Program

I intensively studied core knowledge at an MBA level over a short period of time through this selective training. I notably acquired theoretical and practical skills in strategic thinking, financial analysis, and HR policies, which I could promptly apply to my day-to-day duties, thus giving me a real sense that I have grown as a manager. Additionally, I have broadened my horizons and network through interactions with like-minded colleagues, with this experience proving both stimulating and of great value for my future career.

Human Rights Due Diligence

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, and then revised it in 2023. 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.

Group Policies for Material Procurement and Sustainable Procurement Guidelines

The Kawasaki 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. Among these, based on growing social demands for sustainability initiatives in the supply chain, the guidelines were revised in fiscal 2022 with reference to the RBA[1] Code of Conduct. The revisions included a variety of items, including consideration for compliance, human rights, labor, occupational health and safety, and the global environment. On that basis, 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 (RBA): International initiative promoting corporate social responsibilities across the global supply chain

Human Rights Due Diligence Process

The Kawasaki Group established a human rights due diligence process based on the Kawasaki Group Policy on Human Rights with the objective of identifying, preventing, and mitigating adverse impact on human rights resulting from our corporate activities. When necessary, we take corrective action with full responsibility.

Specifically, we assess the impact of identified human rights risks based on the Group's business activities and endeavor to take appropriate action to prevent and mitigate human rights risks based on the results. We also conduct ongoing monitoring including follow-up surveys relating to the status of implementation of corrective action and ongoing impact assessments of human rights risks.

Furthermore, in cases where—through dialogue with stakeholders and grievance mechanisms—it becomes clear that the Kawasaki Group has caused an adverse impact on human rights or been involved in such, we will work to redress the situation through appropriate procedures.

Impact Assessments / Corrective Measures

	Impact assessments	Corrective measures
Main initiatives in fiscal 2023 targeted at Group companies	●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 using SAQ[2] created in-house based on the RBA Code of Conduct • Implemented at four Group companies overseas engaged in production activities in the US, the UK, and Korea	●Corrective measures based on the monitoring results • Requested improvements separately at a total of five companies with regard to carrying out training and management structures • Carried out third-party interviews focused on workers based on the fiscal 2022 results from monitoring of Group companies overseas located in countries where human rights risks are considered to be high
Main initiatives in fiscal 2023 targeted at suppliers	●Questionnaire survey for major domestic suppliers • Reassessed the details of the questionnaire based on the fiscal 2022 revisions to our Sustainable Procurement Guidelines • Responses from 533 companies, including 531 of our significant suppliers	●Formulation of plans for corrective measures based on the questionnaire results • Formulated plans for corrective measures based on agreements between some suppliers and our Company, and supported their implementation • As necessary conducted on-site assessments whose goal is to confirm the status of sustainability-related initiatives

2 Self-assessment questionnaire

Assessment of the human rights impacts connected to workers at overseas Group sites

Based on the results of monitoring based on SAQ focused on overseas Group companies, in May 2024 at Kawasaki Motors Enterprise (Thailand) Co., Ltd. (KMT) we conducted direct interviews with managers and workers with the goal of assessing whether there were any actual or potential human rights risks and the degree of their impact. For the worker interviews, 50 individuals were selected in an all-encompassing way based on gender, department, and employment status (full-time worker, temporary worker, and trainee). As to implementation, grounded in the Dhaka Principles (principles for the responsible recruitment and employment of migrant workers) and based on a questionnaire covering human rights issues that workers face, the third-party non-profit organization Caux Round Table Japan (CRT Japan) conducted an interview-based survey prioritizing items with particular relevance to the attributes of the workers and the environments in which they were placed.

The results of the interviews on the whole were satisfactory, and no human rights violations such as forced labor or discrimination in the workplace were corroborated. At KMT, they will make use of the comments received from workers during the interviews calling for improvements; continue with their efforts to develop employment and workplace environments that are more respectful of worker rights and improve their responses to workers; and furthermore work hard to establish relationships of trust with them.

Conducting an interview with workers

Mechanism for Addressing Human Rights Related Grievances

The Kawasaki Group has established multiple consultation systems for employees as grievance mechanisms. The Company promises that no employee will suffer disadvantageous treatment for voicing a grievance.

To promote procurement activities that conform to our thinking about sustainability such as compliance and giving consideration to human rights, 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 Sustainable Procurement Guidelines, and the Kawasaki Group Code of Conduct.

Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)

Since fiscal 2024, our Group has joined as a regular member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), which provides an external engagement and remedy platform.

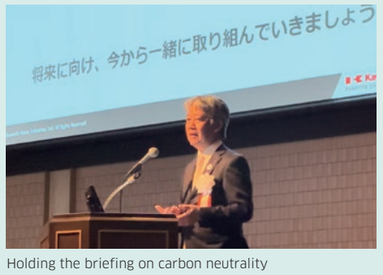
Besides our existing internal and external consultation point systems, our Group will receive complaints and grievances related to human rights from a wide range of stakeholders including overseas suppliers through JaCER's platform and endeavors to improve access to remedies and redress grievances by leveraging the expertise of third parties.

Capacity building for suppliers

Depending on the needs of each business, for our suppliers we offer training sessions aimed at improving performance with respect to sustainability. We also provide opportunities for direct briefings on Kawasaki's approaches to sustainability; inform suppliers of the important issues in supply chain management, such as human rights and the environment; and request that suppliers enhance their sustainability initiatives.

In April 2024, the Group held a briefing on carbon neutrality for 102 companies selected from among our main suppliers. The Group's President himself explained its initiatives and guidelines aimed at achieving a carbon-neutral society, and requested to implement initiatives to reduce their CO_2 emissions. Furthermore, at carbon neutral seminars held in July and August 2024, the Group explained the initiatives it will be pursuing together with its suppliers and conducted seminars on support for decarbonization management from government and financial institutions.

Going forward, we will encourage collaboration with our suppliers by continuing to hold study sessions appropriate to the level of their initiatives.



Holding the briefing on carbon neutrality

Compliance

Compliance Promotion Structure

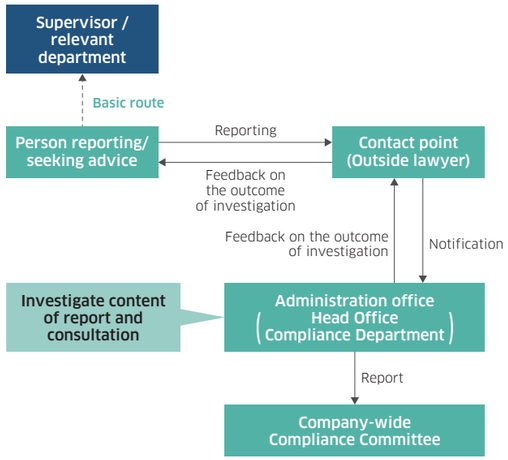
The Company-wide Compliance Committee is chaired by the Kawasaki president. The committee meets at least twice a year. Its functions are to discuss and determine measures to ensure strict compliance within our Group and to monitor the status of achievement and compliance. All members of the Board of 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 2023

Compliance education measures	In Japan, in addition to e-learning on compliance for managerial staff, measures involving reading compliance materials together were also conducted at each worksite.
Compliance awareness survey	The results of the awareness survey conducted in fiscal 2022 were analyzed and reported at the Company-wide Compliance Committee. Also, the analysis results of the awareness survey conducted in Japan were reported in the internal bulletin for employees.
Development of anti-bribery systems	Anti-bribery e-learning was conducted in Japan, and information was disseminated on internal anti-bribery rules.
Enhancement of whistle-blowing system	We investigated and made preparations to increase by one the number of outside lawyers serving as contacts (a three-lawyer structure began operating in April 2024).

Compliance reporting and consultation system flow chart (domestic)



Whistle-Blowing System and Consultation Points

We have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact, so that executives and employees of the Company and domestic subsidiaries can report or seek consultation regarding suspected violations of compliance practices relating to their operations. The system accepts anonymous reports and consultations with the objective of fostering a corporate culture and creating mechanisms that effectively self-correct by making the system more user friendly.

Under the Compliance Reporting and Consultation System, an outside lawyer responds directly to inquiries from employees reporting or consulting by email or other means. The lawyer investigates to determine whether or not there is in fact a compliance problem, and, if a problem is found, advises the Company on how to remedy it. During the investigation of reports or consultations not made anonymously, the name of the employee who used the system is not disclosed to the Company without his or her permission. The lawyer contacts the person who made the report or sought consultation directly to explain the results of the investigation.

To enhance the efficacy and reliability of this system, we revise it as needed, working to make it easier for employees to use. In addition, the number of reports made to the Compliance Reporting and Consultation System as well as the details of specific consultation matters are reported to the Company-wide Compliance Committee, ensuring that the system is operating effectively.

Since 2020, we have been introducing the Global Internal Reporting System at overseas subsidiaries, and introduction at more than 90% of overseas subsidiaries was completed through fiscal 2023. Under the Global Internal Reporting System, external law firms and internal administrative offices function jointly as contact points, accepting both anonymous and non-anonymous reports.

Misconduct in submarine repair and marine engine businesses

The Group deeply regrets the significant concern and inconvenience it has caused as a result of the serious incidents of misconduct that have come to light. We sincerely apologize from the bottom of our hearts. We take these incidents very seriously and have established a Special Investigative Committee made up of outside experts pursuant to a resolution of the Board of Directors to investigate the facts, analyze causes, and recommend measures to prevent a recurrence. Additionally, we have established a Special Compliance Promotion Committee led by the President. We are cooperating with the Special Investigative Committee to rebuild compliance and governance systems and taking comprehensive measures to prevent recurrence throughout the Company, by creating systems that prevent misconduct, strengthening detection capabilities, and reforming our organizational culture and awareness.

Overview of the misconduct	Progress of the investigation
Submarine repair business (announced July 2024) Fictitious transactions between the Kobe Shipyard's Ship Repair Department and business partners were discovered during a tax audit. In addition, it was confirmed that Kawasaki employees and submarine crews are suspected of involvement in the use of money generated by such fictitious transactions on goods and food expenses.	The Special Investigative Committee is investigating the number of people who were involved in the issue and the actual flow of money and goods.
Marine engine business (announced September 2024) Incidents of misconduct that occurred during shop trials of engines for commercial vessels were discovered during an investigation conducted at the request of the Ministry of Land, Infrastructure, Transport and Tourism. Of the 674 engines subject to NOx regulations for marine vessels that were investigated (after the keels for all vessels were laid on or after January 1, 2000), misconduct in the inspections occurred as a result of the alteration of data relating to 673 two-stroke engines for commercial marine vessels. At this time, no incidents affecting the safety of KHI engines have been confirmed during sea trials or actual use, and it has been confirmed that no misconduct occurred with respect to any engines other than those indicated above.	Based on the internal investigation conducted to date, it is believed that the main motives behind the unauthorized alteration of test data were (1) to keep engine fuel consumption values within the required ranges of customer specifications and (2) reduce the discrepancies in fuel consumption performance and other performance in order to avoid having to make explanations to customers. In addition, corrective measures were implemented to address the inspection irregularities and measurement processes by the Quality Assurance Division, which plays no direct role in product inspections, and the effectiveness of the measures was confirmed. The Special Investigative Committee is proceeding with its investigation into the detailed facts and elucidating the causes.

Information Security

Approach to Information Security

The Group provides products to a diverse range of customers, from business, the public sector, and general consumers to the Self-Defense Forces, and constantly works toward maintaining and improving its information security to protect information relating to our customers and suppliers as well as information on our businesses to suit the requirements of each customer sector. The Group recognizes that ensuring information security is a corporate social responsibility and considers it an important management challenge related to business continuity. In order to manage and protect information handled by the Group as an important asset, we have established the following Information Security Policy and aim to ensure proper operations in our business activities.

In compliance with our Information Security Policy, the Group strives to ensure, maintain, and improve information security by complying with laws and regulations, establishing information security management systems, conducting education and training, and responding when information security incidents occur.

Detailed information regarding the Group's information security measures can be found in the Information Security Report. This report is published with the purpose to disclose the Kawasaki Group's initiatives on information security for our stakeholder's understanding. It is based on "Cybersecurity Management Guidelines Ver.3.0" made by the Ministry of Economy, Trade and Industry, Japan.

➡ Information Security Report (https://global.kawasaki.com/en/corp/sustainability/library/infosec_report/index.html)

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

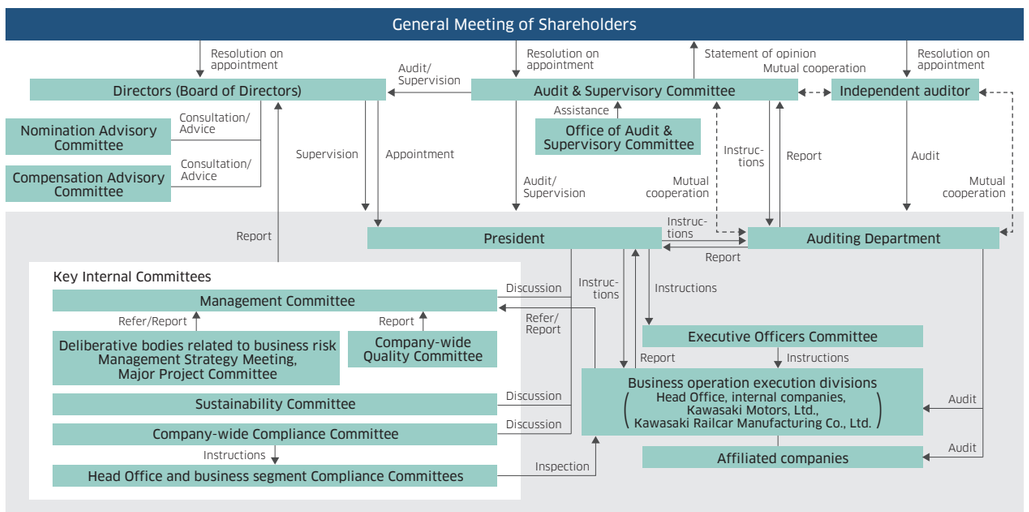
Our main deliberative bodies and their details are as follows.

Board of Directors

The Board of Directors comprises 13 Directors (of whom five serve as Audit & Supervisory Committee Members), and 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, the Company's first female Internal Director (Audit & Supervisory Committee Member) was appointed to the Board in June 2024. Currently, five of the Directors are women and two are foreign nationals, providing a balance of knowledge, experience, and skills, promoting diversity, and creating a system that enables more multifaceted decision making. 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 the 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. In fiscal 2023, the Board discussed issues including promotion of management that focuses on strengthening group governance, reinforcing compliance, promoting the advancement of women, capital costs, and stock prices. We also created a system whereby the Board adopts resolutions on 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.

Corporate governance system diagram (as of June 26, 2024)



Legend: Internal (male) / Internal (female) / Outside (male) / Outside (female) / Presiding officer

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 established a Management Committee consisting of Representative Directors, presidents of internal companies, and others as an advisory body to the President on overall Group management. The Committee deliberates on important matters related to business execution. The Company also established the Management Strategy Meeting and the Major Project Committee to engage in multifaceted discussions of strategies, action plans, and risk assessment and countermeasures for each business and project, thereby creating a system that enables more appropriate and efficient decision making and 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

The Executive Officers Committee, chaired by the President and consisting of all executive officers, has been established. In addition to issuing business execution policies based on decisions made by the Board of Directors, the Committee also exchanges opinions on management issues in an effort to unify decision making in Group management.

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 the 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.

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 the 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 the 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	Initiatives
2001	• Adopted the executive officer system • Reduced the number of Directors from 26 to 11
2002	• Increased the number of Outside Audit & Supervisory Board Members to two • Adopted a performance-based compensation system
2005	• Abolished the retirement benefit system for Directors
2013	• Appointed an Outside Director
2015	• 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	• Added stock purchase funds to Director's compensation
2017	• 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	• Increased the number of Outside Directors to three • Revised the Director and executive officer system
2019	• Reduced the number of Directors from 12 to 11
2020	• 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	• Revised the Director compensation system (adopted a performance-based stock compensation plan)
2022	• 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	• Increased the number of Outside Directors to seven • Proportion of Outside Directors set to be a majority
2024	• Revised the Director compensation system • Appointed the first female Internal Director (Audit & Supervisory Committee Member)

Changes in the number of Directors and the proportion of Outside Directors

Year	Number of Directors	Proportion of Outside Directors
Until 2001	26 or more (Internal Directors only)	0%
2001	11 (Internal Directors only)	0%
2013	10 (nine Internal Directors and one Outside Director)	10%
2018	12 (nine Internal Directors and three Outside Directors)	25%
2020	13 (seven Internal Directors and six Outside Directors)	46%
2022	12 (six Internal Directors and six Outside Directors)	50%
2023	13 (six Internal Directors and seven Outside Directors)	54%
2024	13 (six Internal Directors and seven Outside Directors)	54%

Legend: Internal (male) / Internal (female) / Outside (male) / Outside (female) / ★★ Presiding officer

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 Outside 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 areas 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 Group Vision 2030, the following areas* designate expectation and experience required of each director.

* Areas 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	✓	✓				✓			✓		
Nobuhisa Kato Director Audit & Supervisory Committee Member	✓	✓	✓					✓	✓		
Atsuko Kakihara Director Audit & Supervisory Committee Member	✓	✓				✓			✓		
Atsuko Ishii Outside Director Audit & Supervisory Committee Member	✓	✓		✓						✓	
Susumu Tsukui Outside Director Audit & Supervisory Committee Member	✓	✓								✓	
Tomoko Amaya Outside Director Audit & Supervisory Committee Member	✓	✓	✓							✓	✓

Evaluating the Effectiveness of the Board of Directors

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

Efficacy evaluation methods

The evaluation was conducted via anonymous questionnaire to all directors with the advice and assistance of external experts.

The specific evaluation procedure is as follows.

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

Items surveyed

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

(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 additive average values for all questions (excluding the free writing section) were approximately the same as in the previous year.

The item with the highest score was "Does the Board engage in free and constructive discussions and exchanges of opinions?" Many of the respondents highly evaluated the active and non-formal discussions conducted by the Board of Directors. Also, the item with the greatest score improvement was "Approaches and targets for ensuring diversity of core human resources such as promoting women, foreign nationals, and mid-career hires to managerial positions, human resource development policies, and internal environment development policies." This result is recognition of the multiple discussions conducted during Board of Directors meetings and the actions taken based on the results of those discussions.

In addition, among the items raised as issues for the Board in fiscal 2023, the score for "Securing diversity among core human resources" improved significantly, and this is believed to be the result of steady progress in discussions and action to address this issue.

On the other hand, the item relating to "Overseeing the implementation of digital transformation" received the lowest score. As a result, it is desirable that the Board discuss management policies concerning the future and direction of the Company, including AI, recruiting human resources, and other issues. (For details on specific measures, refer to "Measures to Address Prior Issues" on next page.)

In light of these results, we will continue to make efforts for improvement. (For details on issues and efforts to strengthen measures, refer to "Initiatives to Further Improve Effectiveness" on next page.)

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
Firmly establishing leadership succession plans	We created various lists including short and long lists of candidates and defined the succession process. We evaluated shortlist candidates from the perspective of competencies and incorporated the evaluations into the job and human resource requirement statements for each executive position. We are also clarifying development issues in the process of evaluating candidates and allocating challenging assignments based on those points as appropriate.
Securing diversity among core human resources	Within succession plans, we are investigating mechanisms that can select personnel from a pool of officer candidates through more diverse channels than ever before, and we are promoting the identification and promotion of diverse human resources on the executive level based on evaluation criteria (assessment of behavioral characteristics) with a focus on actions desired to achieve the Company's vision. In addition, promoting the advancement of women is an important topic in terms of diversity, and the Board of Directors shared information on the current status and issues and discussed perspectives necessary for reinforcing promotion. Based on those discussions, we are investigating and have started implementing specific measures.
Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies	In fiscal 2023, management that focuses on strengthening group governance, reinforcing compliance, active participation by diverse human resources (promoting the advancement of women), organization of corporate principles, capital costs, and stock prices was raised and discussed as a priority issue.
Strengthening group-wide internal control systems within quality control	We promoted awareness among all employees by disseminating messages within the Company and conducting training through e-learning while taking action to identify issues at an early stage, such as conducting employee awareness surveys. In addition, we are promoting the application of total quality management (TQM) methods as a foundation for streamlining business processes so that we can effectively utilize TQM methods in business activities.

Initiatives to further improve effectiveness

Issues identified via the latest evaluation	Initiatives
Firmly establishing leadership succession plans	We will make improvements while ensuring stable operation of the structures for the human resource hiring process currently in use. We will also raise the effectiveness of training plans for future successor candidates (executive positions) through dialogue with company presidents. In addition, we will continue to take action to instill competencies (behavioral attributes) in all officers while employing job and human resource requirement statements and conducting evaluations.
Securing diversity among core human resources	In fiscal 2024, we will continue our efforts to diversify the pool of officer candidates with a focus on a systematic developmental scheme for female line managers and on identifying and developing business exploration human resources. We will also deepen awareness of the importance of ensuring diversity in relation to achieving management goals including achieving our vision through the HR Management Committee and reflect this in companywide and division initiatives in the future.
Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies	At its meetings, the Board will continue to select and discuss topics in line with important issues for achieving the Group Vision 2030, deploy the decided policies to the execution side, and further reinforce measures that will lead to specific action. Priority Themes That We Plan to Investigate This Fiscal Year ●Re-examination of business structures with an awareness of capital efficiency ●Active participation by diverse human resources ●Reinforcement of group governance ●Implementation of DX ●Intellectual property strategies, etc.
Reinforcing monitoring of initiatives to promote quality and compliance	In fiscal 2023, we continued efforts to reinforce company-wide quality management by streamlining and standardizing business processes centered on Total Quality Management (TQM), identifying similar matters relating to compliance, and taking other actions. We are also creating systems to eliminate misconduct and errors by reviewing Group governance systems and internal control systems.

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.

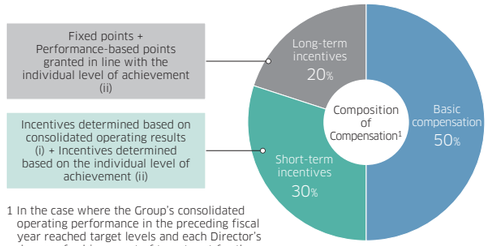
Compensation for Directors (Excluding Audit & Supervisory Committee Members and Outside Directors)

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 degree of achievement of targets set for the preceding fiscal year is 100%.

Composition of Director compensation



1 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[2]	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 or more

2 Considering that current WACC is in the 4% to 5% range, the targets for profit attributable to owners of parent have been set at ¥45 billion, the level that will enable the Group to achieve after-tax ROIC commensurate with the WACC, and ¥70 billion, the level that will result in after-tax ROIC that exceeds the WACC by approximately 3%.

Composition of Director compensation (excluding Audit & Supervisory Committee members and Outside Directors)

	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 the parent for the year, as presented in (i), above. Details of the process for determining the level of achievement are presented in (ii), on the following page. As one aspect of management that takes into consideration the weighted average cost of capital (WACC) and share price, the Group considers after-tax ROIC to be one objective indicator for determining the status of achievement of financial management objectives and sets the level of profit attributable to owners of the parent for the year based on after-tax ROIC.
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. Points granted are divided into fixed points and performance-based points. With regard to fixed points, value is shared with shareholders by granting a certain number of shares based on the term of service. Also, performance-based points are given as incentives to increase corporate value over the medium to long term by granting shares based on the degree of achievement of targets by each eligible director. The degree of achievement of targets by each eligible director is the degree of achievement of targets concerning medium- to long-term issues of the entire company and the organizations and business for which each director is responsible set for each director in the previous fiscal year. 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 following page.

(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.

Revisions to the Compensation System

At a meeting held in May 2024, the Board of Directors adopted a resolution to revise the compensation system for the Company's Directors (excluding Audit & Supervisory Committee Members and Outside Directors) and executive officers as set forth in the chart below. Because the annual compensation period runs from July through June of the following year, compensation through June 2025 is calculated based on policy in place prior to implementation of the revisions. As of the annual compensation period beginning July 2025, compensation will be calculated based on post-revision policy.

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 & Supervisory 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. 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 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.

Details of revisions to the Director compensation system (applicable starting in July 2025)

		Details
Reinforced linkage with performance		The ratios of fixed compensation accounted for by monetary compensation and stock compensation will be reduced to strengthen the link between compensation and performance.
New evaluation indicators set		The targets relating to the highly effective employee ratio, ESG, and improvement in share price that until now have been set individually for eligible Directors will be set as common standards and reflected in performance-based compensation as independent evaluation indicators as indicated below.
	Reflection in short-term incentives	●Employee engagement indicators With the objective of drawing out even greater performance from human resources who work for the Company, the payment rate will be determined according to the ratio of employees who give high scores to both "supportive environment" and "employee engagement" in the Employee Engagement Survey. Payment rates will be set at 100% for levels in excess of the average score for companies in Japan in the previous fiscal year and at 200% for levels of the global corporate average score.
	Reflection in long-term incentives	●ESG indicators (CO_2 reduction and third-party institution evaluation) To encourage overall ESG-related efforts including CO_2 reduction, the payment rate will be set based on achievement of the Company's CO_2 reduction targets through our business activities and the provision of solutions for achieving carbon neutrality, taking into consideration a third-party institution evaluation (the Dow Jones Sustainability Index[3]). 3 A share index developed jointly by S&P Dow Jones Indices and RobecoSAM ●Share price To reinforce awareness regarding improvement of corporate value, the target share price will be made visible and incentives to raise the share price will be increased. The payment rate will be set each year according to the degree of achievement with the objective of bolstering measures intended to improve corporate value.
Composition of compensation		The ratios of basic compensation, short-term incentives, and long-term incentives within Director compensation account for approximately 33.3% respectively of the total, assuming that the Group's consolidated operating results and each indicator in the preceding fiscal year reached target levels, that each eligible Director's degree of achievement of targets set for the preceding fiscal year is 100%, and that conversion is performed at the share price level at about the time of the May 9, 2024 Board of Directors meeting when the resolution revising the compensation system was adopted.

Establishment of a Risk Management Framework

The Kawasaki Group has established a Group-wide enterprise risk management (ERM) framework to render any risks more transparent and to ensure that they are effectively addressed. Through this system, we identify and respond to major risks with the potential for serious impact on operations and work to enhance risk management as outlined in the Kawasaki Group Management Principles.

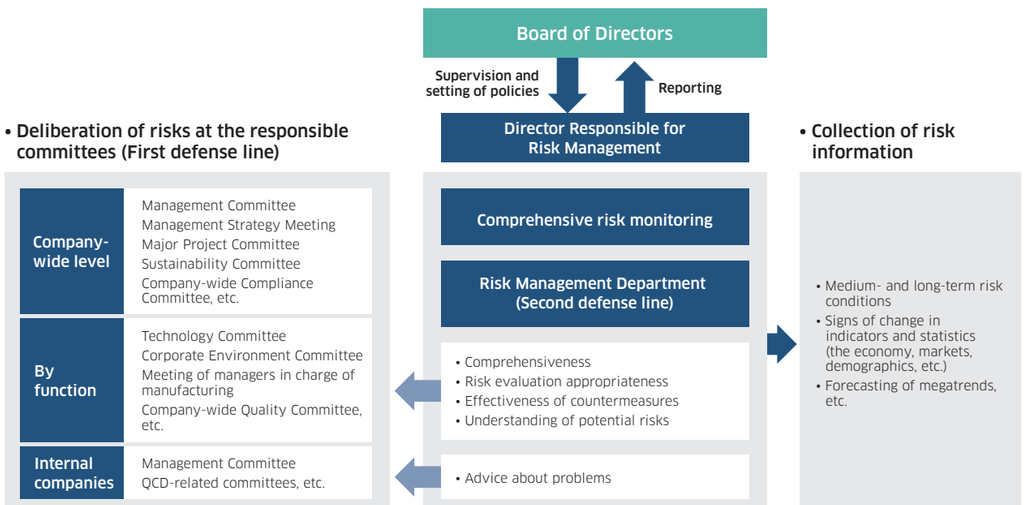
In order to appropriately handle diverse risks, Kawasaki has established the owners of risk (Company-wide/functional internal committees and internal divisions of each business segment) as our first line of defense, depending on the type of risk. While streamlining and implementing management methodology and management systems, we have devised a system for the centralized monitoring of the effectiveness and workability of such management systems, thereby managing risks both individually and comprehensively. In addition, we have also set up a second line of defense in the form of the Risk Management Department, an organization that stands independent of Company-wide/functional internal committees and business segments that are responsible for the first line of defense. The Risk Management Department compiles analysis reports on our risk management status and global risk trends surrounding the Company through risk monitoring, and the Director responsible for risk management reports this information to the Board of Directors four times annually. After the Board of Directors deliberates and selects the important risks that the Company should pay close attention to currently, those risks are reported to the Management Committee and reflected in the measures of the operating divisions. In order to deliberate and promptly address any rapidly emerging risk from the recent geopolitical issues as well as climate, governmental, and economic instability, Board of Director meetings are held on an as-needed basis. The Auditing Department, which is independent from the first and second lines of defense, assess the effectiveness of risk management and governance as a third line of defense.

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



The third defense line is implemented by the Auditing Department.

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	Internal 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, biodiversity, 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	Highest	Highest	High
Contracts, IP	Extremely high	1	Highest	Highest	Highest	High
Compliance	Extremely high	3	Highest	Highest	High	High
Geopolitics, international circumstances (economic security), distribution difficulties, rising materials cost, inflation, etc.	High	4	Highest	High	High	High
Progress and misuse of technologies (AI and cyber security)	High	5	High	Highest	Medium	High
Shortages of human resources and personnel	Medium	6	High	High	Medium	High
Carbon neutrality (Climate change)	Medium	6	High	Medium	High	High
Natural disasters in Japan	Medium	8	Medium	Medium	High	High
China/Taiwan relations	Medium	8	Medium	Medium	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.

The Foundation of Our Business Activities | Corporate Officers (As of June 26, 2024)

Directors

Name Position Age	Years of service Kawasaki shares held	Reasons for appointment	Board of Directors meetings attended*	Nomination Advisory Committee		Compensation Advisory Committee	
				Membership	Meetings attended*	Membership	Meetings attended*
 **Yoshinori Kanehana** Chairman of the Board 70 years old	12 years 53,300 shares	Mr. Kanehana worked in technology and development in the Company's rolling stock and overseas businesses for many years. He assumed the office of Managing Director in 2012, Director and Vice President in April 2016, Director and President in June 2016, and Chairman of the Board in 2020. Presently, as Chairman of the Board, he demonstrates outstanding leadership, contributing significantly to the Company's business growth and the enhancement of its enterprise value.	16/16	–	–	–	–
 **Yasuhiko Hashimoto** Representative Director 67 years old	6 years 48,100 shares	Mr. Hashimoto worked in technology and development in the Company's industrial robot business unit for many years. He was appointed Director and Managing Executive Officer in 2018 and Director, Vice President, and Senior Executive Officer in April 2020. He has served as Director, President and Chief Executive Officer since June 2020. In this role, he demonstrates outstanding leadership, contributing significantly to the Company's business growth and the enhancement of its enterprise value.	16/16	✓	10/10	✓	7/7
 **Katsuya Yamamoto** Representative Director 66 years old	7 years 31,600 shares	Mr. Yamamoto worked in planning and finance and accounting in the Company's plant and infrastructure business as well as its precision machinery business for many years. He was appointed Managing Director in 2017 and Director, Vice President, and Senior Corporate Executive Officer in 2020. Presently, he is in charge of Company-wide corporate communication, planning & control, marketing & external affairs in his capacity as Director, Senior Corporate Executive Officer, and Chief Financial Officer and is contributing significantly to the company's business growth and enhancement of its enterprise value.	16/16	✓	10/10	✓	7/7
 **Hiroshi Nakatani** Representative Director 63 years old	4 years 22,700 shares	Mr. Nakatani worked in technical development and planning at the Company for many years. He was appointed Director and Managing Executive Officer in 2020, and Director, Vice President, and Senior Corporate Executive Officer in 2022. Presently, he is in charge of Company-wide technology, production, and procurement, as well as TQM and digital transformation (DX) strategy in his capacity as Director, and Senior Corporate Executive Officer, and is contributing significantly to the Company's business growth and the enhancement of its enterprise value.	16/16	–	–	–	–

Name Position Age	Years of service Kawasaki shares held	Reasons for appointment	Board of Directors meetings attended*	Nomination Advisory Committee		Compensation Advisory Committee	
				Membership	Meetings attended*	Membership	Meetings attended*
 **Jenifer Rogers** Outside Director 61 years old	6 years 3,500 shares	Ms. Rogers served as in-house lawyer and counsel at financial institutions in Japan and overseas for many years and has, in her capacity as an Outside Director since 2018, provided practicable opinions and advice on important management decisions based on her extensive international experience and deep insights into legal affairs, compliance, and risk management, from a standpoint independent of the Company's business execution.	15/16	–	–	–	–
 **Hideo Tsujimura** Outside Director 70 years old	4 years 900 shares	Mr. Tsujimura served as Senior Managing Director, in charge of the Intellectual Property Department and R&D Division of Suntory Holdings Limited; Representative Director, President and Chief Executive Officer of Suntory Business Expert Limited; Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division, and Senior General Manager, Research & Development Department of Suntory Beverage & Food Limited; and in other important positions. In his capacity as an Outside Director since 2020, he has provided practicable opinions and advice on important management decisions based on his wealth of management experience and deep insight into product development and intellectual property from a standpoint independent of the Company's business execution.	16/16	✓	10/10	✓	7/7
 **Katsuhiko Yoshida** Outside Director 70 years old	2 years 2,700 shares	At Kao Corporation Mr. Yoshida served in such posts as Representative Director and Senior Managing Executive Officer and President of Consumer Products Global. On the basis of his deep insight into operations and marketing, as well as his abundant management experience, since 2022 he has been providing practicable opinions and advice at the time of decisions on important matters for Kawasaki's management as an Outside Director and from a standpoint independent of business execution.	16/16	–	–	–	–
 **Melanie Brock** Outside Director 60 years old	1 year 100 shares	Ms. Brock has been involved in international business support for many years. Based on her extensive international experience and high level of insight into business strategies and marketing from a global perspective, since 2023 she offers useful opinions and advice at the time of decisions on important matters for Kawasaki's management as an Outside Director from a standpoint independent of business execution.	13/13	–	–	–	–

* Figures for fiscal 2023.

The Foundation of Our Business Activities | Corporate Officers (As of June 26, 2024)

Directors (Audit & Supervisory Committee Members)

Name Position Age	Years of service[1] Kawasaki shares held	Reasons for appointment	Board of Directors meetings attended[2]	Nomination Advisory Committee		Compensation Advisory Committee	
			Audit & Supervisory Committee meetings attended[2]	Membership	Meetings attended[2]	Membership	Meetings attended[2]
 **Nobuhisa Kato** Director (Audit & Supervisory Committee Member) 64 years old	2 years 7,300 shares	Mr. Kato worked chiefly in the areas of finance and accounting and control at the Company for many years, and was appointed as an Executive Officer in 2017. As a full-time Audit & Supervisory Committee Member he contributes significantly to ensuring the soundness of the Company's management and enhancing its enterprise value owing to his refined knowledge of the Company's business from successive appointments as General Manager, Finance & Accounting Division and General Manager, Finance & Control Division, as well as his formidable finance and accounting expertise.	16/16 14/15	–	–	–	–
 **Atsuko Kakihara** Director (Audit & Supervisory Committee Member) 61 years old	Newly appointed 6,400 shares	Ms. Kakihara worked in the areas of marketing, legal affairs and compliance, and sustainability for many years, and was appointed as an Executive Officer in 2020. Presently, as an Executive Officer in charge of special mission assigned by the President, she contributes significantly to ensuring the soundness of the Company's management and enhancing its enterprise value.	– –	–	–	–	–
 **Atsuko Ishii** Outside Director (Audit & Supervisory Committee Member) 66 years old	7 years 900 shares	Ms. Ishii served in important positions at the Ministry of Health, Labour and Welfare, including as Director General of the Osaka Labor Bureau; Deputy Director General, Director-General of the Equal Employment, Child and Family Policy Bureau; Director-General for General Policy and Evaluation, and Director-General of Social Welfare and War Victims' Relief Bureau. She contributes significantly to ensuring the soundness of the Company's management and enhancing its enterprise value, following appointment as an Outside Audit & Supervisory Board Member in 2017 and as an Outside Director (Audit & Supervisory Committee Member) in 2020, based on her abundant experience and deep insight into Japan's labor administration.	16/16 15/15	✓	10/10	✓	7/7
 **Susumu Tsukui** Outside Director (Audit & Supervisory Committee Member) 55 years old	2 years 700 shares	Mr. Tsukui served in positions including President of the Hyogo Bar Association, and is contributing significantly to ensuring the soundness of the Company's management and enhancing its enterprise value as an Outside Director (Audit & Supervisory Committee Member) based on his abundant experience as a lawyer and wealth of insights into judicial affairs.	16/16 15/15	–	–	–	–
 **Tomoko Amaya** Outside Director (Audit & Supervisory Committee Member) 60 years old	Newly appointed –	Ms. Amaya served as the Deputy Director-General, Planning and Coordination Bureau, Financial Services Agency; Secretary-General, Executive Bureau, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency; Deputy Secretary-General, Executive Bureau, Securities and Exchange Surveillance Commission; Vice Commissioner for International Affairs, Strategy Development and Management Bureau; Vice Minister for International Affairs, gaining deep insight into financial supervision and international financial regulation.	– –	–	–	–	–

1 Years of service include years of service as Audit & Supervisory Board Members when Kawasaki was a company with an Audit & Supervisory Board.
2 Figures for fiscal 2023.

Executive Officers (As of August 1, 2024)

President and Chief Executive Officer

Yasuhiko Hashimoto — Chief Executive Officer

Senior Corporate Executive Officers

Katsuya Yamamoto — Assistant to the President, Chief Financial Officer, in charge of Corporate Communication, Planning & Control, Finance & Control, Marketing & External Affairs Division

Hiroshi Nakatani — Assistant to the President, in charge of Technology, Production, Procurement, TQM, General Administration, Digital Transformation (DX) Strategy

Senior Managing Executive Officers

Hiroyoshi Shimokawa — President, Aerospace Systems Company, in charge of Kawasaki Railcar Manufacturing Co., Ltd.

Motohiko Nishimura — President, Energy Solution & Marine Engineering Company

Hiroshi Ito — President and Chief Executive Officer, Kawasaki Motors, Ltd.

Managing Executive Officer

Takeshi Kaneko — In charge of Legal Affairs, Compliance, Human Resources, and General Administration, and General Manager, Human Resources Division

Takumi Kawasaki — General Manager, Corporate Technology Division, and Director, Kawasaki Technical Institute

Keigo Imamura — Vice President, Energy Solution & Marine Engineering Company, and General Manager, Ship & Offshore Structure Business Division

Hidehiko Shimamura — President, Precision Machinery & Robot Company, in charge of promoting automation

Hiroshi Murao — President and Chief Executive Officer, Kawasaki Railcar Manufacturing Co., Ltd.

Executive Officer

Hideki Hiramatsu — General Manager, Corporate Planning Division

Ichiro Imai — General Manager, Finance & Control Division

Kenji Totoki — General Manager, Marketing & External Affairs Division

Takashi Torii — General Manager, General Administration Division and Group Manager, Corporate Communication Group

Hiroaki Kagaya — Deputy General Manager, Corporate Technology Division, and General Manager, System Technology Development Center

Shigeru Yamamoto — General Manager, Hydrogen Strategy Division

Hironobu Urabe — General Manager, DX Strategy Division

Yoshimoto Matsuda — General Manager, Presidential Project Management Division, and Senior Manager, PNT Promotion Department, and on assignment at Kawasaki Motors, Ltd. in charge of Hydrogen Project

Masatoshi Ishida — Vice President, Aerospace Systems Company (in charge of supervising sales for the Ministry of Defense, promoting new businesses, and promoting Aero Engine Business reform) and General Manager, Helicopter & MRO Business Division

Yu Koshiyama — In charge of Engine Business, Aerospace Systems Company

Yasuhiro Kishi — General Manager, Planning & Control Division, and in charge of Reorganization of Affiliated Companies, Aerospace Systems Company

Hisashi Sugitani — General Manager, Defense & Aerospace Business Division, Defense business Development, Driving organizational reform in the Aerospace Group, Aerospace Systems Company

Masataka Sudo — General Manager, Commercial Aircraft Business Division, and in charge of Development for hydrogen-powered aircraft, Aerospace Systems Company, in charge of Kawasaki Railcar Manufacturing Co., Ltd.

Etsuro Mishima — General Manager, Aero Engine Business Division, Aerospace Systems Company

Naoki Murakami — Vice President, Energy Solution & Marine Engineering Company

Yasuo Akita — General Manager, Planning & Control Division, Energy Solution & Marine Engineering Company

Motohisa Amako — General Manager, Hydrogen and Carbon Neutral Division, and Senior Manager, Hydrogen Business Solutions Office, Energy Solution & Marine Engineering Company

Tomohiko Sugimoto — General Manager, Energy Business Division, Energy Solution & Marine Engineering Company

Kenji Sanada — General Manager, Plant Engineering Business Division, Energy Solution & Marine Engineering Company

Tatsuya Motoi — Deputy General Manager, Ship & Offshore Structure Business Division, Energy Solution & Marine Engineering Company (in charge of commercial vessels)

Kazuhiro Abe — General Manager, Planning & Control Division, Precision Machinery & Robot Company

Hideo Marui — General Manager, Precision Machinery Business Division, Precision Machinery & Robot Company

Kenji Bando — General Manager, Robot Business Division, Precision Machinery & Robot Company

Executive Fellows

Eiichi Harada — Senior Executive Fellow (in charge of promoting the Hydrogen Business)

Akihito Sakai — Aerospace Systems Company and on assignment at Gifu University, Tokai National Higher Education and Research System

Junji Matsuhiro — In charge of Defense Engine Technology, Aerospace Systems Company

Tetsuji Yuasa — In charge of Submarine & AUV Technology, Ship & Offshore Structure Business Division, Energy Solution & Marine Engineering Company

Naoki Kodama — In charge of Defense Aircraft Development Planning and Technology, Aerospace Systems Company

Ten-year Financial/Non-financial Summary

(Billions of yen)

	(FY)	←JGAAP 2014	2015	2016	2017	2018	2019	2020	2021	IFRS→ 2021	2022	**2023**
Operating results	Revenue	1,486.1	1,541.0	1,518.8	1,574.2	1,594.7	1,641.3	1,488.4	1,500.8	1,500.8	1,725.6	**1,849.2**
	Aerospace Systems[1]	–	–	–	469.5	463.9	532.5	377.7	298.2	298.2	348.8	**396.1**
	Rolling Stock	121.5	146.6	137.1	141.7	124.6	136.5	133.2	126.6	126.6	131.9	**195.9**
	Energy Solution & Marine Engineering[2]	–	–	–	–	–	–	319.5	297.3	297.3	314.5	**353.2**
	Precision Machinery & Robot[3]	135.7	133.1	155.2	198.9	222.0	217.3	240.8	252.6	252.6	252.6	**227.9**
	Powersports & Engine[4]	329.2	333.5	313.0	331.6	356.8	337.7	336.6	447.9	447.9	591.1	**592.4**
	Other	144.2	108.8	77.4	85.0	95.1	102.4	80.4	78.0	78.0	86.3	**83.5**
	Aerospace[1]	325.0	351.8	329.9	–	–	–	–	–	–	–	**–**
	Gas Turbine & Machinery[1]	218.7	236.4	241.9	–	–	–	–	–	–	–	**–**
	Energy System & Plant Engineering[1, 2]	–	–	–	251.6	253.0	242.9	–	–	–	–	**–**
	Plant & Infrastructure[1]	121.1	135.6	160.8	–	–	–	–	–	–	–	**–**
	Ship & Offshore Structure[2]	90.3	94.8	103.2	95.6	78.9	71.6	–	–	–	–	**–**
	Business profit [business profit margin]	87.2 [5.8%]	95.9 [6.2%]	45.9 [3.0%]	55.9 [3.5%]	64.0 [4.0%]	62.0 [3.7%]	(5.3) [–]	45.8 [3.0%]	30.3 [2.0%]	82.3 [4.8%]	**46.2 [2.5%]**
	Aerospace Systems[1]	–	–	–	30.8 [6.5%]	32.6 [7.0%]	42.7 [8.0%]	(31.6) [–]	(9.7) [–]	(10.3) [–]	14.8 [4.2%]	**(15.0) [–]**
	Rolling Stock	6.0 [4.9%]	9.2 [6.3%]	3.4 [2.5%]	(12.4) [–]	(13.7) [–]	(3.8) [–]	(4.5) [–]	3.2 [2.5%]	2.2 [1.7%]	1.3 [1.0%]	**3.7 [1.9%]**
	Energy Solution & Marine Engineering[2]	–	–	–	–	–	–	10.3 [3.2%]	1.1 [0.3%]	(10.8) [–]	3.9 [1.2%]	**31.9 [9.0%]**
	Precision Machinery & Robot[3]	10.9 [8.0%]	8.5 [6.4%]	13.1 [8.4%]	21.6 [10.8%]	21.3 [9.6%]	12.2 [5.6%]	14.0 [5.8%]	16.6 [6.5%]	13.9 [5.5%]	8.7 [3.4%]	**(1.9) [–]**
	Powersports & Engine[4]	14.9 [4.5%]	15.7 [4.7%]	11.7 [3.7%]	15.2 [4.5%]	14.3 [4.0%]	(1.9) [–]	11.7 [3.4%]	37.3 [8.3%]	37.5 [8.3%]	71.5 [12.1%]	**48.0 [8.1%]**
	Other	3.9 [2.7%]	2.8 [2.6%]	3.1 [4.0%]	2.9 [3.4%]	2.5 [2.6%]	1.2 [1.2%]	0.4 [0.5%]	2.8 [1.0%]	3.1 [3.9%]	(1.8) [–]	**1.1 [1.3%]**
	Aerospace[1]	36.3 [11.1%]	45.6 [12.9%]	25.0 [7.5%]	–	–	–	–	–	–	–	**–**
	Gas Turbine & Machinery[1]	11.2 [5.1%]	16.9 [7.1%]	15.2 [6.3%]	–	–	–	–	–	–	–	**–**
	Energy System & Plant Engineering[1, 2]	–	–	–	7.6 [3.0%]	11.6 [4.5%]	17.5 [7.2%]	–	–	–	–	**–**
	Plant & Infrastructure[1]	6.5 [5.4%]	8.5 [6.2%]	2.6 [1.6%]	–	–	–	–	–	–	–	**–**
	Ship & Offshore Structure[2]	2.6 [2.9%]	(7.9) [–]	(21.4) [–]	(3.8) [–]	1.0 [1.3%]	(0.6) [–]	–	–	–	–	**–**
	Recurring profit	84.2	93.2	36.6	43.2	37.8	40.4	(2.8)	29.9			
	Profit before tax	84.2	74.8	38.8	32.9	37.8	39.3	(14.6)	30.8	27.6	70.3	**31.9**
	Profit (loss) attributable to owners of parent	51.6	46.0	26.2	28.9	27.4	18.6	(19.3)	21.8	12.6	53.0	**25.3**
	Research and development expenses	41.6	43.6	43.6	45.4	48.7	52.6	44.9	47.0	45.7	50.7	**53.3**
	Capital expenditures	80.0	76.3	82.7	82.1	66.9	70.4	55.6	53.5	77.6	96.3	**133.7**
	Depreciation and amortization	44.5	49.0	51.5	56.1	59.0	61.2	61.2	60.8	76.9	77.3	**80.9**
Financial position (at year-end)	Total assets	1,662.2	1,620.4	1,687.3	1,785.0	1,838.8	1,957.8	1,963.2	2,022.7	2,174.6	2,457.7	**2,680.1**
	Interest-bearing debt	414.3	398.4	400.6	446.6	439.4	567.4	593.3	501.4	553.9	589.8	**653.9**
	Equity	447.9	445.6	451.3	481.3	492.2	471.5	482.7	498.5	524.8	596.8	**654.5**
	Invested capital[5]	846.3	829.7	837.9	912.7	915.8	1,023.0	1,058.6	980.6	938.4	988.3	**1,108.8**
Cash flows	Cash flows from operating activities	127.6	86.0	93.5	56.0	109.7	(15.4)	34.6	144.4	156.8	23.6	**31.6**
	Cash flows from investing activities	(67.3)	(74.1)	(64.8)	(80.5)	(85.3)	(69.4)	(37.3)	(52.5)	(58.3)	(77.4)	**(89.8)**
	Free cash flows	60.2	11.8	28.6	(24.5)	24.4	(84.8)	(2.7)	91.8	98.4	(53.8)	**(58.1)**
	Cash flows from financing activities	(57.1)	(23.4)	(15.8)	37.7	(19.7)	115.8	23.0	(102.3)	(108.9)	85.3	**12.9**
Key performance indicators	ROIC (Return on invested capital)[6]	10.4%	9.4%	5.0%	3.9%	4.5%	4.2%	(1.0%)	3.5%	1.6%	5.7%	**2.8%**
	Ratio of profit to equity attributable to owners of parent (ROE)	12.9%	10.6%	6.0%	6.4%	5.8%	4.0%	(4.2%)	4.6%	4.8%	9.8%	**4.2%**
	Net D/E ratio	83.9%	82.5%	78.9%	80.6%	76.6%	101.2%	100.2%	80.7%	86.9%	77.3%	**88.6%**
	Earnings per share[7] (Yen)	308.9	275.6	156.8	173.0	164.3	111.7	(115.7)	130.2	75.5	316.6	**151.5**
	Book-value per share[7] (Yen)	2,585.8	2,582.1	2,617.3	2,789.9	2,851.8	2,727.5	2,785.7	2,861.2	3,018.3	3,440.3	**3,785.5**
	Dividends per share[7] (Yen)	100.0	120.0	60.0	60.0	70.0	35.0	–	40.0	40.0	90.0	**50.0**
	Dividend payout ratio	32.3%	43.5%	38.2%	34.6%	42.5%	31.3%	–	30.7%	30.7%	28.4%	**33.0%**
Non-financial	Number of employees (at year-end) (Consolidated)	35,471	34,605	35,127	35,805	35,691	36,332	36,691	36,587	36,587	38,254	**39,689**
	CO_2 emissions Scope 1 (Consolidated)	–	176kt-CO_2	179kt-CO_2	176kt-CO_2	162kt-CO_2	169kt-CO_2	140kt-CO_2	135kt-CO_2	135kt-CO_2	136kt-CO_2	**134kt-CO_2**
	Scope 2 (Consolidated)	–	324kt-CO_2	313kt-CO_2	326kt-CO_2	311kt-CO_2	290kt-CO_2	255kt-CO_2	267kt-CO_2	267kt-CO_2	246kt-CO_2	**281kt-CO_2**
	Scope 3 (Non-Consolidated)[8]	–	54,323kt-CO_2	58,122kt-CO_2	93,366kt-CO_2	133,417kt-CO_2	121,280kt-CO_2	123,616kt-CO_2	24,664kt-CO_2	24,664kt-CO_2	32,260kt-CO_2	**37,829kt-CO_2**

The Group has applied the International Financial Reporting Standards (IFRS) since fiscal 2022. Accordingly, financial figures for fiscal 2021 are also shown in accordance with IFRS. Financial data for fiscal 2020 and earlier are based on Japanese generally accepted accounting principles (GAAP), but in this report, terms such as "revenue" and "business profit" are used in the same manner as under the IFRS. (In fiscal 2020 and earlier, values labeled as "net sales" and "operating profit" pursuant to Japanese GAAP are indicated as "revenue," "business profit," and so on. Accordingly, financial figures for fiscal 2021 are reported in accordance with IFRS. "Revenue" under IFRS corresponds to "net sales" under Japanese GAAP, "business profit" corresponds to "operating profit," "profit before tax" corresponds to "profit before income taxes," "total equity" corresponds to "net assets," "earnings per share" corresponds to "net income (loss) per share," and "ratio of profit to equity attributable to owners of parent" corresponds to "return on equity."

1 In fiscal 2018, the reportable segments were reorganized: the Aerospace segment and the jet engine business of the Gas Turbine & Machinery segment became the Aerospace Systems segment and the Plant & Infrastructure segment and the energy and marine-related businesses of the Gas Turbine & Machinery segment became the Energy System & Plant Engineering segment. Figures for fiscal 2017 onward are presented according to the reorganized segments.

2 In fiscal 2021, the reportable segments were reorganized: the Energy System & Plant Engineering segment and the Ship & Offshore Structure segment became the Energy Solution & Marine Engineering segment. Figures for fiscal 2020 onward are presented according to the reorganized segments.

3 In fiscal 2018, the Precision Machinery segment was renamed the Precision Machinery & Robot segment.

4 The Motorcycle & Engine reportable segment was changed to the Powersports & Engine segment as of fiscal 2022.

5 The formula for calculating invested capital was changed to "average net interest-bearing debt at the beginning and end of the period + average shareholders' equity at the beginning and end of the period" as of fiscal 2022. Figures for fiscal 2021 and later have been calculated using the revised formula.

6 Until fiscal 2021, before-tax ROIC is indicated, and in fiscal 2022 and onwards, after-tax ROIC is indicated.
Before-tax ROIC = (Profit before tax + interest paid) ÷ invested capital (the average net interest-bearing debt at the beginning and end of the period + average shareholders' equity at the beginning and end of the period)
After-tax ROIC = {Profit attributable to owners of parent + interest paid × (1 - effective tax rate)} ÷ invested capital (the average net interest-bearing debt at the beginning and end of the period + average shareholders' equity at the beginning and end of the period)

7 Effective October 1, 2017, a 1-for-10 share consolidation was implemented for ordinary shares. Figures for fiscal 2016 and before are calculated based on the assumption that the share consolidation had already been implemented.

8 Scope of aggregation: The total of Kawasaki Heavy Industries (non-consolidated), Kawasaki Motors, and Kawasaki Railcar Manufacturing through fiscal 2021; from fiscal 2022, category (xi) was expanded to the Kawasaki Heavy Industries Group. Regarding Scope 3, calculation methods were modified and the scope of calculation was expanded to obtain more accurate emissions data. For further details, refer to the "ESG Data" in the Sustainability section of the Kawasaki website.

Consolidated Financial Statements

Consolidated Statement of Financial Position

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	138,420	**84,153**
Trade and other receivables	470,398	**681,030**
Contract assets	159,422	**136,706**
Inventories	690,431	**710,207**
Income taxes receivable	551	**2,158**
Other financial assets	10,741	**11,024**
Other current assets	100,385	**101,644**
Total current assets	1,570,350	**1,726,925**
Non-current assets		
Property, plant and equipment	451,010	**496,331**
Intangible assets	66,248	**69,617**
Right-of-use assets	68,422	**64,824**
Investments accounted for using equity method	77,440	**90,954**
Other financial assets	70,224	**80,762**
Deferred tax assets	110,264	**117,452**
Other non-current assets	43,763	**33,307**
Total non-current assets	887,374	**953,250**
Total assets	2,457,725	**2,680,176**

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	452,250	**521,734**
Bonds, borrowings and other financial liabilities	340,176	**453,694**
Income taxes payable	18,071	**7,928**
Contract liabilities	256,247	**265,468**
Provisions	22,897	**34,242**
Refund liabilities	10,258	**72,518**
Other current liabilities	208,760	**185,902**
Total current liabilities	1,308,661	**1,541,489**
Non-current liabilities		
Bonds, borrowings and other financial liabilities	445,082	**391,539**
Retirement benefit liability	91,552	**74,604**
Provisions	1,942	**957**
Deferred tax liabilities	833	**707**
Other non-current liabilities	12,779	**16,327**
Total non-current liabilities	552,190	**484,137**
Total liabilities	1,860,852	**2,025,626**
Equity		
Share capital	104,484	**104,484**
Capital surplus	55,716	**56,455**
Retained earnings	380,255	**405,156**
Treasury shares	(1,107)	**(1,060)**
Other components of equity	36,852	**69,054**
Total equity attributable to owners of parent	576,201	**634,090**
Non-controlling interests	20,670	**20,459**
Total equity	596,872	**654,549**
Total liabilities and net equity	2,457,725	**2,680,176**

Consolidated Statements of Profit and Loss

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Revenue	1,725,609	**1,849,287**
Cost of sales	1,391,787	**1,537,050**
Gross profit	333,822	**312,237**
Selling, general and administrative expenses	252,311	**276,044**
Share of profit of investments accounted for using equity method	3,314	**11,358**
Other income	4,850	**5,704**
Other expenses	7,320	**7,053**
Business profit	82,355	**46,201**
Finance income	2,291	**3,040**
Finance costs	14,297	**17,261**
Profit before tax	70,349	**31,980**
Income tax expense	15,058	**4,670**
Profit	55,290	**27,310**
Profit attributable to:		
Owners of parent	53,029	**25,377**
Non-controlling interests	2,261	**1,932**

Earnings per share		
Basic earnings per share	316.63	**151.51**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit	55,290	**27,310**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(363)	**4,214**
Remeasurement of defined benefits plans	14,353	**15,017**
Share of other comprehensive income of investments accounted for using equity method	0	**1**
Total of items that will not be reclassified to profit or loss	13,989	**19,233**
Items that may be reclassified to profit or loss		
Cash flow hedges	1,932	**103**
Exchange differences on translation of foreign operations	10,112	**23,302**
Share of other comprehensive income of investments accounted for using equity method	508	**3,795**
Total of items that may be reclassified to profit or loss	12,553	**27,202**
Total other comprehensive income	26,542	**46,435**
Comprehensive income	81,833	**73,745**

Comprehensive income attributable to:		
Owners of parent	78,785	**71,009**
Non-controlling interests	3,048	**2,736**

Consolidated Financial Statements

Statement of Changes in Equity

For the year ended March 31, 2023

(Millions of yen)

	Equity attributable to owners of parent											
					Other components of equity							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2022	104,484	55,525	320,671	(1,129)	–	4,435	(284)	21,780	25,931	505,484	19,407	524,891
Profit			53,029							53,029	2,261	55,290
Other comprehensive income					14,235	(370)	1,603	10,286	25,755	25,755	787	26,542
Total Comprehensive income			53,029		14,235	(370)	1,603	10,286	25,755	78,785	3,048	81,833
Purchase of treasury shares				(4)						(4)		(4)
Disposal of treasury shares		(0)		26						26		26
Transfer of loss on disposal of treasury shares		0	(0)							–		–
Dividends			(8,394)							(8,394)	(964)	(9,358)
Transfer to retained earnings			14,191		(14,235)	43			(14,191)	–		–
Changes in scope of consolidation											366	366
Loss of control of subsidiaries											(2,079)	(2,079)
Change in ownership interest of parent due to transactions with non-controlling interests		190								190	891	1,082
Transfer to non-financial assets							(643)		(643)	(643)		(643)
Other			756							756		756
Total transaction with owners		190	6,554	22	(14,235)	43	(643)		(14,834)	(8,067)	(1,785)	(9,852)
Balance at March 31, 2023	104,484	55,716	380,255	(1,107)	–	4,109	676	32,066	36,852	576,201	20,670	596,872

For the year ended March 31, 2024

(Millions of yen)

	Equity attributable to owners of parent											
					Other components of equity							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurement of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2023	104,484	55,716	380,255	(1,107)	–	4,109	676	32,066	36,852	576,201	20,670	596,872
Profit			25,377							25,377	1,932	27,310
Other comprehensive income					15,075	4,167	146	26,241	45,631	45,631	804	46,435
Total comprehensive income			25,377		15,075	4,167	146	26,241	45,631	71,009	2,736	73,745
Purchase of treasury shares				(7)						(7)		(7)
Disposal of treasury shares		0		54						54		54
Transfer of loss on disposal of treasury shares												–
Dividends			(13,430)							(13,430)	(1,022)	(14,452)
Transfer to retained earnings			12,945		(15,075)	2,130			(12,945)	–		–
Changes in scope of consolidation			8					(17)	(17)	(9)		(9)
Loss of control of subsidiaries												–
Change in ownership interest of parent due to transactions with non-controlling interests		739								739	(1,926)	(1,186)
Transfer to non-financial assets							(467)		(467)	(467)		(467)
Other												–
Total transaction with owners		739	(477)	46	(15,075)	2,130	(467)	(17)	(13,429)	(13,120)	(2,948)	(16,068)
Balance at March 31, 2024	104,484	56,455	405,156	(1,060)	–	10,407	355	58,291	69,054	634,090	20,459	654,549

Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities		
Profit	55,290	**27,310**
Depreciation and amortization	77,374	**80,982**
Impairment losses	4,606	**1,007**
Finance income and finance costs	7,312	**11,590**
Share of loss (profit) of investments accounted for using equity method	(3,314)	**(11,358)**
Loss (gain) on sale of fixed assets	1,042	**2,050**
Income tax expense	15,058	**4,670**
Increase (decrease) in retirement benefit liability	1,281	**(196)**
Decrease (increase) in trade and other receivables	(59,334)	**(186,486)**
Decrease (increase) in contract assets	(50,291)	**22,725**
Decrease (increase) in inventories	(64,217)	**9,903**
Increase (decrease) in trade and other payables	42,213	**43,585**
Decrease (increase) in advance payment	(28,508)	**8,632**
Increase (decrease) in contract liabilities	(3,730)	**1,057**
Increase (decrease) in refund liabilities	1,648	**61,004**
Increase (decrease) in provisions	(4,028)	**10,084**
Decrease (increase) in other current assets	(3,168)	**(6,879)**
Increase (decrease) in other current liabilities	43,231	**(19,070)**
Others	11,510	**1,685**
Subtotal	43,975	**62,298**
Interest received	3,328	**8,504**
Dividends received	332	**364**
Interest paid	(5,005)	**(8,110)**
Income taxes paid	(19,013)	**(31,393)**
Net cash provided by (used in) operating activities	23,617	**31,662**
Cash flows from investing activities		
Purchase of property, plant and equipment	(58,943)	**(80,063)**
Proceeds from sale of property, plant and equipment	2,180	**2,669**
Purchase of intangible assets	(11,001)	**(16,480)**
Proceeds from sale of intangible assets	29	**80**
Payments for equity method investment and purchase of other financial assets	(6,702)	**(949)**
Proceeds from equity method investment and sale of other financial assets	160	**1,124**
Payments for acquisition of subsidiaries	(648)	**(20)**
Decrease due to loss of control over subsidiaries	(3,224)	**(92)**
Others	692	**3,918**
Net cash provided by (used in) investing activities	(77,457)	**(89,814)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	36,664	**80,229**
Repayments of lease liabilities	(14,545)	**(16,526)**
Proceeds from long-term borrowings	18,500	**31,582**
Repayments of long-term borrowings	(21,987)	**(23,041)**
Proceeds from issuance of bonds	9,000	**10,000**
Redemption of bonds	(20,000)	**(40,000)**
Dividends paid	(8,383)	**(13,415)**
Proceeds from fluidity of lease receivables	130,662	**103,482**
Repayment of payables under fluidity lease receivables	(37,861)	**(105,343)**
Dividends paid to non-controlling interests	(964)	**(1,022)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(11)	**(1,563)**
Others	(5,766)	**(11,470)**
Net cash provided by (used in) financing activities	85,305	**12,911**
Effect of exchange rate change on cash and cash equivalents	(1,556)	**(9,027)**
Net increase (decrease) in cash and cash equivalents	29,909	**(54,267)**
Cash and cash equivalents at beginning of period	108,511	**138,420**
Cash and cash equivalents at end of period	138,420	**84,153**

Corporate Profile / Stock Information (As of March 31, 2024)

Corporate Profile

Trade Name	Kawasaki Heavy Industries, Ltd.
Head Offices	Tokyo Head Office: 14-5, Kaigan 1-chome, Minato-ku, Tokyo 105-8315, Japan
	Kobe Head Office: Kobe Crystal Tower, 1-3, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe, Hyogo 650-8680, Japan
Incorporated	October 15, 1896
President	Yasuhiko Hashimoto
Paid-in Capital	¥104,484 million
Revenue	Consolidated: ¥1,849,287 million (fiscal 2023)
	Non-consolidated: ¥837,834 million (fiscal 2023)
Number of Employees	Consolidated: 39,689
	Non-consolidated: 14,111

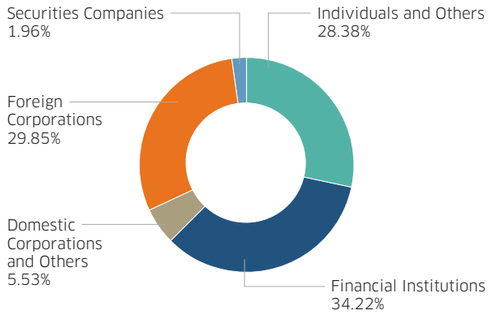
Stock Information

Securities Code	7012
Stock Listings	Tokyo Stock Exchange (TSE Prime Market)
	Nagoya Stock Exchange (NSE Premier Market)
Share Unit Number	100 shares
Total Number of Shares Authorized	336,000,000 shares
Total Number of Shares Issued	167,921,800 shares
Number of Shareholders	115,879 persons
Fiscal Year	From April 1 to March 31
Year-end Dividend Record Date	March 31
Interim Dividend Record Date	September 30
Annual General Meeting of Shareholders	June

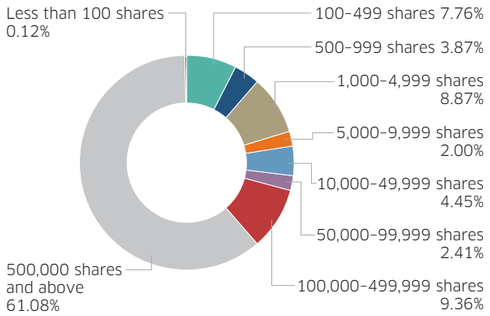
Major Shareholders

Shareholder Name	Number of Shares Owned	Percentage
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,382,500	15.71%
Custody Bank of Japan, Ltd. (Trust Account)	14,014,720	8.34%
Nippon Life Insurance Company	5,751,661	3.42%
Kawasaki Heavy Industries Employee Stock Ownership Association	5,280,251	3.14%
Kawasaki Heavy Industries, Ltd. Kyoueikai	4,145,719	2.46%
STATE STREET BANK AND TRUST COMPANY 505001	3,483,164	2.07%
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	2,476,657	1.47%
Mizuho Bank, Ltd.	2,239,412	1.33%
SSBTC CLIENT OMNIBUS ACCOUNT	2,109,167	1.25%
STATE STREET BANK WEST CLIENT - TREATY 505234	2,040,600	1.21%

Shareholdings by Type of Shareholders



Shareholders by Shareholding Volume



Major Subsidiaries and Affiliates (As of August 1, 2024)

Aerospace Systems

Aerospace
- NIPPI Corporation
- Nippi Skill Corporation
- Kawaju Gifu Engineering Co., Ltd.
- Kawaju Gifu Service Co., Ltd.
- KGM Co., Ltd.

Jet Engines
- Kawaju Akashi Engineering Co., Ltd.

Rolling Stock

- Kawasaki Railcar Manufacturing Co., Ltd.
- Alna Yusoki-Yohin Co., Ltd.
- Kawasaki Rolling Stock Component Co., Ltd.
- Kawasaki Rolling Stock Technology Co., Ltd.
- Sapporo Kawasaki Rolling Stock Engineering Co., Ltd.
- NICHIJO CORPORATION
- Kawasaki Rail Car, Inc.
- * Qingdao Sifang Kawasaki Rolling Stock Technology Co., Ltd.

Energy Solution & Marine Engineering

Plant
- EarthTechnica Co., Ltd.
- Kawasaki Engineering Co., Ltd.
- KEE Environmental Construction Co., Ltd.
- Kawasaki Environmental Plant Engineering Co., Ltd.
- Kawaju Facilitech Co., Ltd.
- EarthTechnica M&S Co., Ltd.
- Kawasaki Green Energy, Ltd.
- Shinki Co. Ltd.
- KHI Design & Technical Service, Inc.
- Kawasaki Heavy Industries Machinery Trading (Shanghai) Co., Ltd.
- * Underground Infrastructure Technologies Co. Ltd.
- * KH FACILITECH Co. Ltd.
- * JP Steel Plantech Co.
- * Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.
- * Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.
- * Anhui Conch Kawasaki Engineering Co., Ltd.
- * Shanghai Conch Kawasaki Engineering Co., Ltd.

Energy/Marine Machinery
- Kawasaki Thermal Engineering Co., Ltd.
- Kawasaki Machine Systems, Ltd.
- KMS Engineering Co., Ltd.
- Kawasaki Prime Mover Engineering Co., Ltd.
- Kawasaki Naval Engine Service, Ltd.
- Kawasaki Gas Turbine Europe GmbH
- Kawasaki Gas Turbine Asia Sdn. Bhd.
- Kawasaki Energy System Solutions (Shandong), Ltd.
- Kawasaki Machinery do Brasil Máquinas e Equipamentos Ltda.
- Kawasaki Heavy Industries (Europe) B.V.
- Kawasaki Heavy Industries (H.K.) Ltd.
- Wuhan Kawasaki Marine Machinery Co., Ltd.
- * Shandong Binqi Power Group, Co., Ltd.

Ship & Offshore Structure
- Kawaju Support Co., Ltd.
- Kawasaki Marine Engineering Co., Ltd.
- KHI JPS Co., Ltd.
- Kawasaki Subsea (UK) Limited
- * Nantong COSCO KHI Ship Engineering Co., Ltd.
- * Dalian COSCO KHI Ship Engineering Co., Ltd.

Precision Machinery & Robot

Precision Machinery
- Kawasaki Hydromechanics Corporation
- Kawasaki Precision Machinery (U.S.A.), Inc.
- Kawasaki Precision Machinery (UK) Ltd.
- Wipro Kawasaki Precision Machinery Private Limited
- Flutek, Ltd.
- Kawasaki Precision Machinery (Suzhou) Ltd.
- Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd.
- * Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd.

Robot
- Kawasaki Robot Service, Ltd.
- Kawasaki Robotics (U.S.A.) Inc.
- Kawasaki Robotics (UK) Ltd.
- Kawasaki Robotics GmbH
- Kawasaki Robotics Korea, Ltd.
- Kawasaki Robotics (Tianjin) Co., Ltd.
- Kawasaki Robotics (Kunshan) Co., Ltd.
- Kawasaki Robotics India Private Limited
- Kawasaki (Chongqing) Robotics Engineering Co., Ltd.
- * Medicaroid Corporation
- * Medicaroid Europe GmbH
- * Medicaroid Asia Pacific Pte.Ltd.
- * Medicaroid, Inc.

Powersports & Engine

- Kawasaki Motors, Ltd.
- Kawasaki Motors Corporation Japan
- K-Tec Corporation
- Technica Corp.
- Autopolis
- Union Precision Die Co., Ltd.
- Shin Nippon Wheel Industries Co., Ltd.
- ○Kawasaki Motors Manufacturing Corp., U.S.A.
- Kawasaki Motors Corp., U.S.A.
- Canadian Kawasaki Motors Inc.
- Kawasaki Motores de Mexico S.A. de C.V.
- Kawasaki Motores do Brasil Ltda.
- Kawasaki Motors Europe N.V.
- Kawasaki Motors Pty. Ltd.
- India Kawasaki Motors Pvt. Ltd.
- PT. Kawasaki Motor Indonesia
- Kawasaki Motors (Phils.) Corporation
- ★Kawasaki Motors Enterprise (Thailand) Co., Ltd.
- Kawasaki Motors Vietnam Co., Ltd.
- Changzhou Kawasaki Engine Co., Ltd.
- Kawasaki Motors (Shanghai), Ltd.
- Bimota S.p.A.

Others

- Kawasaki Trading Co., Ltd.
- Kawasaki Technology Co., Ltd.
- Kawasaki Heartfelt Service Co., Ltd.
- K Career Partners Corp.
- Benic Solution Corporation
- Kawasaki Life Corporation
- Nippi Kosan Co., Ltd
- Japan Suiso Energy, Ltd.
- JSE Ocean, Ltd.
- Kawasaki Heavy Industries (U.S.A.) Inc.
- Kawasaki do Brasil Industria e Comercio Ltda.
- Kawasaki Heavy Industries (U.K.) Ltd.
- ▲Kawasaki Heavy Industries Middle East FZE
- ◆Kawasaki Heavy Industries (Singapore) Pte. Ltd.
- ●Kawasaki Heavy Industries (Thailand) Co., Ltd.
- Kawasaki Heavy Industries Management (Shanghai) Ltd.
- Kawasaki Trading (Shanghai) Co., Ltd.
- KHI (Dalian) Computer Technology Co., Ltd.
- Hydrogen Engineering Australia Pty Ltd.
- Kawasaki Heavy Industries Russia LLC
- Kawasaki Trading (Thailand) Co., Ltd.
- Japan Suiso Energy Australia Pty LTD
- * Remote Robotics Inc.

* Equity-method associates
○ Includes operations belonging to the Rolling Stock and Aerospace segments
★ Includes operations belonging to the Robot segment
▲ Includes operations belonging to the Powersports & Engine segment
◆ Includes operations belonging to the Rolling Stock and Robot segments
● Includes operations belonging to the Energy/Marine Machinery segment

Disclaimer Figures in this report appearing in forecasts of future business performance or similar contexts represent forecasts made by the Company based on information accessible at the time, and are subject to risk and uncertainty. Readers are therefore advised against making investment decisions reliant exclusively on these forecasts of business performance. Readers should be aware that actual business performance may differ significantly from these forecasts due to a wide range of significant factors arising from changes in the external and internal environment. Significant factors that affect actual business performance include economic conditions in the Company's business sector, the yen exchange rate against the U.S. dollar and other currencies, and developments in taxation and other systems. This report not only describes actual past and present conditions of the Kawasaki Group but also includes forward- looking statements based on plans, forecasts, business plans and management policy as of the publication date. These represent suppositions and judgments based on information available at the time. Due to changes in circumstances, the results and features of future business operations may differ from the content of such statements.