Kawasaki
Powering your potential

Kawasaki Sustainability Report 2022

Kawasaki Heavy Industries, Ltd.

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Approach to Information Disclosure

Editorial Policy of Our Sustainability Website

Our Sustainability Website is for reporting Kawasaki Group's basic approach to sustainable growth as well as our management structure and activity results. In order to be fully accountable to all stakeholders and promote communication, our website discloses comprehensive information related to the Kawasaki Group's environmental (E), social (S), and governance (G) initiatives.
In addition, from the information published to our website, a summary of each fiscal year's activity results is to be issued as the Kawasaki Sustainability Report in digital form (PDF) from 2022. While the Kawasaki Environmental Report and the Kawasaki ESG Data Book had previously been issued in digital form (PDF), these will be integrated into the Sustainability Report issued from 2022.

Scope of Reports

As a general rule, the reports cover the Kawasaki Group (Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries). Some parts of the reports may cover only Kawasaki Heavy Industries, Ltd. (non-consolidated) or another specific scope, in which case the specific scope of the report is stated explicitly.

Reporting Period

The report primarily includes information on activities carried out during fiscal 2021 (April 1, 2021 to March 31, 2022). It also includes information on past activities and activities carried out on or after April 1, 2022, as well as activities planned for the future.

Numerical Figures

Due to rounding, numerical totals do not necessarily agree with the sum of the corresponding individual amounts presented herein.

Third-Party Verification

Third-party verification of greenhouse gas emissions data was provided by SGS Japan Inc.

- Within Impact of Business Activities on the Environment: Third-Party Verification of Greenhouse Gas Emissions

Guidelines Referenced

- Sustainability Reporting Standards, Global Reporting Initiative (GRI)
- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Environmental Reporting Guidelines (2018 Edition), Ministry of the Environment
- UN Guiding Principles Reporting Framework, United Nations
- Guidance2.0 for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry

- GRI Standards Index

Disclosure of Financial and Non-financial Information

The Kawasaki Group discloses financial and non-financial information through the following system. Please visit our website for the most up-to-date information.

<table>
<tr><th></th><th>Financial information</th><th>Non-financial (ESG) information</th></tr>
<tr><td>Information of high importance</td><td colspan="2">Business Direction Briefing
https://global.kawasaki.com/en/corp/ir/library/other_presen.html</td></tr>
<tr><td></td><td colspan="2">Kawasaki Report
Information on how the Kawasaki Group creates value and achieves sustainable growth
https://global.kawasaki.com/en/corp/sustainability/report/index.html</td></tr>
<tr><td rowspan="3">Detailed and Comprehensive Information</td><td rowspan="3">Financial Results
https://global.kawasaki.com/en/corp/ir/library/financial_results.html

Securities Report and Quarterly Report (Japanese language only)
https://www.khi.co.jp/ir/library/financial.html</td><td>Kawasaki Sustainability Report
https://global.kawasaki.com/en/corp/sustainability/library/sustainability_report/index.html</td></tr>
<tr><td>Corporate Governance Report
https://global.kawasaki.com/en/corp/ir/library/governance.html</td></tr>
<tr><td>Kawasaki Technical Review
https://global.kawasaki.com/en/corp/rd/magazine/index.html</td></tr>
</table>

Message from President and CEO

Kawasaki Heavy Industries traces its history back to the 1878 founding of Kawasaki Tsukiji Shipyard by Shozo Kawasaki under a philosophy of "contributing to the nation—to society—through expertise." Afterward, the Company ventured into the rolling stock and aircraft businesses and then a wide range of other fields, such as energy and environmental engineering, industrial equipment, and motorcycles, developing into a comprehensive heavy industries enterprise. Throughout its history, the Kawasaki Group has evolved in step with its stakeholders, including customers, suppliers, employees, shareholders, and the communities in which it does business, to meet the changing needs of society with innovative products and technologies in line with its founding philosophy.

Countries around the world are currently confronting crises ranging from climate change and resource depletion to poverty, hunger, demographic graying, and shrinking workforces. Coming on top of these challenges, the novel coronavirus pandemic is exacting a devastating toll on human health and the global economy. Amid these trying circumstances, we believe that our ultimate duty to society is achieving the Group Mission. Established in line with the spirit of the founding philosophy, it simply states: "Kawasaki, working as one for the good of the planet."

In 2020 we defined our aspirations for the Kawasaki Group in 2030 in Group Vision 2030, which will guide our efforts to realize our Group Mission. In Group Vision 2030, we identified three focal fields and created a growth scenario by backcasting from our vision for the future of society through analyses of global social issues, as well as our business strengths and competitive advantages.

We also revised our materiality (priority issues) to reflect Group Vision 2030. This process resulted in the positioning of the three focal fields as the most important areas in which we aim to achieve long-term results. The entire Kawasaki Group will take on the challenge of finding solutions to social issues through innovation and the pursuit of synergies. By taking up this challenge, we will also contribute to the realization of the Sustainable Development Goals (SDGs) adopted by the United Nations.

We are also strengthening our ESG initiatives, which we have identified as the foundation that will support our efforts to realize Group Vision 2030. We are determined to maintain the trust of society by engaging in constructive dialogue with stakeholders, and by further strengthening our commitment in such areas as the enhancement of corporate governance, consistent compliance and the prevention of corruption, environmental management, respect for human rights, the effective utilization and development of human resources, and the improvement of the work-life balance.

Our goal is to earn continuing social recognition of the value of the Kawasaki Group as a company that contributes to the realization of a sustainable future for society. We aim to achieve that by continuing to respond to the needs of society in partnership with our stakeholders, by taking up the challenge of creating solutions for various social issues, and by pursuing ESG initiatives.

Yasuhiko Hashimoto
Representative Director
President and Chief Executive Officer

Kawasaki Group's Sustainability

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Sustainability Framework

Basic Policy on Sustainability

The Kawasaki Group has formulated the Kawasaki Group Policy on Sustainability Management to clarify the position of sustainability in management.

Positioning of Policy on Sustainability Management

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 CO2 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.

- Kawasaki Group Policy on Sustainability Management

Important Sustainability Issues

In fiscal 2017, the Kawasaki Group specified material issues that should be addressed, revised our sustainability activity framework, identified the creation of social and environmental value through business as the Group's most important issue to be achieved over the long term, and positioned efforts to tackle environmental, social, and governance (ESG) factors as basic matters supporting our business activities.
In fiscal 2021, following the formulation of our Group Vision 2030, we revised our materiality. After deliberations in the Sustainability Committee and interviews with outside experts, our new material issues were decided through discussion and resolution in the Board of Directors.
The new materiality aligns "social and environmental value created through our business" with the three focal fields in our Group Vision 2030 of a safe and secure remotely connected society, near-future mobility, and energy and environmental solutions. It also stipulates the realization of a carbon-free society, measures to counter climate change, the promotion of human resource activities, and so on as basic matters supporting our business activities. Based on this new framework, we stipulated the responsible divisions, personnel, and ideals and key performance indicators for the specified important issues and are endeavoring to improve sustainability by monitoring the state of progress every year and rotating the plan-do-check-act cycle.

- Materiality

Sustainability Promotion System

The Sustainability Committee is charged with deliberating and determining Group-wide sustainability policy and matters concerning the material issues.
The Sustainability Committee deliberates and reports on the following matters:

1. Measures contributing to realization of the sustainability of both society/environment and the Kawasaki Group and enhancement of the Kawasaki Group’s corporate value, as well as their practice and state of achievement
2. Measures to understand, reduce, and eliminate the negative social and environmental impact of the Kawasaki Group’s business activities, as well as their practice and state of achievement

Chaired by the president of Kawasaki Heavy Industries, the Sustainability Committee is composed of directors, internal company presidents, the director in charge of sustainability, Head Office division general managers, and others. Outside directors are requested to attend meetings so that the committee can glean the benefits of their external expertise and opinions and reflect them in its decision-making process. Also, members of the Audit & Supervisory Committee participate in the committee as part of their auditing of the execution of business.
The Sustainability Committee meets at least twice a year in principle. In fiscal 2021, it met three times.

Sustainability Promotion System

Responsible Officers

Chair of Sustainability Committee: Yasuhiko Hashimoto, Representative Director, President and Chief Executive Officer

Director in charge of sustainability: Katsuya Yamamoto, Representative Director, Senior Corporate Executive Officer

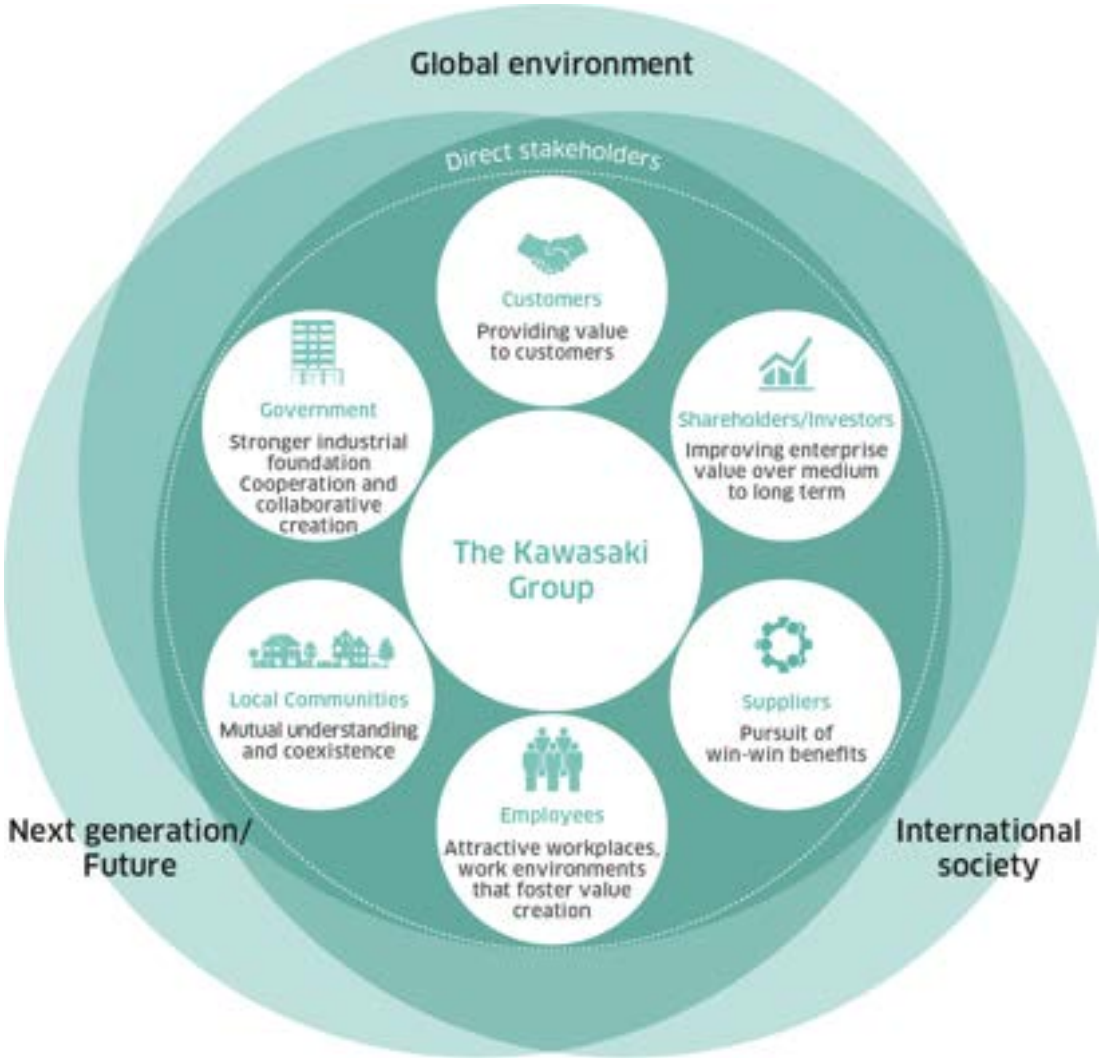
In-house Sustainability Education and Awareness Building

Utilizing a variety of tools, such as educational seminars and the in-house intranet, the Kawasaki Group carries out education and awareness-building programs related to sustainability for its officers and employees.
Sustainability education and awareness building are provided through grade-specific training for such groups as new employees and newly appointed assistant managers, managerial staff, associate officers, and executive officers, as well as training for persons in charge of overseas businesses and mid-career hires.
Furthermore, in fiscal 2020 we implemented e-learning training related to the Sustainable Development Goals (SDGs), which was completed by 16,084 employees. And in fiscal 2021 we implemented e-learning training related to business and human rights, which was completed by 13,245 employees.
In addition, to ensure that all Group employees are fully informed with regard to sustainability, we provide information via our Japanese-language Group newsletter Kawasaki and our Group-wide English- and Chinese-language newsletter Kawasaki On The Move!

Stakeholder Engagement

The Kawasaki Group Stakeholders

To become a company that continues contributing to society, the Kawasaki Group actively strives to understand the expectations and requests of stakeholders and to realize them through our business activities.
While the Group positions customers, shareholders and investors, suppliers, employees, local communities, and government agencies as direct stakeholders, as a company supplying many products and services that are highly public in nature and will be used over a long period of time, we also recognize the global environment, the international community, and the next generation and future society to be stakeholders in the broader sense and conduct our corporate activities in consideration of the wide-ranging impact of our business.
In response to requests from stakeholders, we are working toward proactive information disclosure and striving to improve communication so as to enhance trust in the Kawasaki Group.



Communication with Stakeholders

Through our daily business activities, the Kawasaki Group endeavors to communicate with stakeholders in various ways, grasp issues, and make operational improvements. As a result of dialogue, we refer content that is deemed to be important to committees or other bodies concerned and reflect it in management strategy and business operations.

Results of Communication with Stakeholders

Stakeholders	Expectations and Demands for the Kawasaki Group	Fiscal 2021 Communication Activities	Reference
Customers	• Creation of products and services that meet customer expectations • Response to customer complaints and inquiries • Appropriate disclosure of product and service information		Product Liability /Safety
Shareholders/Investors	• Timely and appropriate information disclosure • Reflection of shareholder and investor perspectives in management	• IR meetings with institutional investors: 281 • Participants in Factory Tours for Shareholders: In fiscal 2021, tours were cancelled due to the COVID-19 pandemic.	So that requests received at IR meetings and the General Meeting of Shareholders are reflected in management, we pass them on in the form of feedback to the relevant divisions. Investors Disclosure Policy
Suppliers	• Solid partnerships with our suppliers based on relationships of mutual trust • Enhancement of supply chain risk management and enterprise value through CSR procurement	• Conducting training programs, liaison meetings, and other events for suppliers in Japan • Implementing CSR procurement questionnaire surveys for domestic and overseas suppliers	Working with Suppliers

Stakeholders	Expectations and Demands for the Kawasaki Group	Fiscal 2021 Communication Activities	Reference
Employees	• Employee-friendly workplaces • Effective use of human resources • Appropriate treatment of human resources • Promotion of occupational safety and health	• The "K-Portal" intranet • Publishing the monthly Group newsletter *Kawasaki* in Japanese • The English and Chinese language Group newsletter *Kawasaki On The Move!* • Implementing the employee engagement survey	Diversity Occupational Safety, Hygiene, and Health
Local Communities	• Fulfillment of our responsibilities as a corporate citizen • Participation in communities		Social Contribution Activities
Government	• Compliance with laws and regulations • Policy proposals • Participation in industry/government/academia projects		Open Innovation

Communication with Customers

We attend to our customers' demands and desires through communication, among other things, in our day-to-day sales activities. We have also set up customer inquiry contact points for each product according to different product types and sales formats, and conduct customer satisfaction surveys.

Communication with Shareholders and Investors

The Kawasaki Group works to ensure fair, timely and appropriate information disclosure based on its Disclosure Policy and actively communicates with all shareholders and investors through a broad range of IR activities in Japan and overseas.
Furthermore, through proactive communication with all shareholders and investors, we aim to foster understanding of the Group's management principles, corporate policy, business strategy, and ESG initiatives to secure greater trust.

Communication with Suppliers

Kawasaki's purchasing departments communicate with suppliers in the course of day-to-day procurement.
In addition, to ensure adequate communications outside of procurement activities, we organize training programs, liaison meetings, and other events with suppliers in Japan. Since fiscal 2016 we have been implementing CSR procurement questionnaire survey of our suppliers in and outside Japan as part of CSR procurement efforts implemented together with our suppliers.

Communication with Employees

The Kawasaki Group provides information on corporate activities and performance in an easy-to-understand format through the monthly Group newsletter *Kawasaki* in Japanese and the English and Chinese language Group newsletter *Kawasaki on the Move!* as well as via "K-Portal," our Company intranet. Furthermore, we hold grade-specific training programs where participants have opportunities to learn about our corporate systems and setup, management policy and business strategy, and other knowledge necessary to complete their duties. Apart from this, we help employees create future career roadmaps through dialogue with their supervisors that are held every quarter to provide feedback regarding their performance.
To ensure that employee input is appropriately reflected in how the Company functions, we hold regular talks with the labor union, which represents employees and with which we have signed a labor agreement.
In addition, we have established an in-house SNS "SKIP" to promote free communication among employees, and have set up a suggestion box on the Company intranet through which employees can directly request improvements to operations. Examples of improvements based on these requests are regularly posted on the Company intranet for employees to review.
We also conduct periodic employee satisfaction surveys to gauge employee satisfaction and better understand and respond to their needs. In fiscal 2014 and 2018, we conducted employee satisfaction surveys of all employees and temporary staff of the domestic Group. From fiscal 2020, we have revised the methodology of our survey and have been conducting the employee engagement survey. In fiscal 2021, we expanded the scope of our survey to include domestic Group companies. We plan to expand the scope of our research and conduct surveys on an ongoing basis in the future as well.

Communication with Local Communities

Personnel at our business sites communicate with local communities in the course of business operations. In addition to pursuing thorough noise and waste management, we strive to raise awareness among employees to prevent rude or inappropriate behavior and quickly respond to any complaints received from residents.
We also organize events and activities that help maintain and develop local communities, seeking to ensure harmonious coexistence with them.

Communication with the Government

The Kawasaki Group makes policy proposals to the government through its participation in business and industry organizations.
In addition, we communicate with the government through active participation in industry/government/academia projects via open innovation efforts, such as joint research.

The Kawasaki Group Code of Conduct

Kawasaki Group has established The Kawasaki Group Code of Conduct and set ethical standards to be the basis of decisions in the onduct of daily business of all officers and employees of Kawasaki Group.

Through compliance with the code of conduct is enforced throughout the entire Kawasaki Group, so that the officers and employees across the globe, who have diverse backgrounds, can act correctly in the conduct of their business. Kawasaki Group believes that it will enhance the credibility from the stakeholders.

The Kawasaki Group Code of Conduct

- English (Version 2.1) (PDF:3.48MB)
- Brazilian Portuguese (Version 2.1) (PDF:3.55MB)
- Simplefied Chinese (Version 2.1) (PDF:3.99MB)
- Traditional Chinese (Version 2.1) (PDF:4.23MB)
- German (Version 2.1) (PDF:3.55MB)
- Indonesian (Version 2.1) (PDF:3.49MB)
- Japanese (Version 2.1) (PDF:4.16MB)
- Korean (Version 2.1) (PDF:3.65MB)
- Russian (Version 2.1) (PDF:3.60MB)
- Thai (Version 2.1) (PDF:2.72MB)

Kawasaki Group's Materiality

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Materiality

Process for Identifying Material Issues within the Kawasaki Group

The expectations and requirements of stakeholders are diversifying, and the business environment surrounding us is changing. In consideration of these factors, the Kawasaki Group pinpointed and arranged the impact that our Group's business activities have on society and in 2018 identified the Kawasaki Group's materiality.
Following the announcement of our Group Vision 2030 in November 2020, we revised this materiality. As in 2018, we divided materiality into the two broad categories of social and environmental value created through our business and the foundation of our business activities. We defined 1) initiatives through our principal business as the most important issues that our Group should challenge over the long term and also positioned other 2) issues as fundamental matters to be addressed toward the solution of materiality. Going forward, we will continue to regularly revise our material issues in accordance with changes in the business environment and expectations of society.

Process for Identifying Material Issues

Step 1

Step 1: Revision following the formulation of Group Vision 2030

In consideration of various social issues, the Kawasaki Group's strengths, and our envisioned image in 2030, we formulated the Group Vision 2030 in November 2020. In this vision, we stipulated the three focal fields of a safe and secure remotely connected society, near-future mobility, and energy and environmental solutions. In June 2021, after discussions in the Sustainability Committee, which is chaired by the president, these three focal fields were defined as social and environmental value created through our business.

Step 2

Step 2: Revision of fundamental matters supporting our business activities

In consideration of the business strategy outlined in the Group Vision 2030 and recent worldwide changes relating to sustainability, we revised the fundamental matters supporting our business activities. In making the revision, we extracted and sorted issues with reference to the survey items of ESG (environmental, social, and corporate governance) ratings institutions (the Dow Jones Sustainability Indices [DJSI], Financial Times Stock Exchange [FTSE], Morgan Stanley Capital International [MSCI], and Sustainalytics), the Sustainability Accounting Standards Board (SASB), investment stewardship, the Global Reporting Initiative (GRI), Future-Fit, self-assessment questionnaires from client companies, and the opinions of external advisors. We then compiled a provisional materiality matrix (importance to society and stakeholders and importance to the Kawasaki Group).

Step 3

Step 3: Interviews with outside experts and decision on material issues

We heard the opinions of outside experts and revised our materiality matrix accordingly. After discussions in the Sustainability Committee based on these opinions and the revised matrix, the Board of Directors deliberated the Kawasaki Group’s materiality and reached a final decision.

Step 4

Step 4: Planning and 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 Sustainability Committee and endeavor to make improvements as necessary.

Comments of Experts Interviewed in Step 3

(Titles indicate positions at that time)

Keisuke Takegahara
Executive Fellow and Deputy Chief Research Officer, Research Institute of Capital Formation and General Manager, Research Center on Financial Economics, Development Bank of Japan Inc.

- Since 2018 the Kawasaki Group's epoch-making materiality has been truly impressive. It has pioneered the framework of contributions through business and business foundations supporting those contributions. This time also, the revised materiality follows this framework and is wonderful. In particular, the three fields of a safe and secure remotely connected society, near-future mobility, and energy and environmental solutions manifest the unique traits of the Kawasaki Group, and the approach of solving issues in these fields and growing while supplying value is very clear.
- From the perspective of financial institute, we think about what nonfinancial factors are necessary for the Kawasaki Group to realize the three values to be created through business. In consideration of the Group's distinguishing features, it will be important to realize proprietary technologies and monetize them. I feel that they should bring technological capabilities and the strength to create innovations within their intellectual property more to the fore.
- In its targets and key performance indicators for energy and environmental solutions in 2030, the Kawasaki Group typically highlights hydrogen, but the timeframe for hydrogen to be practically implemented in society, including customers, stretches beyond that year. In 2030 hydrogen will still be classified in the realm of innovation. In terms of environmental contributions up to 2030, there is the Kawasaki Ecological Frontiers system (formerly the Kawasaki-brand Green Products system). Kawasaki links this system to the International Organization for Standardization and discloses quantitative information, so maybe it could be added to the KPIs.
- Ordinary companies are now in a transitional phase, and I sense that they are awaiting the realization of hydrogen energy. The Kawasaki Group is taking a hands-on approach toward building business foundations, such as hydrogen energy, so that as many companies as possible can make the jump after 2030. In other words, the Group's transition is going to produce innovations for other companies. I think that when this scenario is explained in terms of value creation, investors will find it easy to understand.

Mari Yoshitaka
Principal Sustainability Strategist,
Mitsubishi UFJ Research and Consulting Co., Ltd.

- The three focal fields in the Group Vision 2030 include climate change, healthcare, and mobility, which are of keen interest to investors as areas contributing to growth. As the contents of growth strategy, they are very exciting indeed. The enumeration and disclosure of KPIs in the Global Vision 2030 is epoch-making.
- I would like you to show us more clearly, with a timeframe, how the "foundation of our business activities" is going to link with "social and environmental value created through our [KHI's] business." The implementation of product liability/safety and compliance are obvious. More importantly, I would like you to show how sensitive the Kawasaki Group will be toward risks and crises that will arise in the future.
- Amid the COVID-19 pandemic, investors are placing importance on sustainable supply chains and human rights, so maybe these two factors should be given a little more attention so as to meet the expectations of society and stakeholders.
- The Kawasaki Group engages in business globally, so it would be better if the diversity of directors, closure of the gender gap, and the globalization of employees were shown as material issues. How management views these issues is important.
- Similarly, the Kawasaki Group's response to the Task Force on Climate-related Financial Disclosures (TCFD) should be shown clearly as material issues. I would like you to clearly indicate your thinking about not only zero CO_2 emissions and business opportunities but also risk factors, such as supply-chain risks and distribution risks.
- The problem of resource depletion due to abnormal weather and geopolitical risks is becoming increasingly serious worldwide, so I think the issue of the effective use of resources needs to be included in materiality too. In the case of the Kawasaki Group, resource depletion is a business risk when procuring materials and components. Regarding environmental changes, I think it would be a good idea to set KPIs by collecting not only past data but also data gathered from the point of view of backcasting.

Kazuo Tase
President and CEO, SDG Partners, Inc.

- Overall the material issues seem to have been put together based on a consistent logic, and the content is fine as long as it is practically possible to channel management resources into materiality. There is no mention in the "foundation of our business activities" of either decarbonization or the Kawasaki Group's response to the TCFD, so these topics need to be added. But as long as 2030 is the target, I think there are no other problems.
- Regarding social and environmental value created through business, what meaning do the three businesses that will generate this value have in the Kawasaki Group's financial strategy and what weight do they have in sales, revenue, and business portfolio? Whether or not the Kawasaki Group can answer these questions is becoming the most important point for materiality.
- Regarding ESG issues, it is important to think about the whole supply chain. When deciding material issues, it is necessary to verify to what extent such matters as decarbonization, biodiversity, and business and human rights are being controlled and managed in the supply chain and whether there are firm commitments and practices in the supply chain to prevent any negative impact.
- Regarding the vision timeframe when deciding material issues, the current issues is fine if the target is 2030. But if you are looking ahead to 2050, which is the target year for net zero emissions and carbon neutrality, your strategy needs to be given greater consideration.
- It is said that because of technological innovations occurring in the first half of the 2030s, the cost of renewable-derived hydrogen will fall to less than the cost of fossil-fuel-derived energy. After these technological innovations take place, fossil fuel may well become completely meaningless. Regarding hydrogen, if you are thinking about materiality by backcasting from a super-long-term strategy, it would be better to think in terms of a slightly longer timeframe.

Response to Experts' Comments

The position of each material issue is shown in the materiality matrix. In light of the comments by experts, we amended the matrix to raise the degree of importance to society and stakeholders of "sustainable supply-chain management" and "business and human rights."

Regarding the foundation of our business activities, in light of their comments, we classified these material issues into the following three categories and, as necessary, clarified the priority matters for each one.

(1) Especially important matters going forward (matters exerting an increasing impact on future financial conditions)

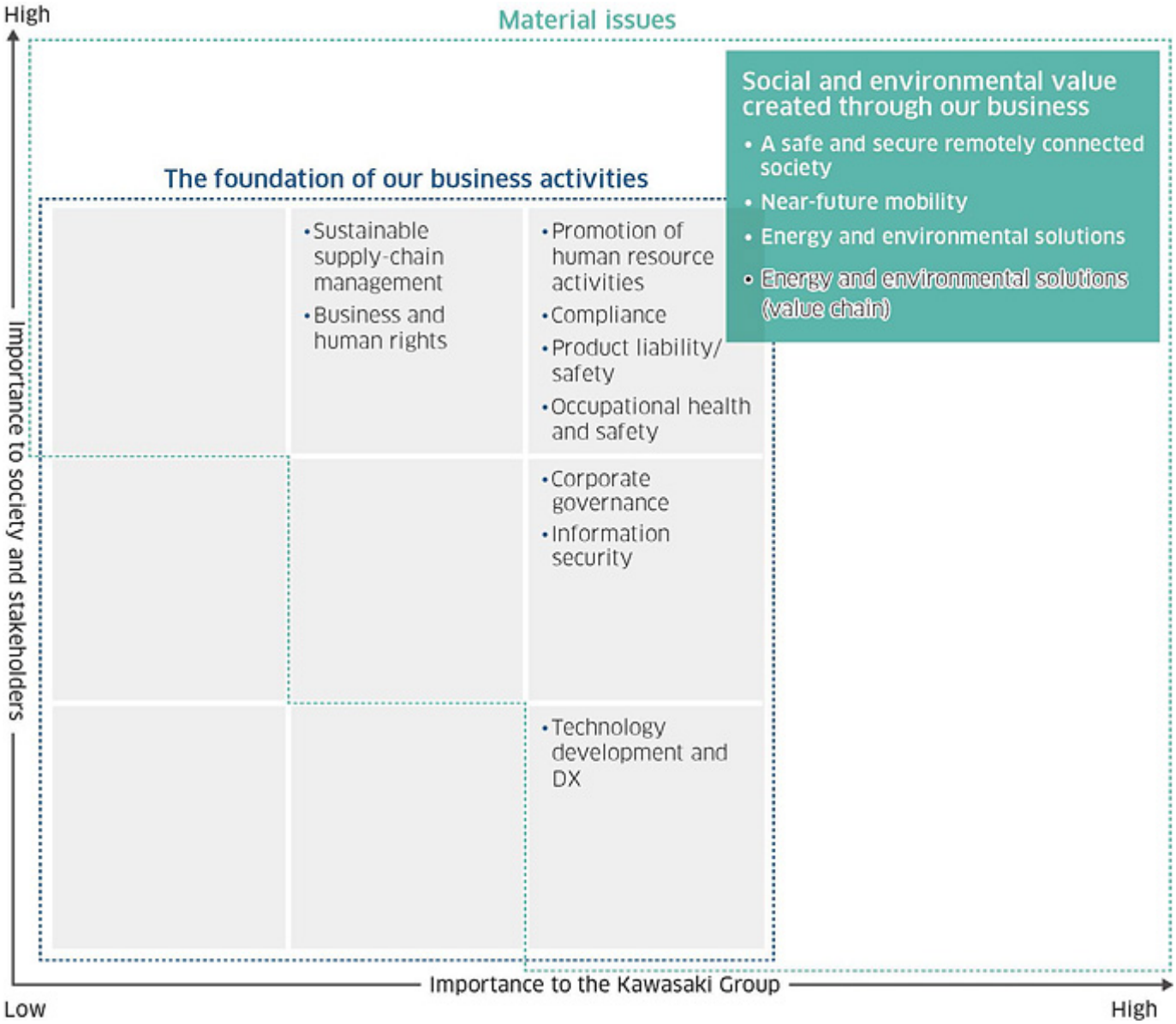
(2) Matters given importance until now but to be steadily strengthened going forward

(3) All mechanisms to be improved as business foundations

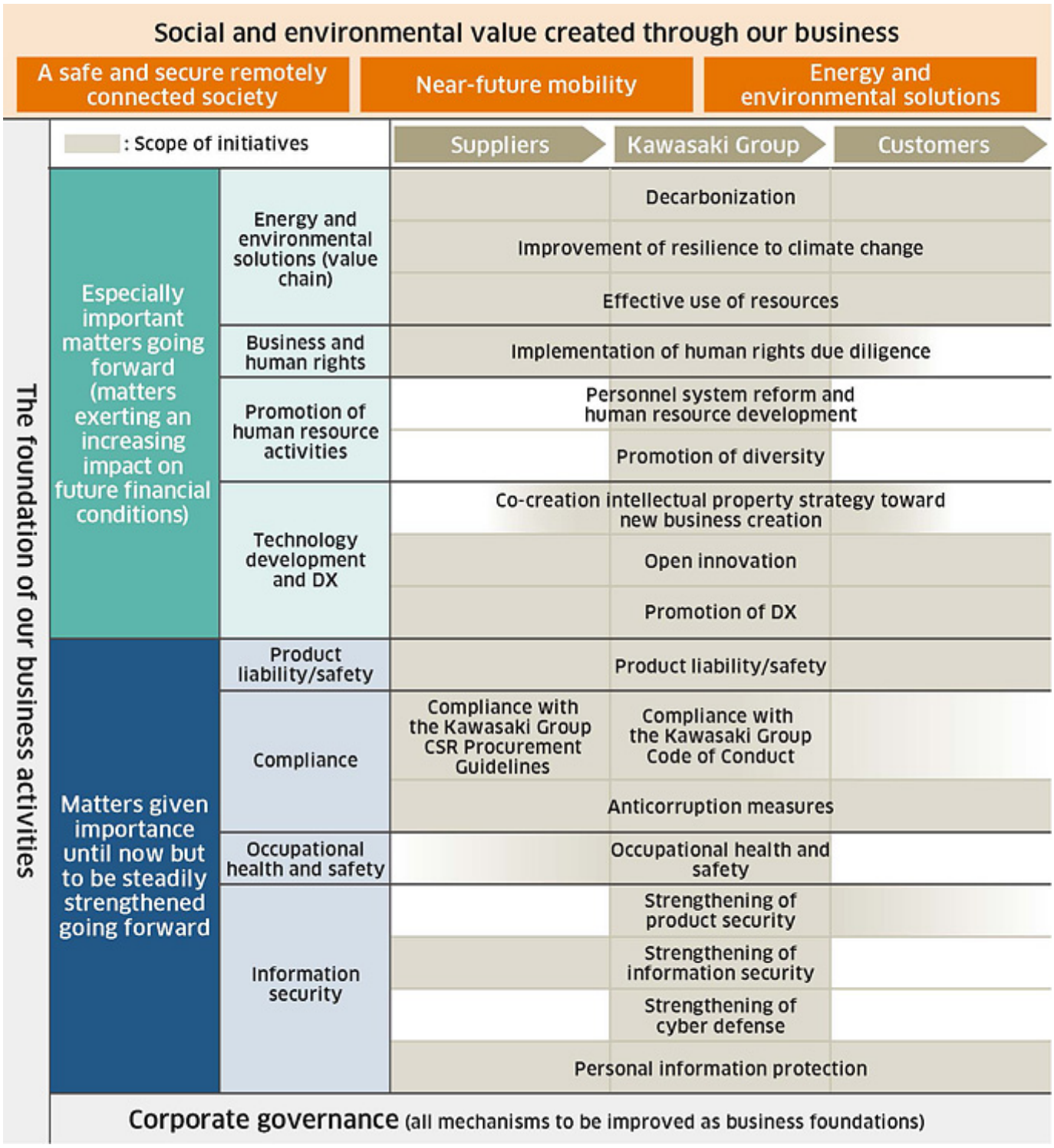
Furthermore, after taking a broad view of the flow from planning and design to product use and the whole value chain from related suppliers to customers, we clarified the scope of initiatives for each issue in categories 1 and 2 above and compiled a table of the Kawasaki Group's materiality and priority matters. The Group's materiality is shown in the matrix and table of priority matters.

Regarding sustainable supply-chain management, since the matters that should be addressed are wide-ranging, in the table below priority matters are shown in the "Suppliers" column.

Materiality Matrix



The Kawasaki Group’s Materiality and Priority Matters



KPIs for Materiality "The foundation of our business activities" and Follow-up in FY2021

KPIs for Materiality "The foundation of our business activities" and Follow-up in FY2021

Promotion of Human Resources Activities

Goals of Group Vision 2030

- Strengthen and effectively use human capital (efficient allocation and human resource development) to achieve Group Vision 2030.
- Enhance employee engagement and build a company culture in which employees can continue to work with enthusiasm.
- Promote diversity and inclusion to build an organization in which a wide array of employees can maximize their individuality and potential.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
• **Implement the personnel system reform and human resource development in ways that enhance corporate value** • **Promote diversity and inclusion**	Proportion of employees answering "I want to continue working at the Kawasaki Group" on our Employment Engagement Survey	83% (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing)
	Proportion of women in managerial positions	1.75% (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing)
	Employee-related expenses	¥147,460 million (non-consolidated)

Occupational Safety and Health

Goals of Group Vision 2030

- Ensure that there are no serious occupational accidents Group-wide
- Reduce the need for sick leave
- Maintain and improve employee health

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results (calender year basis)
• **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**	Total number of occupational accidents	58 (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing)
	Frequency rate of lost-time injuries	0.31 (same)
	Absence rate (day basis) due to sick leave taken in stances of four days or longer	7.8 (same)
	Health score*	3.9 (same)

* 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.

Sustainable Supply Chain Management

Goals of Group Vision 2030

- Remain aware of environmental, human rights, and other risks associated with the entire supply chain and work with suppliers to promote sustainability.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
• **Revise and distribute sustainable procurement guidelines** • **Implement Sustainable Procurement Survey of suppliers and review or audit based on their responses** • **Supply chain management with respect to human rights, decarbonization, and effective use of resources**	Number of major suppliers responding to our sustainable procurement survey	395
	Number of reports from our supplier hotline	N/A (our supplier hotline is currently being considered)

Business and Human Rights

Goals of Group Vision 2030

- No violations of human rights throughout the value chain and no complicity in human rights violations.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
• **Implement human rights due diligence among subsidiaries and suppliers**	Number of subsidiaries confirming prohibition of child labor and forced labor (implementation at subsidiaries where the company president has changed)	15
	Number of participants in human rights training	13,245 (Number of participants in human rights training using e-learning)
	Number of human rights audits conducted and revised at subsidiaries and suppliers	N/A (under consideration for fiscal 2022)

Technological Development/Digital Transformation (DX)

Goals of Group Vision 2030

- 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.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
• **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	9 products and cases (automatic PCR testing systems, large-capacity battery propulsion systems for shipping, etc.)
	Number of cases of participation in planning of open innovation projects	11 cases (project for the construction of a platform to transport goods using unmanned VTOL aircraft in Ina City, Nagano; demonstration tests for service robots with Fujita Health University, etc.)
	R&D expenses	¥47 billion

Information Security

Goals of Group Vision 2030

- Maintain and manage cyberattack response and the protection of customer and product information with the world's highest level of security

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
• **Strengthen information security governance throughout the Kawasaki Group**	Number of employees taking information security training 20,000	19,033 persons
	Frequency of targeted threat mail training 20 times	Implementation in fiscal 2022 under consideration
	Number of receivers of targeted threat mail training 4,000	Implementation in fiscal 2022 under consideration
	Scores of 80 points or more for all domains owned by KHI from security risk rating	Percentage of domains exceeding target values: 83%

Compliance

Goals of Group Vision 2030

- Monitor as accurately as possible the risks arising from compliance violations.
- Build an inclusive and effective compliance system tailored to given risks, and continuously manage and regularly update this system.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
• **Further improve compliance awareness throughout the Group** • **Strengthen anti-corruption measures throughout the Group**	Number of cases of serious fraud or scandals per year	1 case
	Number of employees taking the Code of Conduct training	Code of Conduct/Compliance Guidebook e-learning training 17,393 persons (73% of target)
	Degree of compliance permeation in employee awareness surveys	1point UP (2020: 69 point → 2021: 70 point)

Product Liability/Safety

Goals of Group Vision 2030

- 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.

Priority matters	Target indicators (or key performance indicators)	Fiscal 2021 results
• **Promote TQM activities**	Number of cases of product safety law violations 0	0 cases
	TQM level 2.8 or above	Average across all business segments: 2.9
	Percentage of employees taking TQM training 100%	100% (1,604 training participants)

Kawasaki's Approach to the SDGs

In 2015, the General Assembly of the United Nations adopted the Sustainable Development Goals (SDGs) which are a set of 17 goals that we should achieve by 2030 including eradication of poverty, inequality and unfairness and response to climate change. The SDGs are specific action plans which request businesses, governments and communities around the world to address the global agenda jointly in order to realize the prosperity of humankind and the earth. It is widely believed that the contribution by business enterprises to resolve of social issues through business activities is indispensable.

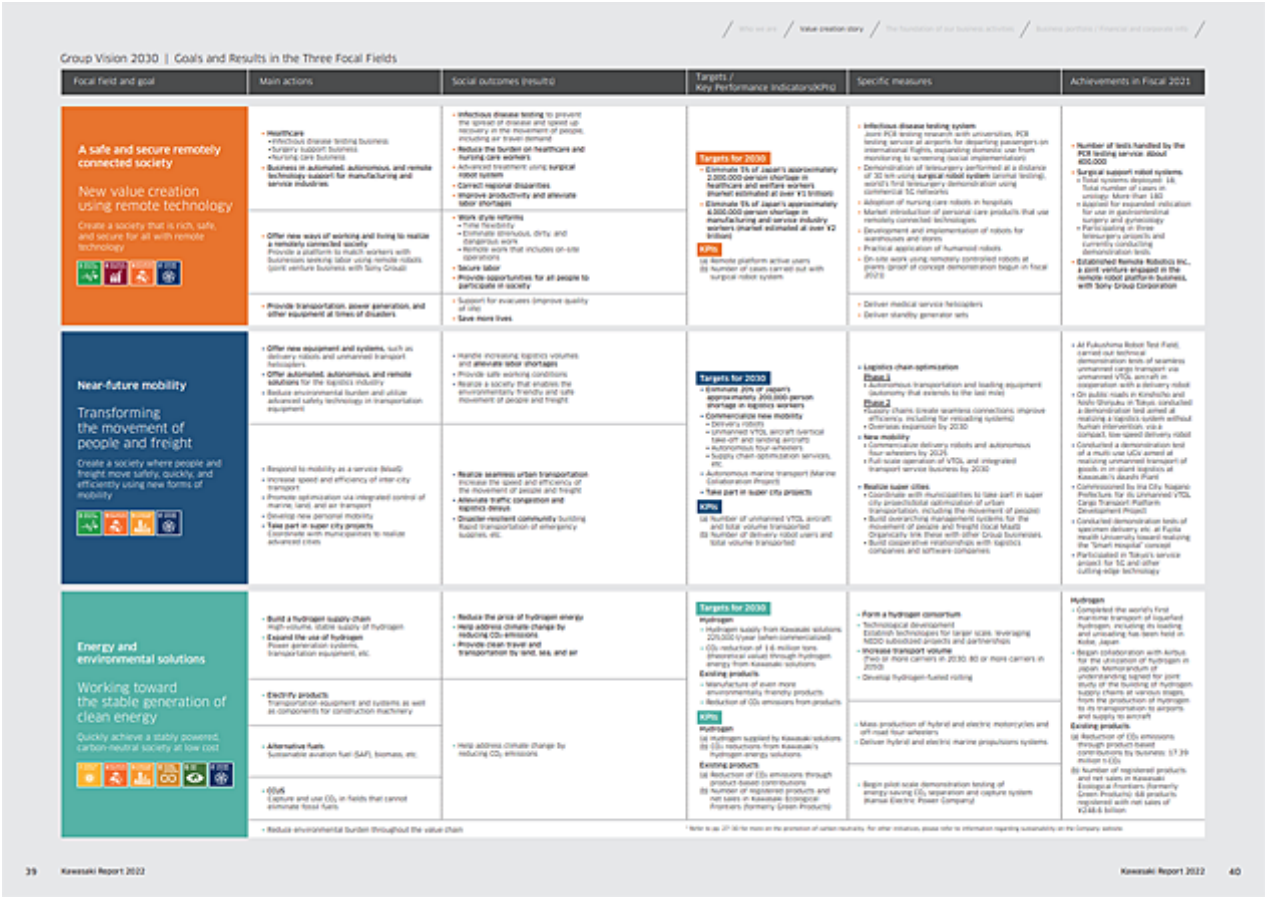
※About the SDGs - Reference : UN

We believe the Kawasaki Group Mission—"Kawasaki, working as one for the good of the planet"—is extremely compatible with the SDGs. Furthermore, we believe that our efforts to provide solutions to social issues through our business activities will contribute significantly to the achievement of the SDGs.

In the process of identifying material issues the Kawasaki Group designated three ways of creating social and environmental value through its businesses as its greatest priorities over the long term. These ways are the three focal fields on our Group Vision 2030: "a safe and secure remotely connected society," "near-future mobility," and "energy and environmental solutions." The three fields are also positioned as a clear statement of our commitment to contribute to the SDGs through our business. Additionally, the management identified SDGs that the Group should contribute to and set non-financial targets to reach by 2030. We will periodically disclose its progress toward these targets while working to maximize social and environmental value, achieve sustainable growth, and contribute to the realization of the SDGs.

Kawasaki Group’s Approach to the SDGs

*Click the image below to open the PDF file.



Correlation between applicable SDGs and the 169 targets (PDF:272KB)

Japan. Committed to SDGs

Governance

35 | Corporate Governance
58 | Compliance and Anti-corruption Measures
72 | Export Control
76 | Tax Transparency
77 | Risk Management
89 | Information Security
94 | Research and Development

Corporate Governance

Basic Stance 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. The Kawasaki Group is striving to further strengthen and enhance corporate governance systems as appropriate for its businesses and scale.

Overview of Corporate Governance Systems

The Kawasaki Group 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 a well as a Management Committee, an Executive Officers Committee, and other governance bodies.
Kawasaki’s main deliberative bodies are as follows.

Board of Directors

The Board of Directors comprises 12 Directors (of whom, five serve as Audit & Supervisory Committee Members), with the chairman serving as the presiding officer by resolution of the Board. Six Directors are Outside Directors (of whom, three serve as Audit & Supervisory Committee Members) and independent of business execution. 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.
Furthermore, the Nomination Advisory Committee and Compensation Advisory Committee have been established as advisory bodies to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. A majority of the members of both committees are Outside Directors, as are the presiding officers of each. The Nomination Advisory Committee discusses such matters as policies regarding the appointment and dismissal of Directors and other officers and the appropriateness of candidates for such positions. The Compensation Advisory Committee discusses such matters as Director compensation policy and the appropriateness of the Director compensation system. These committees provide reports and advice to the Board of Directors.

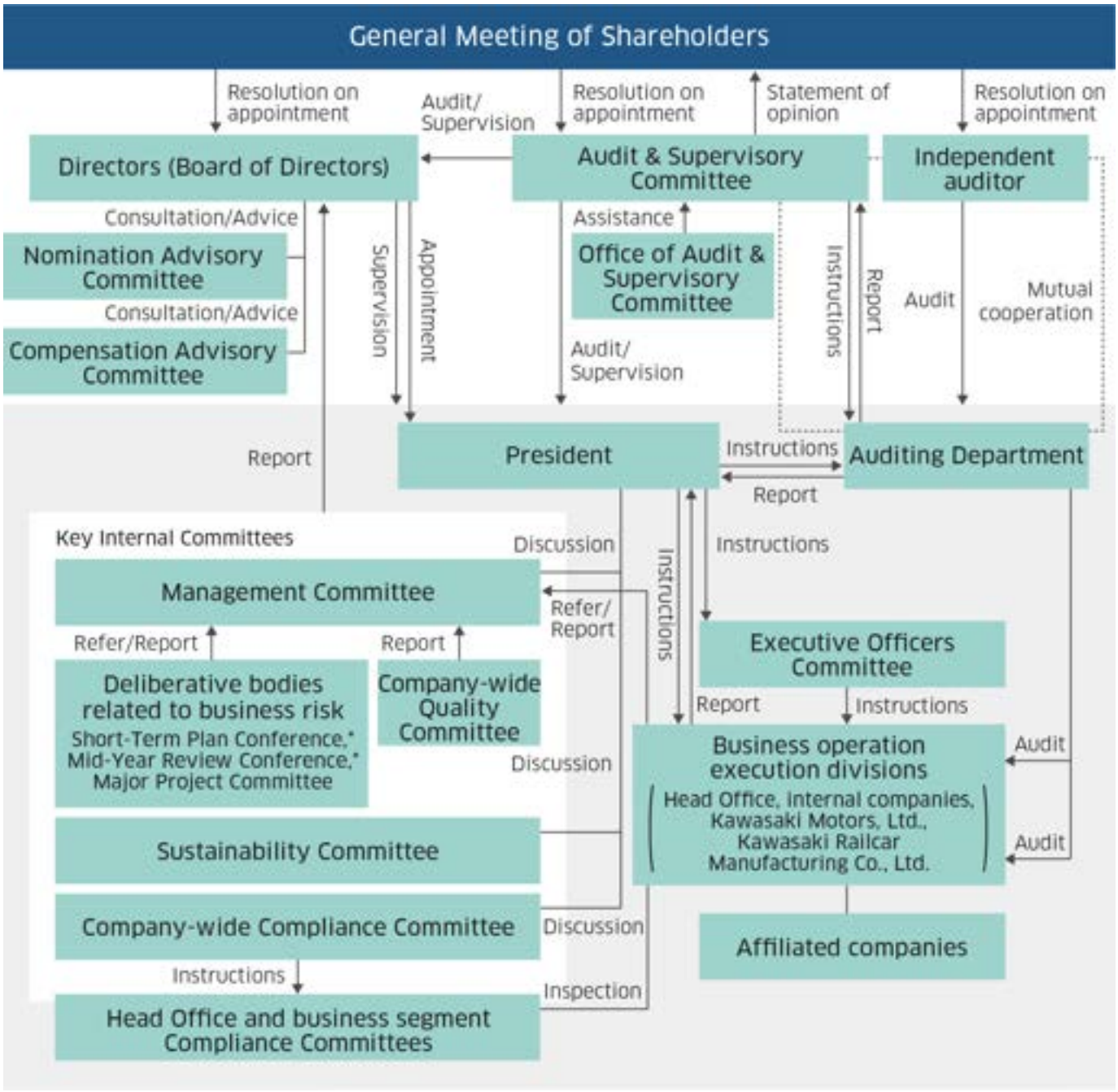
Audit & Supervisory Committee

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. Furthermore, to ensure the reliability of financial reporting, the Company appoints Audit & Supervisory Committee Members who have considerable knowledge of finance and accounting.

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 Directors and executive officers, who are appointed by the Board of Directors.
Kawasaki maintains a Management Committee, comprising mainly executive Directors and internal company presidents, as an advisory body to the president. The Management Committee discusses matters that are important to business execution. This framework helps improve the appropriateness and efficiency of decision making and business execution.
Kawasaki also maintains an Executive Officers Committee, comprising all of the executive officers, with the President as the presiding officer. This committee issues business execution policy based on management policy and plans determined mainly by the Board of Directors and Management Committee as well as decisions made by the Management Committee. It also discusses management issues, striving to build unified consensus in Group management.

The Kawasaki Group's Governance Structure (As of June 24, 2022)



* Internal conferences that consider the formulation and revision of management plans

- Corporate Governance Report

Corporate Officers (As of June 24, 2022)

Name(date of birth)	Position	Executive	Independent	Years of Service as a Director*	Nomination Advisory Committee	Compensation Advisory Committee	Woman	Non-Japanese National	Board of Directors Meetings Attended	Audit & Supervisory Committee Meetings Attended
Yoshinori Kanehana (Feb.19,1954)	Chairman of the Board			10					13/13	-
Yasuhiko Hashimoto (May.15,1957)	Representative Director, President, and Chief Executive Officer	○		4	○	○			13/13	-
Katsuya Yamamoto (Nov.21,1957)	Representative Director, Senior Corporate Executive Officer	○		5	○	○			13/13	-
Hiroshi Nakatani (Aug.9,1960)	Representative Director, Senior Corporate Executive Officer	○		2					13/13	-
Jenifer Rogers (Jun.22,1963)	Outside Director		○	4			○	○	13/13	-
Hideo Tsujimura (Jun.6,1954)	Outside Director		○	2	○ Presiding officer	○ Presiding officer			13/13	-
Katsuhiko Yoshida (Apr.5,1954)	Outside Director		○	New					-	-
Akio Nekoshima (Sep.30,1958)	Director (Audit & Supervisory Committee Member)			2 (4)					13/13	17/17
Nobuhisa Kato (Jun.1,1960)	Director(Audit & Supervisory Committee Member)			New					-	-
Atsuko Ishii (Nov.17,1957)	Outside Director(Audit & Supervisory Committee Member)		○	2 (5)	○	○	○		13/13	17/17
Ryoichi Saito (Feb.3,1950)	Outside Director(Audit & Supervisory Committee Member)		○	2 (3)	○	○			13/13	17/17
Susumu Tsukui (May 3,1969)	Outside Director(Audit & Supervisory Committee Member)		○	New					-	-

* Years of service figures in parentheses for Audit & Supervisory Committee Members include years of service as Audit & Supervisory Board Members when Kawasaki was a company with an Audit & Supervisory Board. Note that Kawasaki transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee on June 25, 2020.

Presiding Officer of the Board of Directors

The Chairman of the Board of Directors serves as the presiding officer of the Board of Directors.

- Executives

Corporate Governance Functions (organizations, committees, etc.)

Nomination Advisory Committee	
Role	An advisory body on policy and standards for the appointment and dismissal of corporate officers and such appointment and dismissal.
Composition	Presiding officer: An Outside Director Members: Two Directors and three Outside Directors, the latter of which includes one Audit & Supervisory Committee Member
Meeting frequency	12 times in fiscal 2021

Compensation Advisory Committee	
Role	An advisory body on the policy for and systems of corporate officer compensation as well as individual compensation.
Composition	Presiding officer: An Outside Director Members: Two Directors and three Outside Directors, the latter of which includes one Audit & Supervisory Committee Member
Meeting frequency	12 times in fiscal 2021

Management Committee	
Role	Assists the president as an advisory body with regard to Group management. Discusses important business execution issues.
Composition	Presiding officer: The president Members: Includes executive Directors and internal company presidents Note: The full-time Audit & Supervisory Committee Members participate in the committee as part of their auditing of business execution.
Meeting frequency	Roughly three times a month (33 times in fiscal 2021)

Executive Officers Committee	
Role	Instructs about business execution policy based on management policy and management plans determined by the Board of Directors as well as information on important matters decided by the Management Committee. Serves as a venue for communicating necessary and important information regarding business execution and for exchanging opinions.
Composition	Presiding officer: The president Members: All executive officers appointed by the Board of Directors Note: The full-time Audit & Supervisory Committee Members participate in the committee as part of their auditing of business execution.
Meeting frequency	Twice a year (twice in fiscal 2021)

Sustainability Committee	
Role	Discusses and decides on measures to promote social, environmental, and Group sustainability. Monitors adherence to such measures and the achievement of their aims.
Composition	Chair: The president Members: Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), internal company presidents, Director in charge of sustainability, and Head Office division general managers Note: The Outside Directors participate in the committee so that the committee can glean the benefits of their external expertise and opinions and reflect them in its decision-making process. The Audit & Supervisory Committee Members participate in the committee as part of their auditing of business execution.
Meeting frequency	At least twice a year (three times in fiscal 2021)

Company-wide Compliance Committee	
Role	Discusses and decides on measures to ensure thorough compliance throughout the Kawasaki Group. Monitors adherence to such measures and the achievement of their aims.
Composition	Chair: The president Members: Directors (excluding the Audit & Supervisory Committee Member and Outside Directors), internal company presidents, Director in charge of compliance, and Head Office division general managers, and others Note: The Outside Directors participate in the committee so that the committee can glean the benefits of their external expertise and opinions and reflect them in its decision-making process. The Audit & Supervisory Committee Members participate in the committee as part of their auditing of business execution.
Meeting frequency	At least twice a year (twice in fiscal 2021)

Company-wide Quality Committee	
Role	Discusses Company-wide quality control policy and ensures its application. Shares information about quality control among the Head Office, internal companies, and other related companies.
Composition	Presiding officer: The Senior Corporate Executive Officer in charge of technology Members: Representatives from the Corporate Planning Division, Corporate Technology Division, and related divisions of the internal companies and other related companies, among others
Meeting frequency	Roughly four times a year (four times in fiscal 2021)

Major Project Committee	
Role	Manages risk before bidding on and making investment decisions regarding major projects that could significantly impact operations and financial performance. Evaluates the risks of projects and considers ways of addressing such risks.
Composition	Presiding officer: The general manager of the Corporate Planning Division Attendees: Representatives of relevant Head Office divisions and the divisions handling relevant projects
Meeting frequency	Held as needed

Director Appointment

Director Appointment Process

Candidates for Director are nominated by the Board of Directors in accordance with its established “Qualities Required of a Director.” 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 summarized in the following table. The items listed in the skills matrix are based on the definition of the fields of supervision necessary to realize Group Vision 2030 as "vision, strategic thinking, and governance to increase enterprise value","business structure transformation", and "growth initiatives related to infrastructure development". To realize these fields of supervision, the following areas* designate expectation and experience required of each director.

* An area in which the Board of Directors is expected to use its knowledge and experience to lead discussions.

Name	Position within the Company	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, President, and Chief Executive Officer	✓	✓		✓	✓	✓	✓	✓	✓		
Katsuya Yamamoto	Representative Director, Senior Corporate Executive Officer	✓	✓	✓	✓				✓	✓		
Hiroshi Nakatani	Representative Director, Senior Corporate Executive Officer	✓	✓			✓		✓	✓			✓
Jenifer Rogers	Outside Director	✓	✓	✓						✓	✓	✓
Hideo Tsujimura	Outside Director	✓	✓		✓	✓	✓		✓	✓		
Katsuhiko Yoshida	Outside Director	✓	✓				✓		✓			
Akio Nekoshima	Director (Audit & Supervisory Committee Member)	✓	✓	✓					✓	✓		✓
Nobuhisa Kato	Director (Audit & Supervisory Committee Member)	✓	✓	✓					✓	✓		
Atsuko Ishii	Outside Director (Audit & Supervisory Committee Member)	✓	✓		✓						✓	
Ryoichi Saito	Outside Director (Audit & Supervisory Committee Member)	✓	✓	✓	✓				✓	✓		
Susumu Tsukui	Outside Director (Audit & Supervisory Committee Member)	✓	✓								✓	

Qualities Required of a Director

1. Possessing an in-depth understanding of and support for the Kawasaki Group's corporate philosophy and visions.
2. Being able to make positive contributions towards sustainable growth and improving medium- and long-term enterprise value.
3. Having a Company-wide perspective and a wealth and breadth of experience, resourcefulness and specialized expertise to this end.
4. Being able to oversee corporate management and business execution from an independent and objective position as a member of the Board of Directors.
5. Being able to execute their authority in a proactive and positive manner, and appropriately voice opinions at Board of Directors meetings or to top management.

Note: To ensure the effectiveness of audits, Directors serving as Audit & Supervisory Committee Members must be highly knowledgeable about the Company's business or have deep insight and expertise in corporate management, legal affairs, finance and accounting, public administration or other fields. At least one Director serving as an Audit & Supervisory Committee Member must have substantial knowledge of finance and accounting.

Independence Criteria for Outside Directors

An Outside Director is deemed to be independent if none of the following apply:

1. The Outside Director is currently employed by the Company as an executive Director, executive officer, manager or other key employee, or if any company at which said Director was employed over the past ten years (including key subsidiaries as defined by said company) (hereafter the "former employer") has had business dealings with the Kawasaki Group, and the average transaction amount over the last five fiscal years exceeds 2% of the average sales amount of the Kawasaki Group and that of the former employer over the last five fiscal years.
2. The average compensation that the Outside Director (or legal entity if set up as a legal entity) receives directly from the Kawasaki Group in their capacity as a specialist or consultant of legal, accounting, or tax matters (excluding compensation as an officer of Kawasaki) over the last five fiscal years exceeds 10 million yen.
3. The average amount of donations and other contributions made by the Company over the last five fiscal years to an NPO at which said Outside Director serves as an executive officer exceeds 10 million yen and exceeds 2% of total revenues or the current account balance of said organization.
4. Said Outside Director's former employer is a major shareholder of Kawasaki, holding 10% or more of the issued shares.
5. Said Outside Director has a first-degree or second-degree relative to which bulleted item 4 applies, or is an executive Director, executive officer, manager or other key employee at the Kawasaki Group.

Reasons for Appointment of Outside Directors

Jenifer Rogers

Ms. Rogers has served as an in-house lawyer and counsel at financial institutions in Japan and overseas for many years. Since 2018, as an Outside Director of the Company, she has provided helpful opinions and advice on important management decisions based on her extensive international experience and deep insights into legal affairs, compliance, and risk management cultivated in those positions from a standpoint independent from the Company's business execution. In consideration of these points, the Company has determined that she is suitable as an Outside Director.
Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Hideo Tsujimura

Mr. Tsujimura has served as Senior Managing Director, in charge of Intellectual Property Department and R&D Division of Suntory Holdings Limited, Representative Director, President & 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. Since 2020, as an Outside Director of the Company, he has provided helpful opinions and advice on important management decisions based on his extensive management experience and deep insights into product development and intellectual property from a standpoint independent from the Company's business execution. In consideration of these points, the Company has determined that he is suitable as an Outside Director.
Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Katsuhiko Yoshida

Mr. Yoshida has served in such roles at Kao Corporation as a Representative Director, Senior Managing Executive Officer, with overall responsibility for the Consumer Products Business Department; and in addition to his abundant experience in management, he also has deep insight into sales and marketing. It was therefore determined that he will be able to play a sufficient role in supervising business operations and increasing corporate value as an Outside Director. In consideration of these points, the Company elected him as a new Outside Director with the expectation that he will perform supervision using his expertise and knowledge.
Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Reasons for Appointment of Outside Directors Serving as Audit & Supervisory Committee Members

Atsuko Ishii

Ms. Ishii has never been involved in the management of a company except as an outside officer, but has served in important positions at the Ministry of Health, Labour and Welfare, including as Director-General of the Osaka Labour 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. In 2017, Ms. Ishii was appointed as an Outside Audit & Supervisory Board Member of the Company and in 2020 as an Outside Director (Audit & Supervisory Committee Member) and has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value based on her abundant experience in and deep insight into Japan's labor administration. In consideration of these points, the Company has determined that she is suitable as an Outside Director serving as an Audit & Supervisory Committee Member.
Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Ryoichi Saito

Mr. Saito has served in important positions at NSK Ltd., including Senior Vice President, Head of Corporate Planning Division HQ, Director, Representative, Executive Vice President, Head of Corporate Strategy Division HQ, and Crisis Management Committee Chairperson and possesses abundant management experience and deep insights into business planning, finance and accounting, and risk management. In 2019, Mr. Saito was appointed as an Outside Audit & Supervisory Board Member of the Company and in 2020 as an Outside Director (Audit & Supervisory Committee Member) and he has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value. In consideration of these points, the Company has determined that he is suitable as an Outside Director serving as an Audit & Supervisory Committee Member.
Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Susumu Tsukui

Mr. Tsukui has never been involved in the management of a company except as an outside officer but has served as President of the Hyogo-ken Bar Association and in other important positions, and he also has abundant experience as an attorney and deep insight into legal affairs. In consideration of these points, the Company elected him as an Outside Director serving as an Audit & Supervisory Committee Member with the expectation that he will perform supervision using his expertise and knowledge. Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

The Effectiveness of the Board of Directors

Board of Directors Meeting Attendance Rates (Includes Extraordinary Meetings)

(FY)

	Unit	2017	2018	2019	2020	2021
Board meetings held	Number of times	15	17	17	14	13
Attendance rate of all Directors	%	99.4	99.0	99.0	100	100
Attendance rate of Outside Directors	%	100	100	96.1	100	100
Attendance rate of all Audit & Supervisory Board Members	%	98.6	100	100	100	-
Attendance rate of all Outside Audit & Supervisory Board Members	%	97.7	100	100	100	-

Note: On June 25 2020, Kawasaki transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee. The attendance rates of all Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members for fiscal 2020 given above are the attendance rates of the Audit & Supervisory Board Members at Board of Directors meetings before the transition to a company with an Audit & Supervisory Committee.

Directors’ Terms of Office/Restrictions

Directors’ terms of office	Directors	1 year
	Directors (Audit & Supervisory Committee Members)	2 years
Criteria regarding restrictions on concurrent service as Director	The Board of Directors stipulates that if a director of the Company is to serve concurrently as an officer of another listed company, the maximum number of concurrent appointments is limited to three companies excluding the Company. The Company discloses the status of concurrent positions held by each director in the notice of the General Meeting of Shareholders and in the Annual Securities Report.	

Evaluation of the Board of Directors' Effectiveness

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.

Evaluation Method

An anonymous survey of all Directors is carried out based on advice from and with the cooperation of outside experts. The specific steps of this process are as follows.

1. The Board of Directors confirms the status of initiatives to address issues identified via the previous evaluation.
2. The Board of Directors determines evaluation methods to be used, key items to be surveyed, and other matters pertaining to the upcoming evaluation.
3. All Directors are surveyed.
4. External specialists aggregate and analyze the survey results, and the Board of Directors discusses findings from the analysis.
5. The Board of Directors determines issues to be addressed and policies for countermeasures based on findings from the analysis and the results of its discussion.

Items Surveyed

The survey questions (main items) are as follows, with a 5-point scale and free writing section. To more accurately evaluate the effectiveness of the Board of Directors, the number of questions was increased from four to seven items, and these questions take into account the changes made in the revision of the Corporate Governance Code.

Survey Question Items

- Composition of the Board of Directors
- Operation of the Board of Directors
- Discussions of the Board of Directors
- Monitoring function of the Board of Directors
- Training
- Interactions with shareholders (investors)
- Audit & Supervisory Committee

Evaluation Results

The analysis of survey results found that the Board of Directors' operations were evaluated highly overall, and significant improvement was seen especially in regards to the following three items identified as issues to be addressed in the previous year. While the items of "clarifying requirements for Director candidates" and "upgrading leadership succession plans" received high evaluations, the Company will continue to actively engage with these issues in terms of the further strengthening of governance and the enhancement of corporate value.

- Clarifying requirements for Director candidates
- Upgrading leadership succession plans
- Strengthening collaboration with the Nomination Advisory Committee and Compensation Advisory Committee

We will continue to make efforts for improvement as there are items that need to be enhanced and new issues identified in this evaluation.

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.

Initiatives to Further Improve Effectiveness

Based on the results of this evaluation and the discussions at the Board of Directors meeting, the main issues to be addressed are as follows. We will continue our efforts to further improve the effectiveness of the Board of Directors.

1. Enhancing the content of the Board of Directors' discussion regarding medium to long-term management policies
   In fiscal 2021, the Board of Directors engaged in the discussion of important management policies and strategies (e.g., sustainability management policies, human resource strategies, corporate transformation) in light of the Corporate Governance Code. In fiscal 2022, there will continue to be discussion on important issues toward achieving Group Vision 2030, and efforts will be made to further strengthen governance.
2. Committing to the fulfillment of the requirements for Director candidates
   The Board of Directors and the Nomination Advisory Committee strive to identify skills and other requirements for Director candidates in light of the Company's medium- to long-term management policies and strategies. Accordingly, a Board of Director skills matrix has been developed, and it is disclosed in the Corporate Governance Report. To strengthen the Board of Directors' field of supervision needed to achieve the Group Vision 2030 set forth in the skills matrix, the Company will verify whether the requirements for candidates have been met and take necessary measures to satisfy them.
3. Formalizing leadership succession plans
   After defining the qualities and requirements needed for each key position, succession candidates were selected through interviews with the President and Senior Corporate Executive Officer and narrowing the pool of candidates based on external assessments. In fiscal 2022, the candidate recruitment process will be systematized, and the aim is to formalize leadership succession plans by documenting this system in writing.
4. Strengthening internal control systems and risk management structures
   Last fiscal year, a Group-wide risk management system was developed, and structures have been established to make periodic reports for the Board of Directors concerning the monitoring of its operational status. In fiscal 2022, the Company will formalize timely deliberations by the Board of Directors for major risks identified during monitoring; and in order to strengthen compliance, the monitoring of the results of evaluations regarding the development and operation of internal control systems of the Group as a whole will be enhanced by having the Head Office proactively supervise the Group.

Securing diversity among core human resources
Concerning the diversity of core human resources, after organizing perceptions on the current status of the Group and ideas for securing diversity, the results will be discussed by the Board of Directors and incorporated into a concrete action plan, whereby a system to increase its feasibility will be established.

Audits

Internal Audits

The Auditing Department, which is an internal audit division and consists of 15 persons, works to improve the internal control function by, for example, conducting regular audits to confirm that the Kawasaki Group's execution of general business activities is properly conducted in accordance with laws and internal rules.
Concerning the audits of overseas subsidiaries, they will be conducted not on-site but remotely in response to COVID-19.

Audits Conducted by the Audit & Supervisory Committee

The Audit & Supervisory Committee Members carry out the following activities in accordance with the basic audit policy, audit system, and assignment of duties decided by the Audit & Supervisory Committee. In fiscal 2021, the visits to overseas subsidiaries were suspended due to the spread of COVID-19, but as in fiscal 2020, this did not have a major impact on the Company's auditing activities due to the utilization of an online video conferencing system.

- Meet with Directors and executive officers (internal company presidents)
- Attend meetings of the Board of Directors
- Attend meetings of the Management Committee and other important meetings
- Coordinate with Outside Directors not serving as Audit & Supervisory Committee Members
- Conduct operational audits of the Head Office and operating divisions and survey subsidiaries
- Coordinate with the full-time Audit & Supervisory Members of Group companies
- Coordinate with internal audit divisions
- Coordinate with the independent auditor
- Inspect important documents
- Receive explanations from the Nomination Advisory Committee and secretariat of Compensation Advisory Committee

The full-time Audit & Supervisory Committee Members attend important meetings, such as those of the Board of Directors and Management Committee, voicing their opinions as needed. Through the above activities, they work to maintain the auditing environment, gather information within the Company, and build and regularly monitor the operation of internal control systems. The full-time members also share the information they collect internally with the outside Audit & Supervisory Committee Members on a regular basis. The outside Audit & Supervisory Committee Members attend meetings of the Board of Directors and, when necessary, other important meetings, such as those of the Management Committee, voicing their opinions as needed based on their respective expert knowledge. They strive to obtain the information necessary for auditing through the above activities and to maintain the auditing environment in cooperation with the other Audit & Supervisory Committee Members. They also share information with the full-time Audit & Supervisory Committee Members by such means as attending meetings of the Audit & Supervisory Committee.

Attendance Rate at Audit & Supervisory Board Meetings and Audit & Supervisory Committee Meetings

(FY)

	Unit	2017	2018	2019	2020	2021
Audit & Supervisory Board meetings held	Number of times	17	17	17	5	-
Audit & Supervisory Committee meetings held*		-	-	-	13	17
Audit & Supervisory Board Members' attendance rates	%	100	100	100	100	-
Outside Audit & Supervisory Board Members' attendance rate	%	100	100	100	100	-
Audit & Supervisory Committee Members' attendance rate*	%	-	-	-	100	100
Outside Audit & Supervisory Committee Members' attendance rate*	%	-	-	-	100	100

* On June 25 2020, Kawasaki transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

Independent Audits

With regard to independent auditing, we undergo audits of our financial statements by the independent auditor KPMG AZSA LLC. The Audit & Supervisory Committee receives an outline of the audit plan and a report on important audit items from the independent auditor, and the Audit & Supervisory Committee explains its auditing plan to the independent auditor. The Audit & Supervisory Committee periodically receives reports on the results of audits by the independent auditor and, conversely, the independent auditor receives reports on the results of audits by Audit & Supervisory Committee, which strives to keep lines of communication open with the independent auditor by also exchanging information and opinions. When necessary, Audit & Supervisory Committee Members take part in the audits performed by the independent auditor, and may also receive reports from the independent auditor concerning audits when appropriate.

Independent Auditor Compensation

(FY)

	Unit	2017	2018	2019	2020	2021
Compensation based on audit certification services	Millions of yen	231	238	239	253	421
Kawasaki Heavy Industries Ltd.	Millions of yen	185	190	190	205	334
Consolidated subsidiaries	Millions of yen	46	47	48	48	87
Compensation based on non-audit services	Millions of yen	8	74	306	261	234
Kawasaki Heavy Industries Ltd.	Millions of yen	5	71	303	258	231
Consolidated subsidiaries	Millions of yen	2	2	2	2	2

Director Compensation

The compensation system for Directors (excluding Audit & Supervisory Committee Members and Outside 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. These three components of Director compensation account for approximately 50%, 30%, and 20%, respectively, of the total, assuming that the Group's consolidated operating results in the preceding fiscal year reached target levels and that each Director's individual performance targets for said fiscal year are fully met.

Compensation Levels

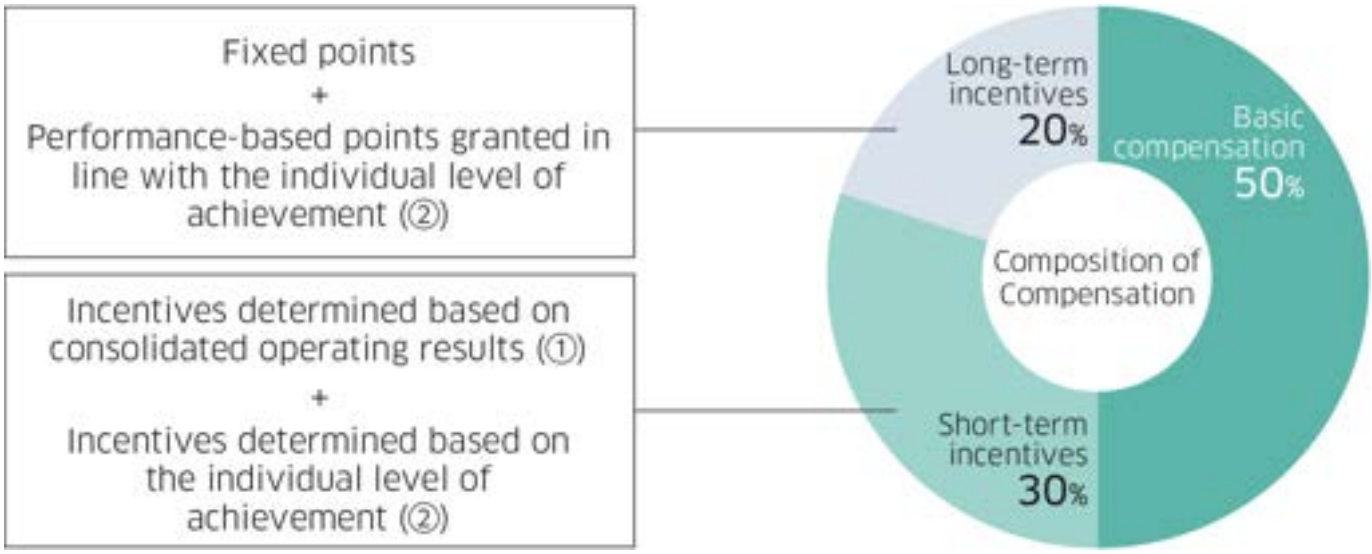
Compensation levels are set appropriately, taking into consideration conditions at other companies and officer compensation survey data from an external specialized organization. Compensation levels for each position are generally as indicated below, with compensation for the Director, President, and Chief Executive set at 100.

Chairman of the Board: 87
Director, President, and Chief Executive: 100
Director, Senior Corporate Executive Officer: 65
Director, Managing Executive Officer: 44

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 ①, below. Details of the process for determining the level of achievement are presented in ②, below.
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 ②, below.

Composition of Director Compensation



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

①Payment Ratio Based on Profit Attributable to Owners of Parent

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

②Process 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. 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 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 Officer: Outside Directors who serve as members of the Compensation Advisory Committee conduct individual, face-to-face interviews with the Senior Corporate Executive Officer and make a determination through deliberations among those Outside Directors.
- Other Directors: The President conducts interviews of the individual Directors jointly with the Senior Corporate Executive Officer, formulate an assess through deliberations with the Senior Corporate Executive Officer, and refers the matters to the Compensation Advisory Committee for a decision.

Compensation of Audit & Supervisory Committee Members and Outside Directors

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

Methods for Determining Compensation

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

Fiscal 2021 Compensation

	Number of recipients	Unit	Total compensation	Total compensation by type			
				Monetary compensation			Stock compensation
				Basic compensation	Performance-based compensation	Stock purchase fund	
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	5	Millions of yen	385	237	69	9	69
Audit & Supervisory Committee Members (excluding Outside Directors)	2	Millions of yen	71	71	-	-	-
Outside Officers	6	Millions of yen	80	80	-	-	-

Notes: 1. For performance-based compensation portion of monetary compensation, the total amount paid for performance-based compensation under the previous compensation system and short-term incentive compensation under the new system in indicated.

2. For stock compensation, the amount recorded as expenses for the current fiscal year is indicated based on performance-based stock compensation introduced pursuant to a resolution of the 198th Ordinary General Meeting of Shareholders held on June 25, 2021 and differs from the actual amount paid.

3. The total maximum amount of annual compensation for Directors (excluding Audit & Supervisory Committee Members) is set at ¥800 million based on a resolution passed at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020.

4. The total maximum amount of performance-based stock compensation is set at ¥325 million per year, with the annual number of Company shares to be allocated to the recipients being limited to 50,000 shares. At the 198th Ordinary General Meeting of Shareholders held on June 25, 2021, these frameworks were approved separately from the total maximum amount of annual compensation for Directors (excluding Audit & Supervisory Committee Members).

5. The total maximum amount of annual compensation for Audit & Supervisory Committee Members is set at ¥120 million based on a resolution passed at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020.

Compliance and Anti-corruption Measures

Compliance

Approach to Compliance

Strict compliance should be at the foundation of all Kawasaki Group business activities, and all Group officers and employees must engage in business with a proper awareness of compliance. The Group engages in diverse business, and as a result, the compliance required in each business division varies. For this reason, proper conduct is required at all times depending on the circumstances. In order to make proper decisions in a timely manner, it is optimal that each employee is able to take it for granted that he or she will unconsciously engage in proper conduct within his or her area of responsibility, that is, that compliance on a deeper level is achieved. To achieve compliance on a deeper level, the Kawasaki Group will continue to undertake a variety of initiatives in the future. Through these initiatives, each employee will become aware of the fundamentals of compliance, which is not merely following laws, regulations, and rules, but also always acting correctly to gain the trust of society, and we will promote the accumulation and deepening of actions based on a constant awareness of the fundamentals of compliance in order to make the Kawasaki Group a sustainable group that is trusted by society even more and where every employee can work with pride.

Compliance Policy

In July 2017, we established the Kawasaki Group Code of Conduct as a set of ethical standards to guide the decision making of Kawasaki Group officers and employees. The code was amended in January 2019, and a second version was established in April.
In the statement by the president at the beginning of the Code, he implores Group officers and employees to work as one and uphold the Code, stating, "The Kawasaki Group Code of Conduct shall serve to help all Group officers and employees in each country and region come together in unity, with a deep awareness that the Code will serve as the foundation for ensuring the highest standards of conduct in our business activities at all times and that we shall maintain steadfast compliance, engage in dialogue with stakeholders, and adhere to the Code in making decisions and taking action, even in difficult circumstances."

Scope of Policy Application

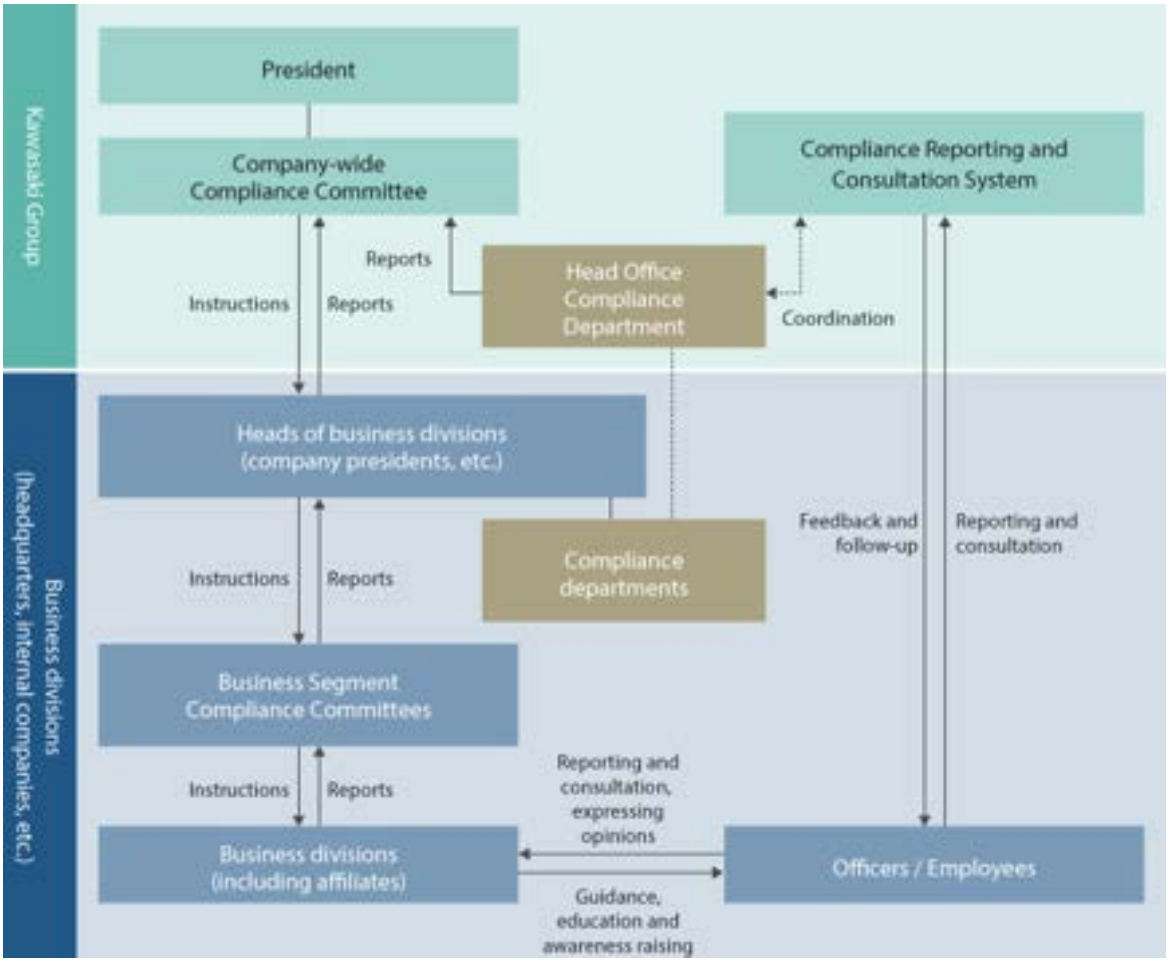
Kawasaki Group officers and employees

- The Kawasaki Group Code of Conduct

Structure

The Company-wide Compliance Committee is chaired by the Kawasaki president. The committee meets at least twice a year (two meetings in fiscal 2021). Its functions are to discuss and determine measures to ensure that the Kawasaki Group fulfills its corporate social responsibilities and maintains thorough compliance, and to monitor compliance efforts. 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. Furthermore, the internal companies each formulate annual activity themes that they use to carry out compliance-related initiatives.

Compliance Promotion Structure



Responsible Officer

Chair of Company-wide Compliance Committee: Yasuhiko Hashimoto, Representative Director, President and Chief Executive Officer

Responsible Executive Organ and/or Committee

To ensure rigorous compliance throughout the Kawasaki Group, we maintain a Company-wide Compliance Committee, comprising the Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of compliance, the general managers of the Head Office divisions, and others, with the President serving as presiding officer. The Company-wide Compliance Committee discusses and decides measures to ensure thorough compliance and monitors the achievement of targets and compliance with such policy.
For the sake of auditing business execution and to reflect a broad range of external insights and opinions in the committee's decisions, Directors who serve as Audit & Supervisory Committee Members as well as the remaining Outside Directors also attend the committee's meetings.
Corporate regulations provide that the committee shall meet at least twice annually. In fiscal 2021, the committee met twice.

Audits and Certification of the Compliance System by Third Parties

The state of compliance is audited by Audit & Supervisory Committee Members and independent auditors.

Efforts to Promote Compliance

e-Learning

To raise awareness of compliance, we conducted e-learning-based training for all Kawasaki Group employees in Japan. In fiscal 2021, 17,393 employees underwent training (73.1% of IT users). At overseas subsidiaries, we suspended group activities because of restrictions imposed on business activities at individual sites due to the COVID-19 pandemic, but we made preparations to conduct e-learning and administer the Compliance Awareness Survey using IT infrastructure, which is not affected by the restrictions on activities at business sites.

The President's Statement on Compliance

The president issued the President’s Statement of Compliance as an internal and external expression of the entire Kawasaki Group’s commitment to compliance. The declaration is included in the initial part of the Kawasaki Group Code of Conduct.

- The President's Statement on Compliance

Declaration to Observe Laws and Regulations

Each officer and managerial staff member of the Kawasaki Group, at his or her appointment, is required to prepare and submit to the Company a completely handwritten Declaration to Observe Laws and Regulations to reconfirm the awareness that he or she will never commit a violation and will cause other employees to ensure compliance. This Declaration includes the representation that they understand that they may be subject to a penalty or punishment if they commit a violation.

Compliance Guidebook

The Compliance Guidebook provides information that is necessary and useful for ensuring thorough compliance within the Company in an easy-to-understand way. The guidebook is distributed to officers and employees at Kawasaki Group companies in Japan. The Compliance Guidebook outlines the Group’s compliance system and activities as well as the Compliance Reporting and Consultation System, which serves as the Group’s internal whistle-blower system. The guidebook uses illustrations to present easy-to-understand examples of important compliance-related matters.
The guidebook also contains an index of the corresponding sections of the Kawasaki Group Code of Conduct and serves as a text for increasing compliance awareness. The Compliance Guidebook is used in internal compliance training and educational activities. Since the first edition was issued in 2003, its content has been constantly updated in light of evolving compliance requirements around the world. The current edition is the sixth (issued in April 2021).

Compliance Month

October of each year is designated Compliance Month with the aim of reaffirming and enhancing awareness of compliance, and various compliance-related activities are conducted. In fiscal 2021, the President issued a message and Kawasaki, the Group newsletter, included articles intended to raise compliance awareness as well as an overview of the Compliance Reporting and Consultation System (whistle-blowing system). In addition, announcements were made encouraging utilization of the Compliance Reporting and Consultation System, compliance training was conducted via e-learning, and other activities were conducted.

Implementation of Employee Compliance Awareness Surveys

The Kawasaki Group implements periodic employee awareness surveys to monitor internal compliance violation risks. Beginning in fiscal 2020, questions about compliance awareness have been made part of the employee engagement survey and the survey frequency has been increased each year. We analyze changes and trends in employee awareness based on multiple factors including by company and position and reflect the results in the development of necessary compliance measures and other initiatives.

Compliance Awareness Survey Results

(FY)

	Unit	2017	2018*1	2019	2020*2	2021*3
Survey response rate	%	-	93.8	-	80.0	85.0
The percentage of respondents who replied that their company was being managed in a compliant manner	%	-	78.6	-	77.0	70.0

1. Scope: The Kawasaki Group (domestic)
2. Scope: Kawasaki Heavy Industries, Ltd. (non-consolidated)
3. Scope: Kawasaki and main domestic subsidiaries

Whistle-Blowing System and Consultation Points

Kawasaki and Domestic Subsidiaries

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 has been easier to use since October 2019, when the capability to accept anonymous reports and consultations was added with the aim of fostering a corporate culture and mechanisms that effectively self-correct.

Under the Compliance Reporting and Consultation System, employees report to or consult with an outside lawyer directly. For anonymous reports, responses are determined based solely on the content of the reports themselves. The lawyer then 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. For anonymous reports, summaries of the reported issues and progress in addressing them are posted on the Company intranet.

The Group works to ensure that employees know how to use this system by regularly providing information about it in the Company intranet, leaflet inserts in Kawasaki Group Code of Conduct pamphlets, the Compliance Guidebook, the Kawasaki Group newsletter, and other publications.

Also, to enhance the efficacy and reliability of this system, we revise it as needed, working to make it easier for employees to use.

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.

Compliance Reporting and Consultation System Flow Chart (domestic)

Number of Reports or Consultations (Domestic Kawasaki Group)

(FY)

	Unit	2017	2018	2019	2020	2021
Number of reports or consultations*	Number of cases	27	29	47	39	55
Abuse of authority	Number of cases	7	13	12	15	23
Labor issues	Number of cases	10	5	14	14	19
Financial fraud	Number of cases	1	4	0	1	0
Sexual harassment	Number of cases	3	1	1	1	1
Threats and harassment	Number of cases	1	3	0	0	0
Bribery and corruption	Number of cases	0	0	0	0	0
Others	Number of cases	5	3	20	8	12

* The numbers of cases listed above refer to reports and consultations received, not those identified as actual compliance violations.

Establishment of Internal Reporting System at Overseas Subsidiaries

Since 2020, we introduced a Global Internal Reporting System for some overseas subsidiaries.
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.

Handling Reports Made outside the Whistle-Blowing System

When reports are delivered in writing, by email or by other means to persons or offices other than the Compliance Reporting and Consultation System contact points, if a compliance violation is suspected, an investigation is conducted and corrective measures are taken as needed.

Number of Compliance Violations, Details of Violations, and Actions Taken

Frequency of Serious Compliance Violations per Year Over the most recent five years, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

- Target: Zero serious compliance violations

(FY)

Unit	2017	2018	2019	2020	2021
Unit	0	0	0	0	1

Inappropriate actions during product inspection at Group subsidiary (recurrence prevention initiatives)

As announced in June 2022, inappropriate behaviors relating to inspections of some absorption refrigerators manufactured and retailed as air conditioning systems, mainly for use in buildings, were discovered at Kawasaki Thermal Engineering Co., Ltd. Below we give an overview, as well as detailing ongoing measures being taken to address this issue. This incident has no impact on the safety of absorption refrigerators and we are confirming that the performance of models currently being retailed is within allowable margins as defined in Japanese industry standards for indicated performance.
To ensure that there is no future occurrence of such cases, we have conducted a thorough investigation of causes by means of a special surveying committee comprised of outside attorneys at law, with corrective measures taken, and will endeavor to further strengthen the inspection management systems and compliance throughout the Group, to prevent recurrence.

Overview of inappropriate actions

Actions involving test operation before shipping	• Data not surveyed for screening performance documentation [Period] 1984–2022 [Number of incidents] 1,950 • Inappropriate operation of measuring device during in-situ inspection [Period] 1984–2022 [Number of incidents] 334
Inappropriate entry in catalogues/ specifications	• Indication of conformity to JIS standards in catalogues/specifications for cooling capacity as well as COP* for some products which did not satisfy the JIS performance range standards [Period] 1986–2009 [Number of applicable models/units] 6 models/2,944 units

Ongoing measures

Measures of Kawasaki Thermal Engineering	• Make internal and external announcements on the verification method for performance/quality of absorption refrigerators. • Strengthen internal compliance activities.
Measures of the Kawasaki Group	• Take seriously any inappropriate acts by related companies and, centering on the Company-wide Compliance Committee, implement a reexamination of compliance violations and thoroughly instill compliance throughout the entire Group.

* COP (coefficient of performance): Indicates the efficiency of absorption refrigerators. Figure obtained by dividing the cooling capacity by the sum total of the heat source calorie consumption and power consumption.

Anti-Corruption

Approach to Anti-Corruption

The Kawasaki Group's business entails numerous opportunities for contact with government agencies and public officials, creating a high likelihood of exposure to corruption risk. To prevent corruption, the Kawasaki Group conducts business activities in line with related policies and provides education for employees as part of the operation of compliance systems.

Bribery Prevention Policy

The Kawasaki Group has set up and operates the following framework to prevent bribery.

1. The Kawasaki Group Code of Conduct
   To ensure that each individual Kawasaki Group officer and employee acts correctly to prevent bribery, the Kawasaki Group Code of Conduct specifies that Kawasaki Group does not provide any inappropriate entertainment or gifts or otherwise tolerate bribery and lays out how individuals should behave.
2. The Kawasaki Group Policy on Anti-Bribery
   To gain the understanding of stakeholders regarding the Kawasaki Group’s anti-bribery initiatives, the Group publicly provides information on its anti-bribery systems and measures.
3. Bribery Prevention Regulations
   We established the Bribery Prevention Regulations, the basic policy of which states that the Kawasaki Group will uphold laws in the execution of business activities and that bribes to public officials in Japan or overseas will not be tolerated.

We also established the following internal regulations in addition to the Bribery Prevention Regulations.

- Rules on Entertainment and Gifts to Public Officials in Japan
  In line with Japan’s laws and regulations concerning public official ethics (including the National Public Service Ethics Act and the National Public Service Ethics Code), these rules establish application procedures, approval guidelines, and record keeping requirements for entertainment and gifts.
- Rules on Preventing Bribery of Foreign Public Officials
  These rules establish application procedures for entertainment, gifts and expenses; approval guidelines; record keeping requirements; and check list items for the selection and continued use of intermediaries, such as sales agents and consultants.

- The Kawasaki Group Code of Conduct
- The Kawasaki Group Policy on Anti-Bribery

Anti-Bribery Training for Employees

We provide overseas bribery prevention training for employees involved in overseas businesses every year. In fiscal 2021, 1,537 employees took part in e-learning for employees in Japan, and 300 took part in e-learning for employees stationed overseas. We conduct surveys of participants in e-learning to confirm their understanding of the material. Furthermore, compliance training on bribery prevention is included in training programs for employees in charge of overseas businesses.

Number of Anti-Bribery Violations, Details of Violations, and Actions Taken

Over the most recent five years, there have been no cases of bribery that were subject to administrative disciplinary action or sanction.

Expenditures to External Organizations

Political Contributions

(FY)

	Unit	2017	2018	2019	2020	2021
Total political contributions	Millions of yen	3	3	3	3	3

Expenditures to Industry Organizations

(FY)

	Unit	2017	2018	2019	2020	2021
Total expenditures to industry organizations	Millions of yen	68	68	68	68	68

* In reporting fiscal 2021 activities, we changed the method of calculation. Accordingly, we have altered past performance figures.

Other Expenditures for Donations, Support Funding, Etc.

(FY)

	Unit	2017	2018	2019	2020	2021
Total expenditures for donations, support funding, etc.	Millions of yen	191	155	146	160	111

* In reporting fiscal 2021 activities, we changed the method of calculation. Accordingly, we have altered past performance figures.

Compliance with Antimonopoly (Competition) Laws

Approach to Compliance with the Antimonopoly Act

The Kawasaki Group is focusing efforts on compliance with the Antimonopoly Act. Since 2006, the Board of Directors has adopted a resolution to comply with the Antimonopoly Act and strive to maintain and improve the Company's enterprise value in society at the first Board of Directors meeting held immediately following each year's general meeting of shareholders. The Kawasaki Group Code of Conduct also states that the Group will not obstruct free and fair competition and will work to maintain a healthy market.

Scope of Policy Application

Kawasaki Group officers and employees

- The Kawasaki Group Code of Conduct

Employee Training on Compliance with Antimonopoly (Competition) Laws

The Company publishes a variety of guidebooks on the Antimonopoly Act for employees to ensure a broader awareness of situations at the Kawasaki Group that could become problematic and conducts regular training on the Antimonopoly Act. In fiscal 2021, we conducted training on the subject matter of the above guidebooks via streaming video, and 2,286 employees underwent training.

Number of Violations Relating to the Antimonopoly Act, Details of Violations, and Actions Taken

Since 2010, there have been no serious violations that were subject to administrative disciplinary action by the Fair Trade Commission. Since 2006, there have been no serious violations that were subject to criminal penalties.

Other Compliance Risks

Prevention of Insider Trading

The Kawasaki Group has prohibited insider trading, and the Kawasaki Group Code of Conduct contains provisions on the prohibition of insider trading. To prevent insider trading, Kawasaki has established corporate regulations titled the Insider Trading Control Rules that it uses to implement and regulate related actions. To further ensure the prevention of insider trading, the Company established a new system in fiscal 2013 that obligates Company officers and employees who intend to trade Company shares to notify the Company by a prescribed date (the Treasury Stock Trading Prior Notification System).

Number of Violations, Details of Violations and Actions Taken

Since 1989, when the amended Securities and Exchange Act, which regulates insider trading, was enacted, there have been no serious violations by the Kawasaki Group or Group employees that were subject to penalties or administrative monetary penalties.

- The Kawasaki Group Code of Conduct

Elimination of Antisocial Forces

The Kawasaki Group resolutely rejects inappropriate requests from antisocial forces and undertakes various measures to break off any relationship with such forces. Specifically, in addition to what is described in the Kawasaki Group Code of Conduct and the Compliance Guidebook, we publish the Manual of Responses to Antisocial Forces and strive to promote awareness and full compliance with established internal practices and systems as well as with prescribed procedures of response. In addition, we have established a unit at the Head Office Compliance Department to supervise responses associated with the elimination of antisocial forces. This unit works closely with the police and other external specialist organizations to establish an internal structure to systematically deal with inappropriate requests from antisocial forces.

Number of Violations, Details of Violations, and Actions Taken

All inappropriate requests and requests for meeting appointments from antisocial forces and other similar organizations have been denied and eliminated, and there have been no instances of violations since 1997.

- The Kawasaki Group Code of Conduct

Measures to Prevent Money Handling Risks at Small-scale Operating Sites

There is a tendency for compliance risk to be higher at small-scale operating sites, such as sales offices and satellite branches. These organizations may be ill-equipped to perform sufficient checks or may have particular individuals within the organization who have become fixed to a particular position due to difficulties in implementing personnel rotation. The Company has carried out reviews, improved the manuals for checking procedures and enhanced audits in order to reduce risks, particularly as they relate to the handling of money.

Number of Violations, Details of Violations, and Actions Taken

Over the five years in the immediate past, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

Export Control

Export Control Policy

In fiscal 2020, we established and published the Kawasaki Group Policy on Export Control, laying out basic principles of conduct regarding export control.
The Kawasaki Group recognizes that compliance with laws and regulations on export control is an integral part of its corporate social responsibilities (CSR) and essential to maintaining peace and security in the international community and supporting humanity's harmonious coexistence with the global environment. In line with this recognition, the Group shall establish and maintain a strict export control system and implement appropriate security trade control so as to ensure that its products and services are not provided for transactions aimed at such purposes as the development of weapons of mass destruction or the excessive accumulation of conventional arms.
To ensure legal compliance, we carry out export control with consideration given not only to Japan's Foreign Exchange and Foreign Trade Act, but, because our businesses have significant ties with the United States, also to U.S. reexport regulations and economic sanctions. By doing so, we work to reduce the risks of violations of these laws and of government sanctions.

- Kawasaki Group Policy on Export Control

Export Control Structure

To ensure compliance with export control laws and regulations throughout the Kawasaki Group, we have formulated a set of corporate export control regulations for goods and technologies relevant to security maintenance and have put in place an export control system in which a Representative Director acts as Chief Export Control Officer.
As a first measure, we set up the Export Control Laws and Regulations Compliance Screening Committee (“Screening Committee”), chaired by the Chief Export Control Officer, at the Kawasaki Group Head Office. The Screening Committee undertakes the final assessment of important export transactions across the Group to confirm compliance with export control laws and regulations and provides guidance and supervision regarding the export control systems of the internal companies. In addition, the Head Office Trade Compliance Department provides secretariat services to the Screening Committee and oversees export control throughout the Kawasaki Group. We have also established the Working Level Committee, comprising the departments responsible for export control of the internal companies, under the control of the Screening Committee. The Working Level Committee undertakes export screenings, discusses matters delegated to it by the Screening Committee and undertakes the horizontal rollout of export control-related information.
Next, each internal company operates an export control committee that screens all the export transactions of the company and refers the screening results to the Screening Committee for discussion.
Furthermore, to promote legal compliance, we have set up export control systems at subsidiaries in and outside Japan that engage in exporting through their respective overseeing internal companies.

Export Control Structure

Responsible Officer

Hiroshi Nakatani, Representative Director, Senior Corporate Executive Officer

Responsible Executive Organ and/or Committee

The Export Control Laws and Regulations Compliance Screening Committee undertakes the final assessment of export management matters across the Group. The Screening Committee meets once a month, in principle.
In attendance for the Screening Committee are the chairman, who is the Representative Director with representative authority, the general managers of the Head Office divisions, the internal company presidents, and persons designated by the chairman.

Export Control Training and Guidance

We provide export control training tailored to different personnel and objectives for the entire Group, including consolidated subsidiaries. To enhance the coverage and efficiency of export control, we began using e-learning in this area in fiscal 2018. In fiscal 2021, such e-learning was provided for 11,389 employees. In addition, each internal company offers export control training as part of its grade-specific training to impart the knowledge required by managers and other personnel to execute their operations. Furthermore, practical training on classification and transaction screening is provided for export control administrators and persons in charge of export control at each internal company.
With regard to export control audits, the Auditing Department and the Trade Compliance Department work together to perform individual audits of and provide guidance to all the internal companies and major subsidiaries in Japan once a year.
Moreover, overseas subsidiaries are subject to an annual survey of their export control systems, export records, and related matters. Based on the survey results, the Trade Compliance Department works with the relevant internal company to provide appropriate guidance and support on export control.

Tax Transparency

Policy on Tax Transparency

The Kawasaki Group considers tax payment to be one of the most important social responsibilities for a company to fulfill and thereby complies with the tax-related laws applicable to each country and makes tax payments appropriately.
Furthermore, the Kawasaki Group has established the Kawasaki Group Policy on Tax Affairs and works to promote awareness of the policy internally as part of efforts to manage tax risk related to business globalization.

- Kawasaki Group Policy on Tax Affairs

Management Structure

The Representative Director of Finance is responsible for ensuring appropriate tax payments and proper tax expenses.
When conducting tax operations, the Head Office Accounting Department conducts Kawasaki Group tax operations in coordination with relevant accounting divisions. In the event that a significant issue or risk is identified, it is reported in an appropriate and timely manner to the Management Committee and Board of Directors.

Responsible officer : Katsuya Yamamoto, Representative Director, Senior Corporate Executive Officer

Responsible department : Head Office Accounting Department

Risk Management

Approach to Risk Management

As a Group that operates globally across a wide range of fields, Kawasaki regards the management of serious risks that could impede its business activities as important and conducts integrated risk management.

Kawasaki’s overall risk management system entails the integrated execution of business segment-level risk management and Group-wide risk management. Based on the Group’s Risk Management Regulations, Kawasaki has established a Corporate Risk Management System and created manuals outlining specific risk management procedures. By comprehensively understanding potential risks based on shared Group standards, we work to avoid and minimize risks and loss caused by risks.
With regard to the risks associated with the execution of individual businesses, the relevant divisions carry out assessments and analyses and sufficiently examine countermeasures in advance in accordance with Kawasaki’s Board of Directors Regulations, Management Meeting Regulations, Approval Regulations, and other related rules. The Company practices even more thorough risk management for major projects with significant impact on operations in accordance with such corporate regulations as the Major Project Risk Management Regulations. This includes management at the time of bidding and concluding agreements for such projects as well as regular follow-up by the Head Office, internal companies, and business divisions as needed after a project begins.

Kawasaki Group Policy on Risk Management

The Kawasaki Group has established the Kawasaki Group Policy on Risk Management.
In line with its objective of achieving sustainable corporate growth and medium- to long-term improvement in its corporate value, the Kawasaki Group will put in place preemptive risk management measures against a variety of risks that could exert a significant impact on business operations while striving to ensure that, should such a risk materialize, the resulting damage is minimized. To this end, the Group has established the basic policies listed below with the aim of acting as a company worthy of the trust of society as envisioned in its Group Mission—"Kawasaki, working as one for the good of the planet."

Fundamental Stance to Activities

As a corporate group handling the social infrastructure business on a global basis, the Kawasaki Group will address significant risks that could inhibit its business activities by taking a risk management approach that is consistent among all Group companies.

Risk Management Structures and Activities

The Kawasaki Group will develop an integrated risk management structure that encompasses its operations around the globe, with the Board of Directors acting as the highest decision-making body. Under this structure, all business units, officers, and employees will pay close attention to various risks in the course of their business operations and strive to identify both business risks that affect individual businesses and important risks that should be addressed from a Group-wide perspective to ensure the implementation of appropriate countermeasures.

Crisis Response

In the event of a disaster, accident, or other emergency that could exert a major impact on its business continuity, the Kawasaki Group will promptly set up the Corporate Command Center and strive for the swift restoration of its operations, placing the utmost priority on the lives of customers, community residents, and employees and acting in collaboration with regional communities, customers, and other stakeholders.

Enhancement of Risk Assessment and Response Capabilities

The Kawasaki Group will engage in risk management and crisis management activities, employee training, and emergency drills on a regular basis in order to raise employees' risk awareness and secure higher capabilities in terms of risk assessment and response.

Obligations and Responsibilities

The Kawasaki Group will comply with its corporate regulations on risk management and crisis management as well as relevant laws and regulations enforced in Japan and overseas to fulfill its obligations and responsibilities to stakeholders with regard to risk prevention and immediate crisis response.

Review and Correction

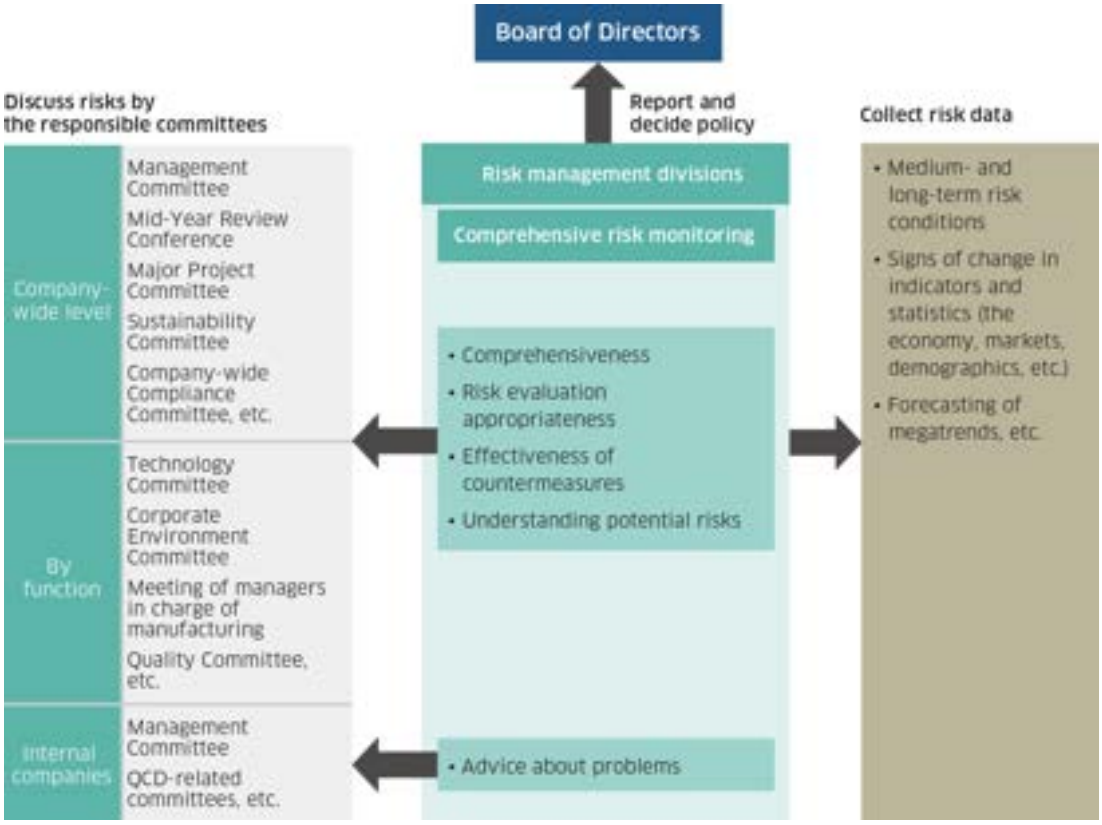
Should a shortfall in risk management or crisis management activities be detected or predicted, the Group will promptly correct said shortfall in order to improve the effectiveness of its risk management activities.

- The Kawasaki Group Policy on Risk Management

Risk Management System

The Kawasaki Group has established a risk management system to ensure a uniform level of risk management across the Group. 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 designates internal committees and divisions as responsible for specific risk types to establish and operate management methods and systems. In addition, we have established a system for the centralized monitoring of the effectiveness and workability of such management systems, thereby managing risks both individually and comprehensively. Further, twice a year, the director in charge of risk management reports to the Board of Directors the information obtained by the Risk Management Department, an organization that is independent of operating divisions, through risk monitoring and analysis results of global risk trends surrounding the Company. After selecting the important risks that the Company should pay close attention to currently, they are reported to the Management Committee and reflected in the measures of the operating divisions.

Risk Management System



Responsible Officers

Director Responsible for Risk Management (CRO): Katsuya Yamamoto, Representative Director, Senior Corporate Executive Officer
Executive Officer Responsible for Risk Management: Takeshi Kaneko, General Manager of Corporate Planning Division and Executive Officer

Risk Assessment

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 potential beneficial 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 twice a year, and based on the results, feedback is provided to the departments at risk. Further, for items judged to be high risk, 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
		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	Itinerary management etc.
	Business partners	Supply chain and logistics		Governance and compliance	Organizational fraud, harassment, internal control etc.
	Nature/Social culture/Population	Disasters, environmental pollution, SDGs, CSR, climate change, etc.			

Risks That the Company Should Pay Close Attention to Currently Based on Internal and External Circumstances

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

(1) The external environment: From global risks

Carbon neutral countermeasures [Global risks] **→Climate change countermeasures** **→Extreme weather**	• We are actively engaged in developing the hydrogen business and carbon neutral countermeasures for products and manufacturing as our contribution to global social issues (SDGs).
Business management from the perspective of economic security [Global risks] **→Erosion of social cohesion (protectionism)**	• In our business that provides social infrastructure products and services that realize energy and environmental solutions, near-future mobility, and a safe and secure remotely connected society, we have adopted measures such as establishing the Economic Security Management Department to strengthen business continuity, as failure of business activities due to changes in policies and economic trends can become major social issues.

Response to Climate Change Risk

Overview of Risk	Many of the Kawasaki Group's products use fossil fuels, and the net sales of three businesses—the Energy Solution & Marine Engineering Company (manufacture of power-generation facilities, various industrial plants, ships, etc.), Aerospace Systems Company (manufacture of aircraft, etc.), and Kawasaki Motors, Ltd. (manufacture of motorcycles, four-wheel utility vehicles, etc.)—account for 70% of our consolidated sales. In addition, more than 98% of CO_2 emissions from the lifecycle of our Group's products (from procurement of raw materials to disposal) are generated in the use of Scope 3 Category 11 products. The Japanese government aims to reduce domestic CO_2 emissions to 46% of the fiscal 2013 level by 2030, and other countries have set similar targets. Furthermore, since the major emitting countries, responding to the Paris Agreement, have stipulated the target of achieving carbon neutrality worldwide by 2050, such risks as major changes in energy composition, the tightening of regulations related to CO_2 emissions, including the introduction of carbon taxes, a substantial increase in raw material costs, and customer demands for improvement of product performance can be expected. The Kawasaki Group regards these as risks stemming from climate change (climate change risks) and treats them as one of the principal risks with the potential to exert a significant impact on our business.

Potential Impact	We conduct scenario analyses using the framework of the Task Force on Climate-related Financial Disclosures (TCFD) to identify the impact of climate change risks on our future financial standing. In 2020 we conducted analyses for industrial plants, one of the business units in the Energy Solution & Marine Engineering Company, as a model case, with 2030 set as the target year. Presupposing the 2℃ scenario, while it is expected that demand for waste incineration plants will remain healthy as no sweeping reductions in the overall volume of waste by 2025 are foreseen, we predict that there will be major changes in energy demand, including a drastic decline in gasoline demand due to the adoption of electric vehicles and a doubling in the demand for low-emission liquefied natural gas (LNG). Based on this assumption, potential risks that could impact the Group's business include, in the area of waste incineration plants, an increase in our product prices stemming from the adoption of supplementary CO_2 reduction measures, such as the development of CO_2 capture systems, and, in the area of industrial plants, risks stemming from reductions in new order opportunities and reputation risks associated with the securing of new orders. Since 2021 we have completed an overview, based also on the results of our analyses for industrial plants, of the Kawasaki Group as a whole, identifying the businesses that will be significantly impacted by climate change and implementing business impact assessments. We have concluded that the Energy Solution & Marine Engineering Company, Aerospace Systems Company, and Kawasaki Motors, Ltd. will experience significant impacts from the perspective of net sales, CO2 emissions, and business risks and opportunities in the areas of climate change. Based on this finding, we are conducting analyses for these three businesses premised on 1.5℃ and 4℃ scenarios, with 2030 as the target year. We are also undertaking deliberations to disclose financial impacts for some businesses.
Mitigation Measures	Scenario analyses involve, among other things, identifying financial impacts by means of tailored assessments of risks and opportunities and estimating the impact on our financial standing of trends in the legal frameworks by country; carbon taxes; the emissions trading market; future projections of energy costs; capital investment and environmental measures. Based on the results of impact assessments using scenario analyses, the Kawasaki Group drafts and implements measures to mitigate climate change risks in the medium to long term and promotes initiatives to utilize them in management decision making. Specifically, at a Business Direction Briefing in December 2021, we declared our commitment to achieving Scope 1 and 2 carbon neutrality by 2030 at domestic business sites (including Group companies). In addition, we are earnestly pursuing initiatives with a view to prompt development of a hydrogen supply chain for our businesses. As well as promoting the development of products with a low environmental load as part of the Kawasaki Ecological Frontiers system (formerly the Kawasaki-brand Green Products system), an internal system for certifying environment-friendly products, we are further working to minimize climate change risks by means of the parallel development of products that do not produce CO_2 even during their use, such as 100% hydrogen-fueled gas turbine and hydrogen-fueled aircraft. Also, prior to this, in 2017, in the Kawasaki Global Environmental Vision 2050, we declared our commitment to achieving Group-wide zero CO_2 emissions from business activities by 2050, since when we have promoted various initiatives to cut CO_2 emissions.

(2) The internal environment: From our business activities

Quality assurance →Quality control and quality assurance risks	• We are sincerely reflecting on the serious incident involving a series N700 Shinkansen railcar bogie frame, and are committed to making efforts to maintain and improve quality through company-wide promotion of total quality management (TQM), development and design process reform dubbed the Kawasaki Design Process Transformation (K-DPX), and engaging in production improvement activities (KPS: Kawasaki Production System), in order to prevent any recurrence in our business.
Strengthening contract management →Contract risks	• For important projects that have a significant impact on business, we are striving to improve business profitability and increase profits by ensuring contract management (such as legal aspects), based on reflections on major losses incurred in the past.
Securing and developing human resources →Risk of shortage of human resources and personnel	• In order to realize our business strategy that aims for major changes, we are committed to strengthening human resources such as changing to a work style that increases the ratio of full-time employees who play important roles such as DX human resources. • In addition, we have implemented a culture of taking on challenges and a personnel system and operations that enable employees to actively take advantage of opportunities to take on challenges.
Strengthening and maintaining appropriate levels of cyber security →Cyber security risks	• Cyberattacks are always a high risk in our field of business, and given the spread of the digital society in recent years, attacks that affect not only intellectual property fraud but all business activities such as supply chain disruptions and our digital infrastructure (DX business infrastructure including after-sales services and remote operations) are rapidly evolving. Hence, we are committed to continued adoption of protective measures and securing our business activities.
Governance →Governance and compliance risks	• The Group as a whole strives to maintain and strengthen governance as violations that deviate from international norms and ethics related to human rights, bribery, competition law, export control, and taxation among other things, lead to a decline in social trust, restrictions on business activities, and an increase in costs related to countermeasures.

Response to Cyber Security Risk

Overview of Risk	Recently cyberattacks in Internet space are becoming more sophisticated worldwide, and the threats from cyberterrorism, large-scale information leakage, fraudulent business emails using computer viruses, and so on are increasing. In particular, smart factories utilizing digital technology are becoming common at plants and other production sites. But while such facilities substantially boost productivity, they also run the risk of exerting a major impact on business activities through, for example, the stoppage of production activities and suspension of operations due to cyberattacks.
Potential Impact	The Kawasaki Group is promoting the digital transformation (DX) of its plants and also pursuing initiatives to enable plant visualization by means of networks. We are also aiming for uninterrupted plant operations even in the event of accidents or other problems, as well as the connection of plants throughout the entire value chain. Meanwhile, cyberattacks on servers and malware attacks, which render illegal actions on company servers, are increasing year by year, and such cyberattacks have the potential to suspend production. Furthermore, even if our own cyber security systems are foolproof, a cyberattack originating in our supply chain has a potential knock-on impact on Kawasaki Group operations. Therefore, we emphasize the necessity to implement cyber security measures not just at Kawasaki but throughout our supply chain. In particular, given that we manufacture products relating to public infrastructure and the defense industry, there is a danger that, in the event of a cyberattack, confidential information of not only the Kawasaki Group itself but also customers may be leaked, so we believe that cyber security measures are extremely important.
Mitigation Measures	We are currently in the process of drafting a global security policy conforming with the National Institute of Standards and Technology (NIST) cyber security framework, and we plan to update all regulations relating to information security aligned with this policy as part of our measures to deal with cyber security risks. We are steadily building a technical defense mechanism conforming with the NIST cyber security framework and a defense system that operates 24 hours a day and all year round. We are also steadily promoting education and awareness raising among employees with regard to these policies, regulations, and technical defense mechanisms. In addition, we are implementing countermeasures for issues as they come to light following analyses of the current situations at respective production sites. Kawasaki has completed a campaign to alert our major suppliers on cyber security measures for the supply chain through procurement departments and is preparing to publish information security guidelines for suppliers.

Risk Culture

Risk Management Training and Awareness Building

Kawasaki explains the importance of risk management in its grade-specific training programs for employees. In addition, our commitment to improving our enterprise value based on the guiding principles of "selective focusing of resources," "emphasis on quality over quantity," and "risk management" is clearly stated in the Kawasaki Group Management Principles, part of the Kawasaki Group Mission Statement. We also post the Mission Statement at work areas and distribute Mission Statement cards to employees to build awareness of these principles.

Checking and Reporting of Potential Risks Caused by Employees

We have established and operate the Compliance Reporting and Consultation System for the domestic Kawasaki Group to identify any potential risks that may exist at the employee level.

Crisis Management

The Kawasaki Group's Risk Management Regulations contain crisis management provisions set out in readiness for the emergence of a risk.
These regulations set forth behavioral guidelines and response systems that serve to protect lives and preserve assets, minimize damage and loss, and expedite the resumption of business activities in the event of unplanned interruption.

Basic Policy

Paragraph 3 of the basic policy of the Risk Management Regulations lays out the Kawasaki Group's policy for responding to crises.
In addition to, of course, putting human lives first, the policy also clearly lays out the Company's priority of fulfilling its social responsibility as a company involved in infrastructure-related industries. Specifically, in the event of a major earthquake, we will help operate equipment used for disaster relief (such as aircraft and ships), work to quickly restore and maintain the operation of infrastructure (such as rolling stock, power generation facilities, and waste processing facilities), and support our customers and suppliers.

- For details on the basic policy, please refer to the Kawasaki Group Policy on Risk Management mentioned above.

Crisis Management Structure (at Times of Crisis and Non-Crisis)

In readiness for risks, including large-scale disasters, we maintain a Group-wide horizontally integrated Crisis Management Organization at all times.
The president is the Group's Chief Crisis Management Officer, while the head of each operating site or organizational unit acts as its crisis management officer. Crisis management offices are set up under the crisis management officers to assist them and are charged with the practical work of putting in place and maintaining a first response system for mobilization in the event of an emergency. Meanwhile, the heads of the various Head Office divisions and other staff members whom they designate form a dedicated support team for the crisis management offices.

In Times of Disaster or Accident

The disaster management system sets out in advance emergency reporting lines and organizations charged with responding when emergencies occur. Complementary to the emergency reporting lines, we have set up contact networks covering each internal company, business division, and operating site to ensure quick internal reporting and information promulgation.

In Times of Disaster or Accident

Type of Command Center	Key Role	Location
Corporate Command Center	Set up in the event of a crisis that requires a Group-wide response; determines measures to be implemented throughout the Group and basic policy on action plans	Office that has not sustained any damage In principle, either the Kobe Head Office or the Tokyo Head Office
Integrated Plant Command Center	Determines issues that affect the works as a whole; coordinates with internal companies operating in the same works	Works that belong to several internal companies
Company Command Center	Provides internal company support in areas devastated by disaster; determines response to affected suppliers and customers	Appropriate location at each internal company
Local Command Center	Determines measures according to business segment and business office	Office that sustained damage

Emergency Communication System

The Kawasaki Group has introduced an emergency communication system for the entire domestic Group to rapidly confirm the safety of employees when a disaster occurs. Tests are conducted every year to ensure that employees are familiar with the system and know how to use it.

Business Continuity Plans

A business continuity plan (BCP) is itself a management strategy. In addition to typical measures related to response immediately after a disaster, such as setting up disaster-prevention supplies and running evacuation drills, a BCP requires consideration of measures to continue business operations with minimal interruption and fulfill the corporate mission.
Based on the basic policy of the Risk Management, the Kawasaki Group has formulated BCPs for major earthquakes, pandemics, and other disasters.

Business Continuity Plan Review

The lessons learned in the Great Hanshin Earthquake, which hit the Kobe area in January 1995, formed the basis of the Group's disaster-prevention measures. In light of the Great East Japan Earthquake of March 2011, the Group significantly revised its BCP for large-scale earthquakes. In response to the COVID-19 pandemic in 2020, we have revised our pandemic response BCP to include, for example, remote working and other new workstyles. Furthermore, we regularly implement drills and use the results to revise BCPs on an ongoing basis.

1. Basic Policy
   Based on basic policy, determine course of action to be taken by the Kawasaki Group in the event of natural disasters.
2. Head Office and Internal Company Priorities
   With the basic policy in mind, designate functions to be maintained at the Head Office, internal companies and business divisions even in the event of disaster. We have identified priorities for the Head Office, internal companies and business divisions in line with our basic policy and have designated certain functions that must be maintained even in the event of disaster with due consideration given to the different business content of each internal company and business divisions and the features inherent in products and services.

3. Response in Times of Disaster and Preparation during Normal Times
   Consider responses appropriate in the wake of disaster and prepare for the eventuality of such events during normal times.
   Many disaster scenarios indicate the possibility of a massive earthquake centered directly under Tokyo as well as a cascadelike triple megaquake event along the Tokai–Tonankai–Nankai segment of the Pacific Ocean coastline. Bearing these potential events in mind, we considered the responses necessary should such catastrophes occur and activities that could be undertaken during normal times to prepare for such eventualities.
   We formulated a plan that designates specific divisions with specific tasks, and outlined preparations necessary to achieve the desired objectives. Preparations are moving ahead in line with this plan.

4. Drills and Revisions
   Run drills regularly and revise BCP content based on the results.
   We are constantly running BCP drills and revising BCP content based on how the drills were performed.

Information Security

Information Security Policy

The Kawasaki Group provides products to a diverse range of customers, from general consumers and the public sector 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 necessary information security management practices have been established as corporate regulations to ensure compliance with domestic and international laws and contracts with clients and to protect our businesses. These corporate regulations comprise Rules for Information Management, as the underlying policy, along with various standards for establishing administrative management guidelines, including the development, implementation, and use of information systems.
The Kawasaki 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.

- Kawasaki Group Policy on Information Security (full text)

Information Security Management Structure

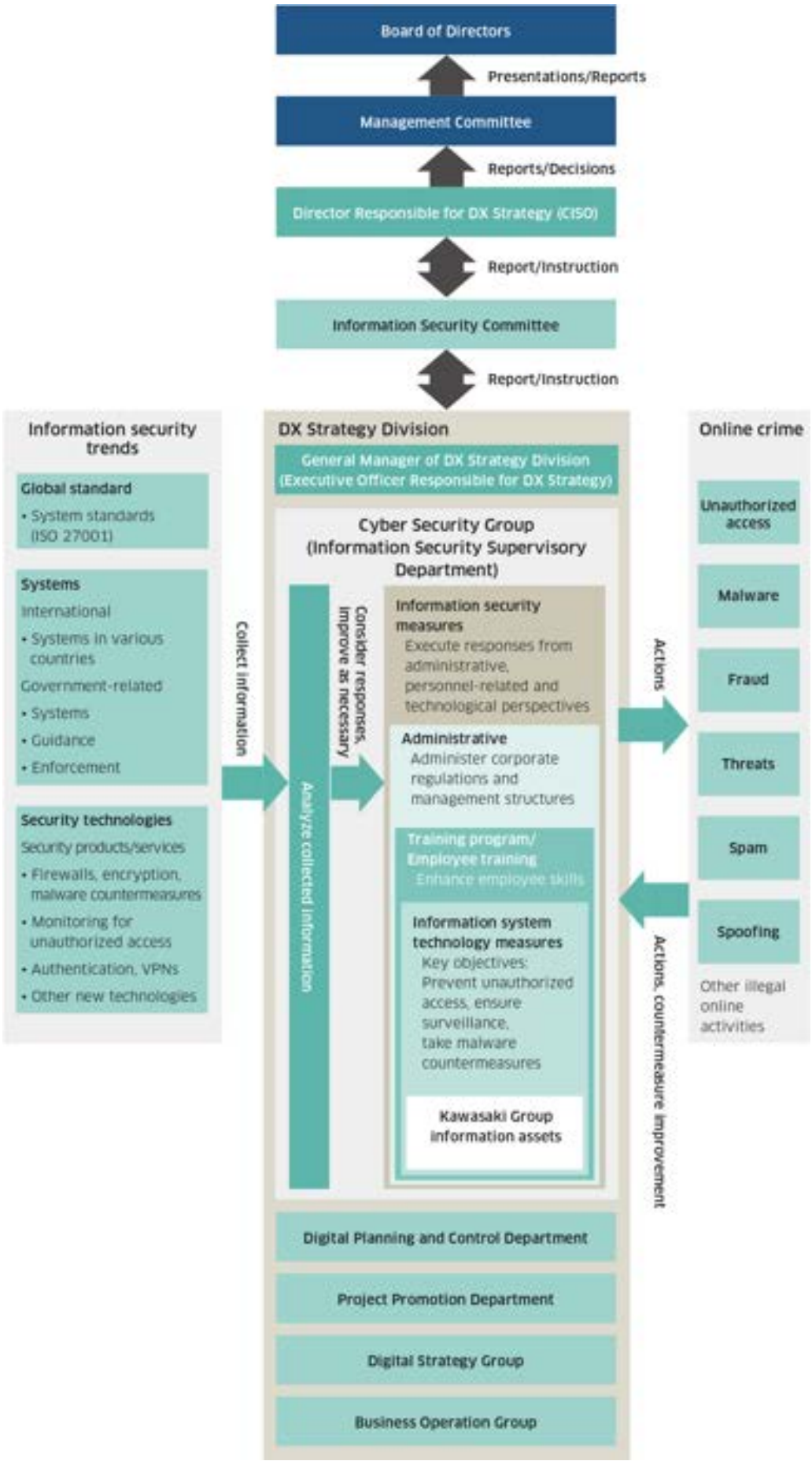
Led by the Head Office DX Strategy Division, we are bringing together the strengths of all internal companies to strengthen the Group's cyber security. Each internal company also has an information system department that implements security measures based on Company policy.

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

In addition, Benic Solution Corporation, a subsidiary that handles the Group's data center, has acquired ISO 27001 certification, an international standard for information security management, and strives to uphold a high level of operational reliability.

We implement vulnerability analyses of the servers of our demilitarized zone (DMZ) network, which connects internal systems with the outside network, both in-house and with the help of security vendors. Furthermore, we have implemented systems to prevent unauthorized access to data from outside as well as information leaks from inside and to stop the spread of computer viruses as well as systems to check for illicit activity.

Information Security Management System



Director Responsible for DX Strategy (CISO): Hiroshi Nakatani, Representative Director, Senior Corporate Executive Officer

Executive Officer Responsible for Cyber Security: Hironobu Urabe, General Manager of DX Strategy Division and Executive Officer

- The Director in charge of DX strategy takes on the role of CISO and chairs the Information Security Committee.
- The General Manager of the DX Strategy Division oversees the execution of the cyber security strategy as executive officer and has jurisdiction over the Cyber Security Group, which is the management department. Further, the Cyber Security Group within the DX Strategy Division is the Information Security Supervisory Department and is responsible for cyber security practices.
- Incidents and response status related to cyber security are reported to the Director responsible for DX (CISO) through the Information Security Committee by the General Manager of the DX Strategy Division who is the officer in charge of the Cyber Security Group.

Information Security Education and Training

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

(FY)

	2017	2018	2019	2020	2021
Information security training participants	-	8,394	9,866	17,779	19,033

Number of Violations, Details of Violations, and Actions Taken

There were no cases of violations pertaining to information security in fiscal 2021.

Personal Information Protection

Kawasaki abides by its Privacy Policy, a basic policy for protecting personal information. This policy is disclosed. Further, we control personal information by such means as appointing a personal information administrator, establishing corporate regulations titled Personal Information Protection Rules, and issuing the Personal Information Protection Manual, which explains the rules clearly for employees. In 2020 we established the Kawasaki Group Policy on the Protection of Personal Information, laying out Group-wide rules for the proper handling of personal information.
In accordance with the revision of the Act on the Protection of Personal Information of Japan in April 2022, we revised relevant corporate regulations, the Privacy Policy and the Personal Information Protection Manual. For the control of personal information, such measures are taken as constructing the security control systems for the personal information possessed by each division and preparing and regularly updating the personal data handling ledger in which the handling status of such personal information can be checked.
With regard to personal information in the Company's possession, we have put in place a structure that ensures a prompt response to requests from individuals related to their own personal information, such as requests for disclosure or discontinuance of utilization.

- Privacy Policy
- Kawasaki Group Policy on the Protection of Personal Information

Response to the General Data Protection Regulation

The Kawasaki Group has established corporate regulations regarding compliance with the European Union's and UK's General Data Protection Regulation (GDPR), laying out rules for the proper handling of personal information covered by the GDPR.

Research and Development

Our Approach and Policy on R&D

To ensure improvement in the enterprise value of the Kawasaki Group, the internal companies, business divisions, and Head Office Corporate Technology Division work as a cohesive unit, concentrating technologies available within the Group and utilizing technological synergies to develop new products and new businesses with a competitive edge.
We also strive for balanced R&D through new product and new business development as well as activities geared toward such development in the future in each internal company in addition to nurturing and reinforcing the basic technologies needed to realize these new products and new businesses.
Engineers from the internal companies and business divisions and specialists in the Corporate Technology Division, who have expertise in various fields, form project teams to share issues and work together to develop new products and new businesses, seeking always to achieve the overall optimization. The Corporate Technology Division acts as an intermediary, facilitating access to the technological core competencies of each internal company so that they can be applied to products in other internal companies. This promotes the multifaceted expansion of technology and realizes major synergistic effects. By thus combining the core technologies of the internal companies and business divisions and the basic technologies of the Corporate Technology Division, we will utilize matrix-based operations to create technological synergies throughout the Kawasaki Group and further raise enterprise value.

In addition, we have established the Kawasaki Group Policy on R&D.

- Kawasaki Group Policy on R&D

Structure

The internal companies carry out R&D in areas specific to their businesses, while the Corporate Technology Division handles forward-looking R&D on a Company-wide basis. The internal companies and Corporate Technology Division work together closely on each project.
In addition, the entire Company works as one toward the realization of Group Vision 2030.
The Corporate Technology Division comprises the Corporate Technology Planning Center, Technical Institute, System Technology Development Center, Process Engineering Center, Intellectual Property Department, and HR and General Administration Department. Working together with the Head Office Presidential Project Management Division and Hydrogen Strategy Division, these bodies collaborate to advance R&D.

Responsible Officer

Hiroshi Nakatani, Representative Director, Senior Corporate Executive Officer, General Manager of Corporate Technology Division

Responsible Executive Organ and/or Committee

The internal companies and the Corporate Technology Division meet regularly to share information about the market environment and business strategy and form consensus regarding development themes.
They also regularly take steps to concentrate technologies from across the Company to plan and follow up on important Company-wide R&D, facilitate the horizontal exchange and sharing of technologies, and promote synergy.

R&D Expenditures (consolidated global)

(FY)

	Unit	2017	2018	2019	2020	2021
Total	Billion yen	454	487	526	449	471
Percentage of sales	%	2.9	3.1	3.2	3.0	3.1
Number of employees engaged in R&D	Persons	1,888	1,941	1,916	1,956	2,000

Open Innovation

Open Innovation Policy

We have promoted open innovation as specified in the Kawasaki Group Policy on R&D.

4. Pursuit of R&D Efficiency
   In addition to pursuing R&D activities that leverage the mutual utilization of technologies possessed by business units within the Group, the Kawasaki Group will take advantage of open innovation to access cutting-edge technologies being developed at universities and external research organizations at home and abroad. Furthermore, the Group will proactively promote collaboration with external businesses.

Initiative in Open Innovation

Initiated Co-Development of Marine Machinery Operation Support System utilizing AI

Kawasaki and Kawasaki Kisen Kaisha, Ltd. ("K" Line) announced that they have concluded a co-development contract for "AI (Artificial Intelligence)-based Marine Machinery Operation Support System" that is expected to be part of the core technology to achieve autonomous vessel operation in the future. The system will have such functions as failure prediction/diagnostics, CBM (Condition-Based Maintenance), and optimum operation support, based on the data analytics of marine machinery operation data using AI.
In view of safer operations at sea, improvement of working environment for seafarers, and higher pressure for industrial competitiveness, the expectations for autonomous operations for ships is increasingly growing these days. Through this co-development project, they aim to complete the system by combining "K" Line's extensive data on vessel operation and marine machinery operation collected from Kawasaki-Integrated Marine Solutions and its years of experiences in operation and maintenance of onboard machinery, and our technology and expertise in building ships and propulsion plants, and by having AI learn these data and knowledge.

- Initiated Co-Development of Marine Machinery Operation Support System utilizing AI —For the Future with Maritime Autonomous Surface Ships— (Kawasaki Press Release on November 1, 2021)

Process Innovation

- Improved our transportation process that applies 3D data
- Improved our production process with front-loading that utilizes VR technology
- Introduced an automated testing system that employs image processing technology
- Utilized next-generation work instruction systems that leverage projection mapping

Effects of Process Innovation

As a notable achievement, on account of the optimization of our returnable boxes used in the transportation of parts through verification that employs shipping performance data and 3D data of parts, we have improved our loading efficiency and thereby succeeded in reducing our distribution costs in Japan by 5%.

Environmental Innovation

At Kawasaki, we have defined a set of in-house criteria to improve the environmental performance of our products through energy and resource conservation and to reduce our environmental footprint by reducing the amount of industrial waste produced and chemical substances used in our production processes. Products that meet these criteria are registered as the Kawasaki Ecological Frontiers (formerly the Kawasaki-brand Green Products).

- Environmentally Consious Products

Intellectual Property Management

Principles of Intellectual Property Management

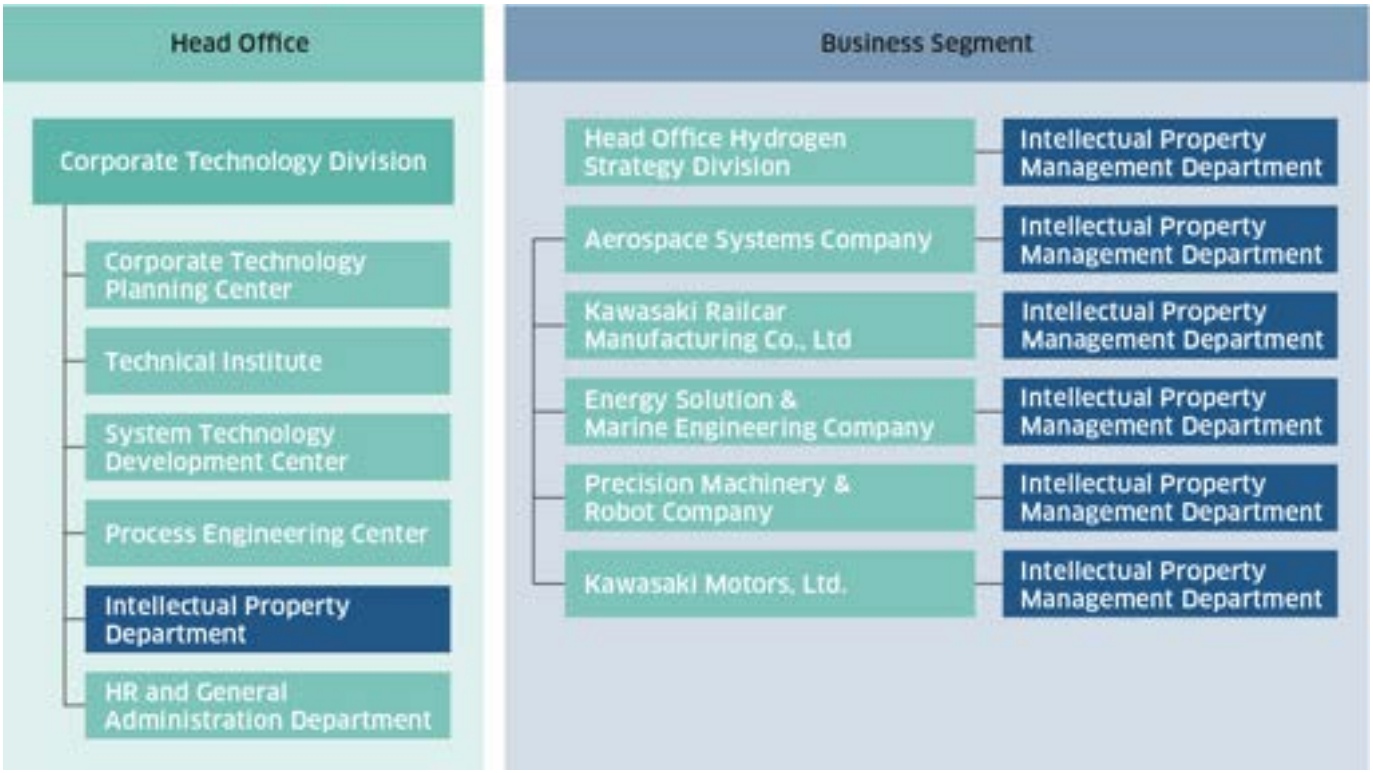
We have established the Kawasaki Group Policy on Intellectual Property.

- Kawasaki Group Policy on Intellectual Property (full text)

Structure

To promote strategic intellectual property activities, we maintain a structure whereby the Intellectual Property Department in the Corporate Technology Division drafts and implements corporate measures and works with the intellectual property management departments of the internal companies to carry out intellectual property activities in line with each segment's business.

Intellectual Property Activities Structure



Responsible Officer

Hiroshi Nakatani, Representative Director, Senior Corporate Executive Officer

Responsible Executive Organ and/or Committee

The Intellectual Property Committee formulates operating and basic policies regarding Company-wide intellectual property activities.

Strategic Intellectual Property Activities

By taking part in business planning from the earliest stages, providing information useful for developing a business strategy that leverages IP information, making suggestions regarding strategy, and developing an IP strategy that will strengthen the business strategy, we strive to implement IP activities in coordination with management and the business strategy.

Countermeasures to the Improper Use of Kawasaki Group Brands

We have in place appropriate countermeasures based on trademark and other rights for dealing with commercial activities that make unauthorized use of Kawasaki Group brands, the manufacture and sale of counterfeit products, the use and application for registration of trademarks similar to those of the Kawasaki Group, and related issues. By further developing such activities, we will protect and further enhance market confidence in our brands.

Invention Reward System

Based on the Patent Law regulation pertaining to inventions by employees, Kawasaki has established a provision in its internal rules regarding inventions by employees to reward employees at specific milestones, such as the filing of a patent application (application reward), patent registration (registration reward), and practical application (performance-based reward). The Company faithfully adheres to this provision. In addition, the same reward system is applied even when the invention is not made public for strategic reasons. Of note, the performance-based reward is fairly awarded after duly taking into consideration how the Company has benefited from the invention, using an evaluation standard based on comparisons with other companies in the same industry as well as trends in society.

Employee Training

Intellectual property is an important management resource for increasing our business competitiveness. As such, Kawasaki’s basic policy is to secure and effectively utilize its own intellectual property while respecting the valid intellectual property rights of third parties. In line with this policy, we carry out grade-specific activities to foster correct awareness of intellectual property.

Environment

Environmental Management

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164 Environmental Risk Management & Compliance with Laws and Regulations

Environmental Charter & Environmental Vision

Environmental Charter (established 1999, revised in 2010 and 2021)

Environmental Philosophy

The Kawasaki Group pursues business activities globally in key industries related to land, sea, and air, guided by the desire to contribute to the development of society through *monozukuri* manufacturing. In this effort, as a group, we emphasize the "realization of a carbon-free society," "realization of a recycling-oriented society," and "realization of a society coexisting with nature" to help solve global environmental issues, and we strive to help build a sustainable society through environmentally harmonious business activities and environmentally conscious Kawasaki-brand products and services.

Conduct Guidelines

1. Global environmental problems are serious issues shared by people around the world and, making it a management priority to ensure that business activities are conducted in harmony with the environment,we will strive willingly and vigorously toward this goal.
2. We will endeavor to conserve resources, save energy,recycle, and reduce industrial waste in production stages, and we will promote efforts to limit the impact of our operations on the environment.
3. We will carefully consider environmental impact during product planning, R&D and design stages to limit as much as possible any environmental impact caused during procurement, production, distribution,utilization and disposal stages of the products we make and market.
4. We will strive to minimize the impact our business activities have on ecosystems and engage proactively in efforts to protect these ecosystems.
5. In seeking solutions to global environmental issues,we will develop and provide new technologies and new products that effectively contribute to environmental protection and reduced consumption of energy and natural resources.

6. Going beyond environment-related laws, regulations,conventions, and self-established action plans in related industries, we will implement our own environmental control standards, as appropriate,and strive to improve environmental management.
7. Through environmental training and public relations activities, we will strive to elicit greater awareness of global environmental issues among all employees and will encourage employees to perform a self-improvement review and participate in social contribution activities.
8. We will implement an environmental management system for environmental protection activities, hold regular conferences on environmental protection activities, undertake reviews, and strive to achieve continual improvement in our environmental protection activities.

Kawasaki Global Environmental Vision 2050

Kawasaki Establishes Global Environmental Vision 2050　Pursuing Three "Frees": CO_2 FREE, Waste FREE and Harm FREE

In light of the Paris Agreement enacted to restrict global warming and the Sustainable Development Goals (SDGs) adopted by the United Nations, the Kawasaki Group has announced that it will collaborate toward the realization of a sustainable society in the future, and formulated the “Kawasaki Global Environmental Vision 2050.”

"Activity Mark: Designed with the three challenges, imagining a "letter to the future."

CO_2 FREE

- Aim for zero CO_2 emissions in business activities
- Provide products and services that greatly curb CO_2 emissions

Waste FREE

- Aim for zero waste emissions in business activities
- Thoroughly enforce conservation and recycling of water resources

Harm FREE

- Aim for zero harmful chemical substances emissions in business activities
- Develop business with respect for biodiversity

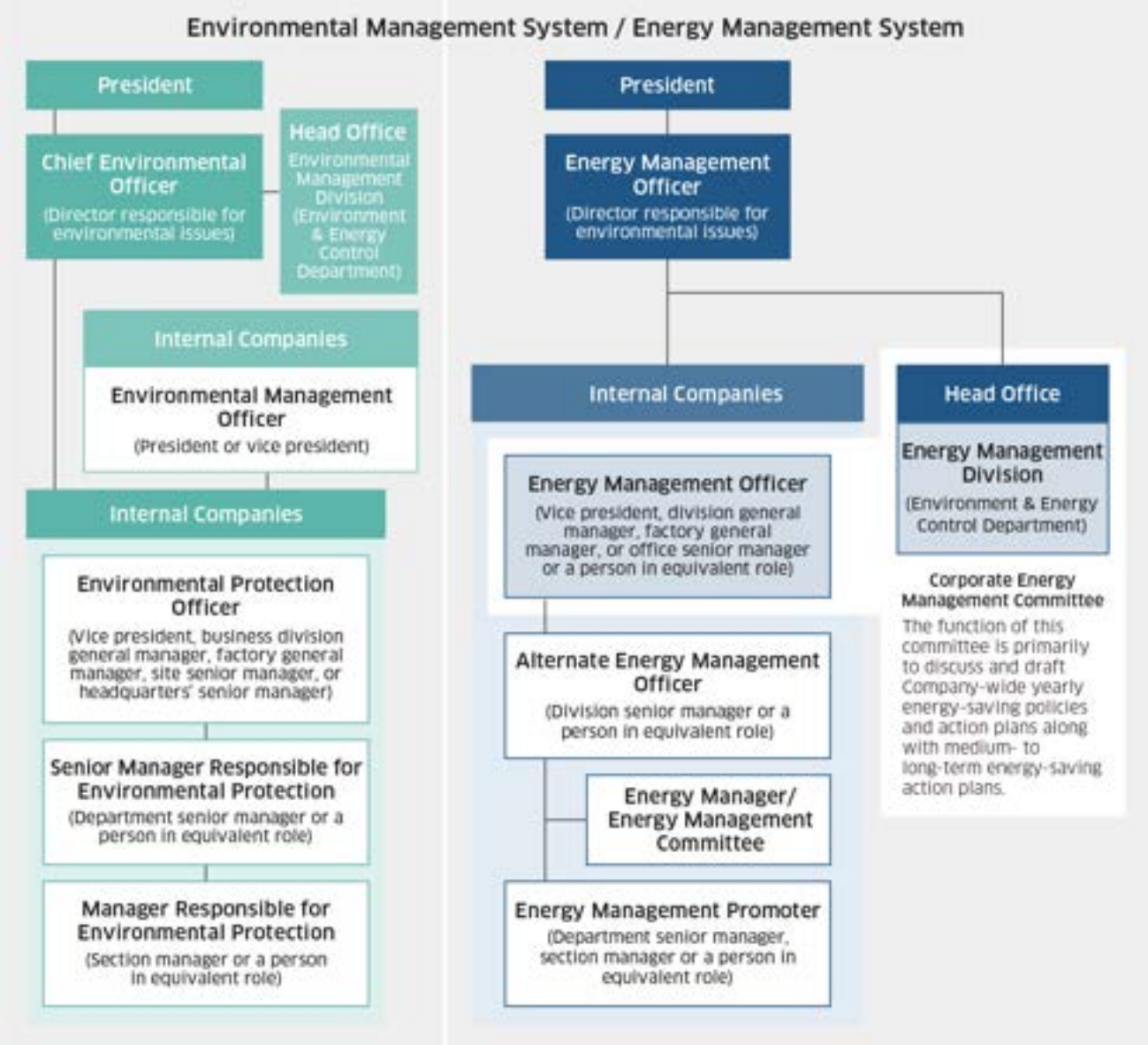
The embodiment of the Group’s environmental management is based on the three visions of “CO_2 FREE,” “Waste FREE,” and “Harm FREE,” and the Group will contribute to controlling global warming, promoting a recycling-oriented society and protecting biodiversity toward the year 2050.

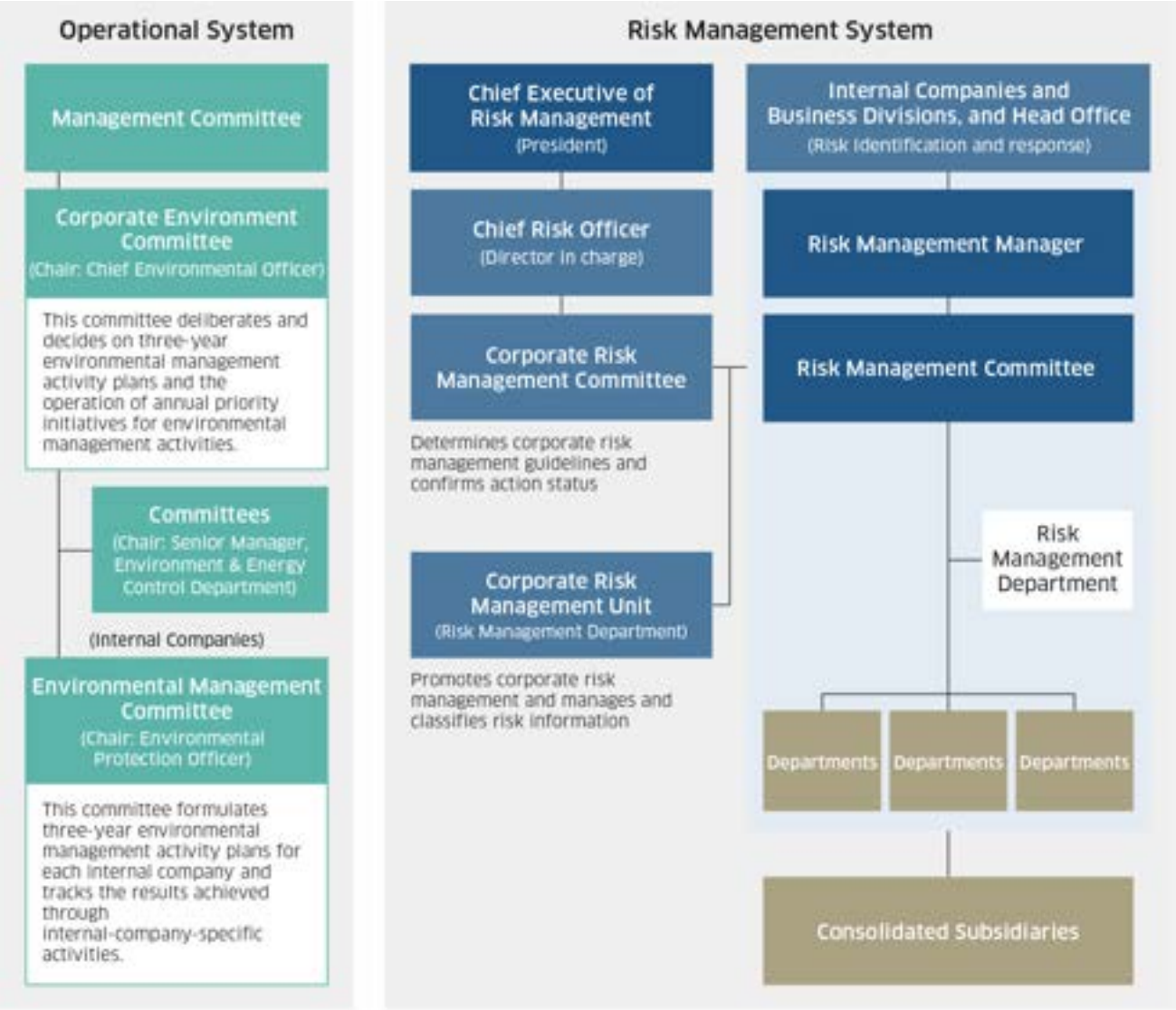
- Press Release (Aug.09,2017)

Environmental Management Promotion Structure

The Group has established the environmental management promotion structure described below.
In addition, the Group established a system under which environmental management strategies are discussed by the Sustainability Committee, which is chaired by the President, and activity reports on environmental management are regularly submitted to the Board of Directors.

Environmental Management Promotion Structure

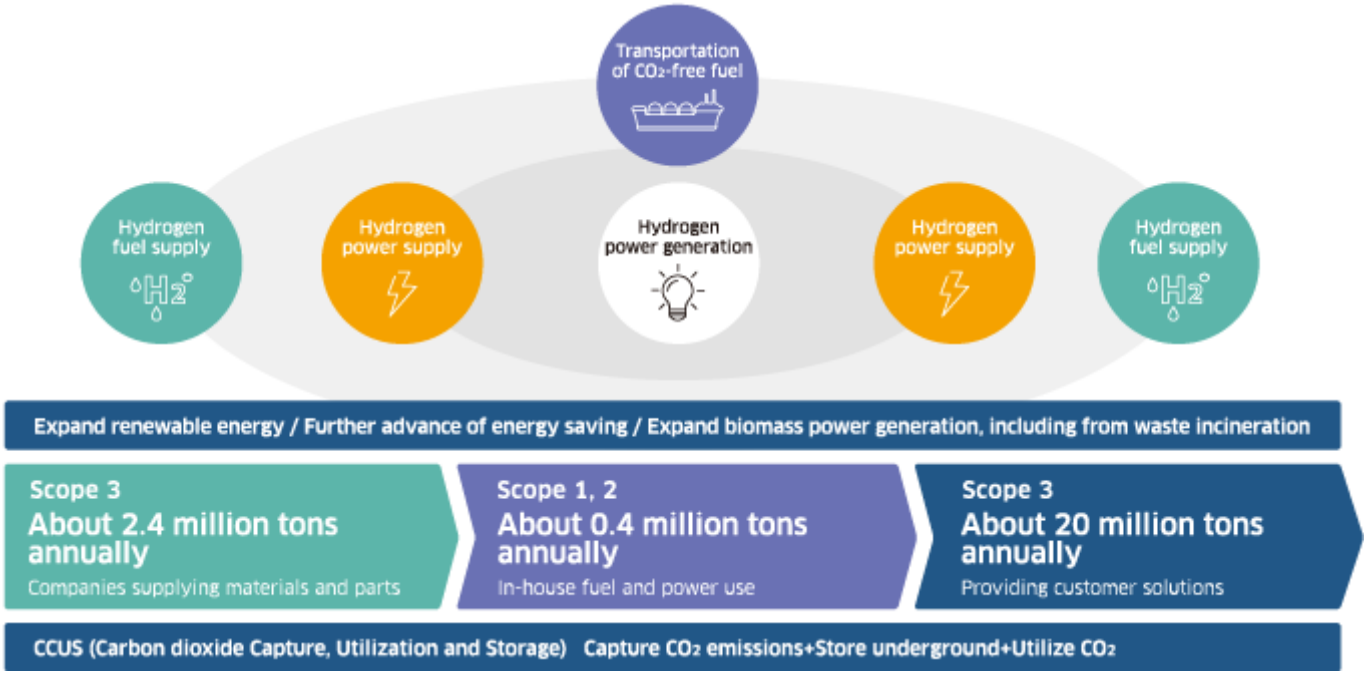




Environmental Management Promotion Structure

Carbon neutrality strategies

Kawasaki Group CO_2 emissions and major countermeasures



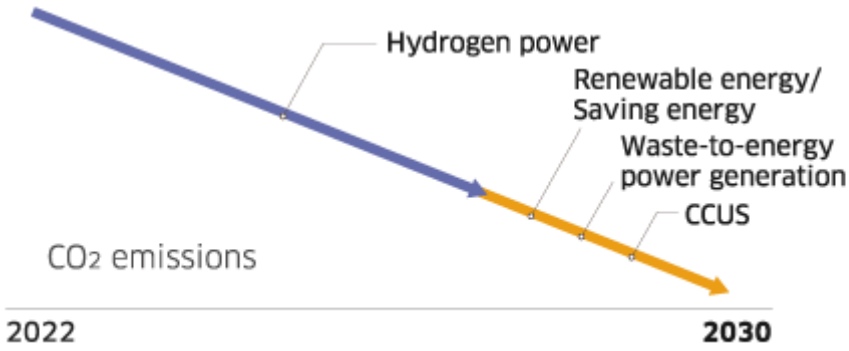
Carbon neutrality targets

The Group aims to achieve carbon neutrality domestically by 2030 through the further advance of energy saving, the expanded use of renewable energies, and the expansion of waste-to-energy power generation, as well as independent initiatives focusing on hydrogen power generation.
In addition, we will extend our decarbonization solutions to society, business partners, and customers, thereby contributing to the early realization of carbon neutrality in the world.

Scope 1, 2

2030

Net Zero (Group companies in Japan)



Scope 3

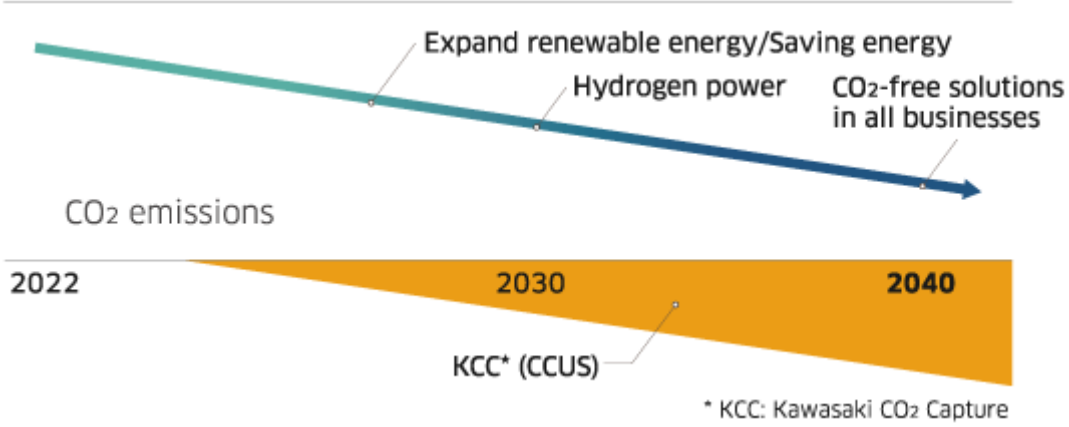
2040 → 2050

Zero-Carbon Ready
(Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing)

Net Zero
(entire Kawasaki Group)

* 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

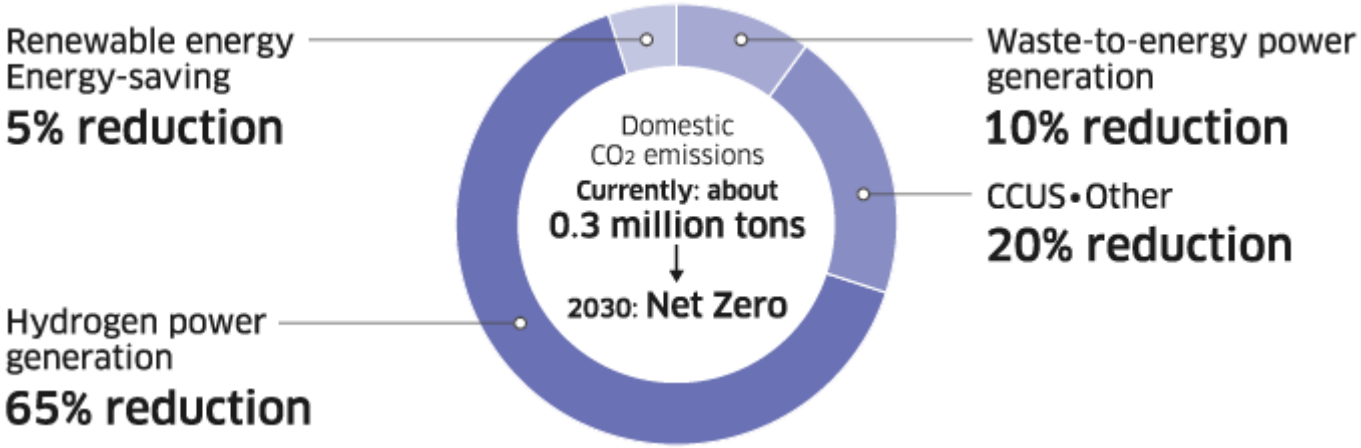


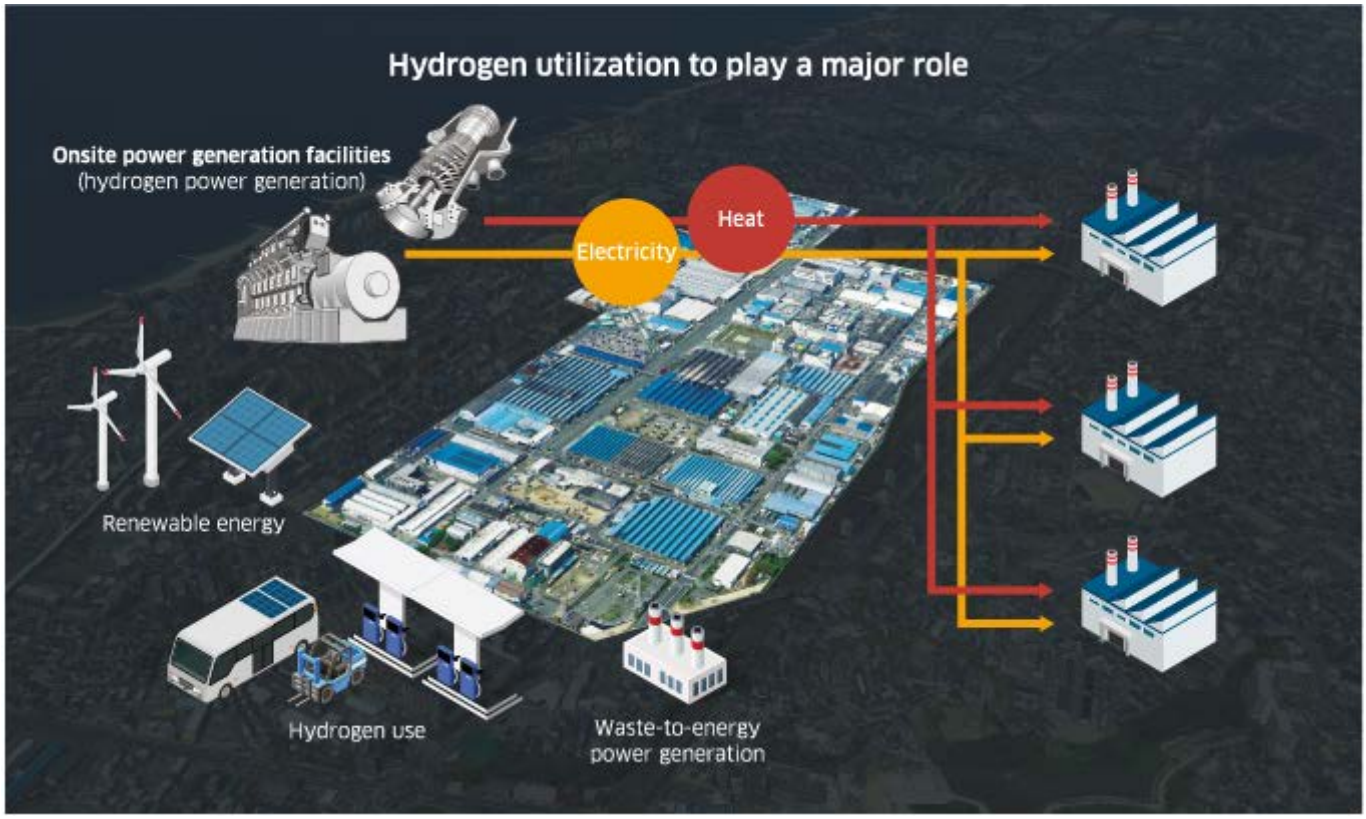
* KCC: Kawasaki CO_2 Capture

Scope 1, 2

Toward the Realization of Independent Carbon Neutrality by 2030 through Initiatives Focusing On Hydrogen Power Generation

To reduce Scope 1 and 2 CO_2 emissions, the Kawasaki Group will first create zero-emissions plants in Japan, which accounts for three-quarters of the Group's total annual emissions of 400,000 tons, by combining power generation from waste, renewable energy, and other sources with a focus on in-house hydrogen-fueled power generation facilities, as described below. We will then expand implementation to overseas subsidiaries and promote the introduction of hydrogen energy to existing power generation facilities previously delivered to customers and other facilities.
The natural gas-fired gas turbine facilities previously delivered by the company that are currently in operation have a total capacity of about 1,000 MW. If we make proposals for the introduction of hydrogen energy and are able to transition these facilities to mixed hydrogen or exclusive hydrogen firing, it will be possible to shift to hydrogen energy without making substantial changes to existing facilities.
Hydrogen power generation is currently advancing from the verification stage to the commercial application stage, and one urban area that can serve as a model, we have already achieved supply of heat and electric power generated exclusively from hydrogen using gas turbines manufactured by Kawasaki Heavy Industries.





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

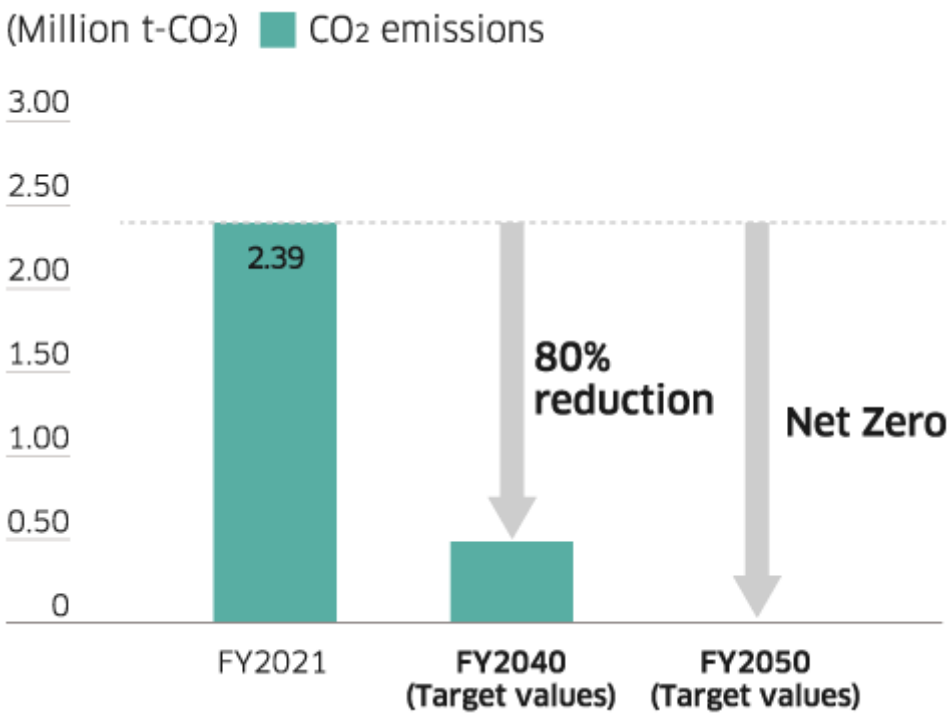
Scope 3 Category (i) Companies supplying materials and parts
About 2.4 million tons annually

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

It is anticipated that many industries and companies will tackle the reduction of CO_2 emissions through various measures, including the utilization of renewables and efficient energy use.

The Company will deepen its partnerships, including sharing emissions data with business partners, 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 that supply materials and parts.

Scope 3 Category (i) (CO_2 reductions scenarios)



Provide CO_2-free solutions to all customers

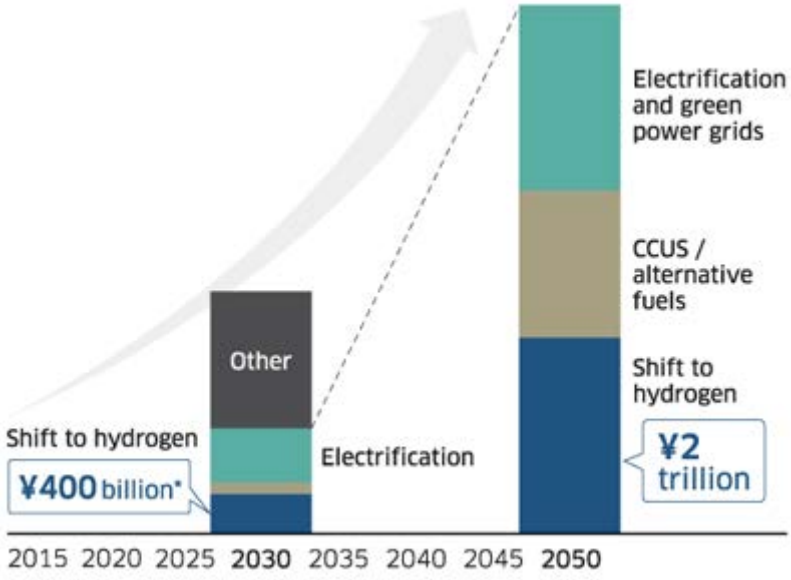
The Group will actively further three major initiatives. The first will be the provision of CO_2-free fuels and electrical power to society, with a focus on its hydrogen business. The second will be to make a selection of choices for electrification and CO_2-free fuels available to customers utilizing our various solutions including mobility and robots. The third will be to undertake initiatives to provide carbon capture, utilization, and storage (CCUS) solutions to capture CO_2 emitted into the atmosphere, and subsequently store underground or use this CO_2.
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.

*From fiscal 2021, the Group modified its calculation method to allow more accurate records of emissions levels for Scope3 category (xi). Previously, CO_2 emissions levels for products such as hydraulic machinery, manufactured as parts to be incorporated in finished products, were calculated by tallying the CO_2 emissions levels of the finished products such as construction machinery. However, from fiscal 2021, these calculations will also take into account the degree of contributions and weight ratios for final products.

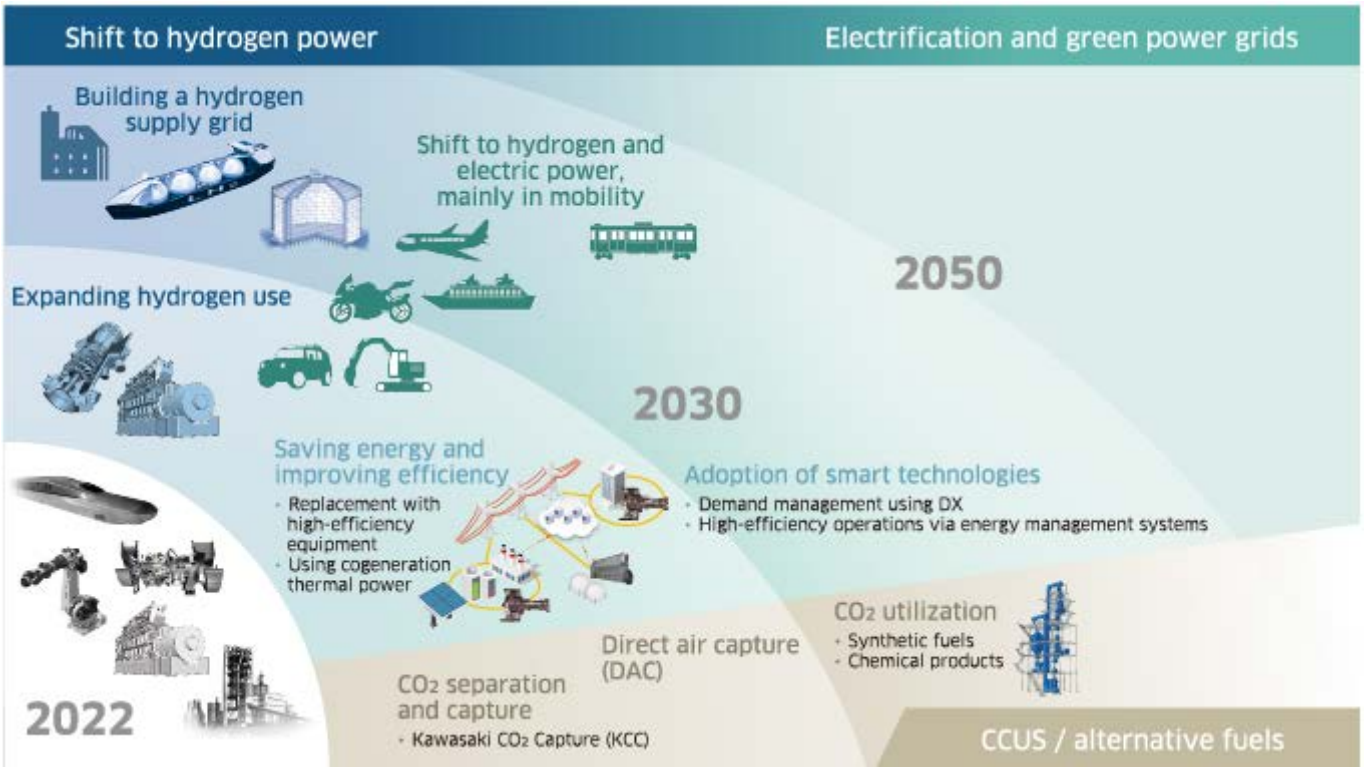
Direction of Transitions by Business

Businesses	Shift to hydrogen	Electrification and green power grids	CCUS / alternative fuels
Aerospace Systems	○	○	○
Rolling Stock	○	○	○
Precision Machinery	○	○	○
Robot		○	
Power Sports & Engine	○	○	○
Energy	○	○	○
Marine machinery	○	○	○
Plants	○	○	○
Ship & offshore structure	○	○	○

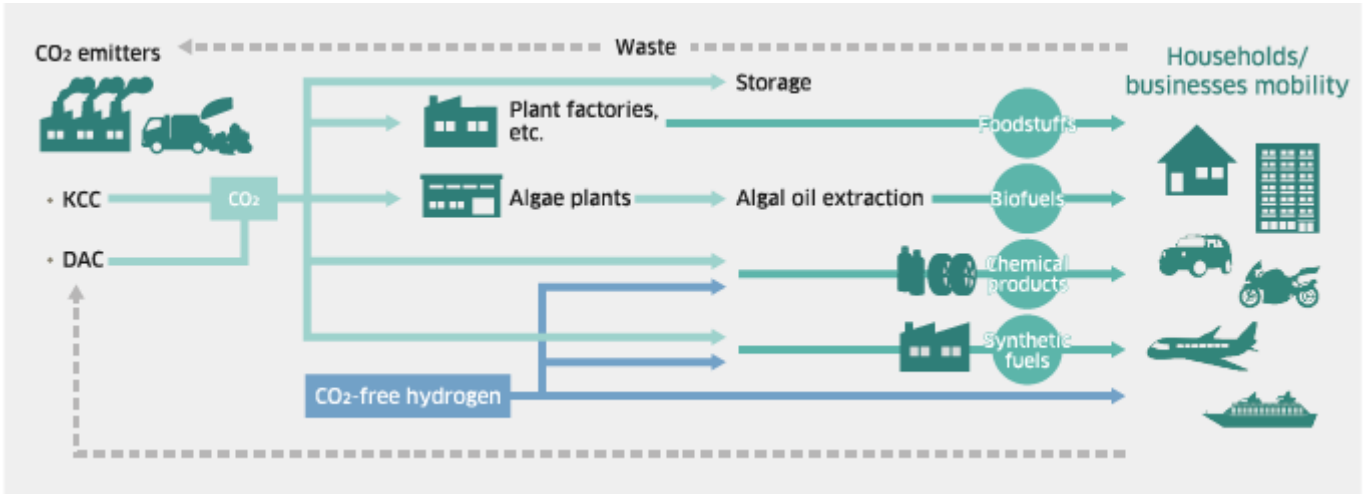
Envisioned Scale of Business by Future Solution



Decarbonization Solutions



A CO_2-recycling Society



Information Disclosure in Line with the TCFD Recommendations (Scenario Analysis)

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

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℃ above pre-industrial levels—the goal of the Paris Agreement—through its business, by advancing its hydrogen business, CCUS*1 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.

*1 Carbon dioxide Capture, Utilization and Storage

Governance (Organizational governance of climate-related risks and rewards)

Kawasaki has established a Sustainability Committee, chaired by the President, to provide a system for discussion and reporting regarding its environmental management strategy, including climate change risks and opportunities; committee meetings are held at least twice a year. The Sustainability Committee regularly reports on its activities to the Board of Directors, which makes policy decisions regarding climate change-related initiatives and discusses other important matters.

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 through the hydrogen business, CCUS and other efforts.
In the current scenario analysis, we looked at the Group in its entirety to perform a comprehensive assessment in terms of (i) an assessment by industry; (ii) CO_2 emissions; (iii) business size and future growth potential; and (iv) climate change-related opportunities and risks. We then identified those businesses that will be significantly impacted by climate change. We conducted a quantitative assessment (financial impact assessment) of the Energy Solution and Marine Engineering segment, which faces the greatest impact, as well as a qualitative assessment of the Aerospace Systems and Motorcycle & Engine segments, which will see the next-largest impact. Considering consistency with the Group Vision 2030, the year 2030 was set as the target year, with the analysis based on a scenario of 1.5℃ and 4℃.

Risk Management (Methods for identifying, assessing and managing climate-related risks)

The identification and assessment of risks related to climate change are conducted by the Sustainability Committee. Risks are identified in accordance with TCFD categories, including transition risks, physical risks and others, and are assessed based on the size of their impact. The most significant risks among these are reported to the Board of Directors, which then holds discussions regarding countermeasures.

Indicators 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.

Kawasaki Group CO_2 Emissions Reduction Targets

<table>
<tr><th>Scope 1, 2</th><th>Scope 3</th></tr>
<tr><td>2030
Net Zero
Scope: Domestic Group companies</td><td>2040
Zero-Carbon Ready
* Substantially reduce CO_2 emissions by greater than 100% through promotion of the CCUS business (Category (i): 80% reduction (versus fiscal 2021)
Category (xi): Promote CO_2 reductions in the world)
Scope: Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar</td></tr>
<tr><td colspan="2">2050
Net Zero
Scope: Entire Group (consolidated)</td></tr>
</table>

Climate Change Scenario Analysis

1.5℃ Scenario (As of 2030) If Group Vision 2030 Is Achieved

Business Segment		Energy Solution & Marine Engineering Segment	Aerospace Systems Segment	Motorcycle & Engine Segment
Assumptions		• Decarbonization of energy will progress rapidly worldwide, and energy conservation, energy conversion and the shift toward non-fossil fuels will advance in Japan as well. • An international supply chain will be built for hydrogen and ammonia, and power generation begins. Strategic placement of hydrogen stations advances.		
		• With safety and a stable supply as first priorities, supply of low-carbon or decarbonized energy at reasonable prices will progress. Electricity demand will increase globally, but decline slightly in Japan. Energy security will become increasingly important.	• Global air passenger traffic will increase as the middle class grows in emerging economies. The use of sustainable aviation fuel (SAF), such as biofuels, and hydrogen will be encouraged.	• Rapid progress in electrification. The use of hydrogen and synthetic fuels will also advance.
Opportunities	**Hydrogen-related**	• Demand will increase for liquefaction plants, liquefied hydrogen storage tanks, liquefied hydrogen carriers, hydrogen gas turbines, hydrogen gas engines and marine hydrogen engines.	• Efforts to develop hydrogen-powered aircraft will progress toward 2040.	• Demand will increase for hydrogen engine motorcycles and four-wheelers.
	CCUS	• Demand will increase for CO_2 recovery plants/equipment and use of CO_2.	—	—
	Electrification	• Demand will increase for marine electric propulsion systems and marine fuel cell and storage batteries.	• Development of electric aircraft will advance.	• New electric motorcycles (EV/HEV, etc.) will come to market and sales will increase.
	Alternative Fuels	• The use of biomass will increase.	• Demand for sustainable aircraft fuel (SAF) will increase.	• Demand for e-fuel (carbon-neutral alternative fuels) compatible mobility will increase.
	Other	• Demand will increase for reduced GHG vessels, marine LPG/LNG engines and ammonia transport.	• Demand will increase for fuel efficient engines.	—
Risks		• Due to delays in infrastructure development, etc. widespread adoption of hydrogen may fall behind our assumptions. • Demand for LNG power generation facilities will gradually decline.	• R&D and capital investments in new types of aircraft and engines using next-generation technology will increase.	• EV/HEV development costs will increase. Capital investments in solving battery issues (durability, output), e-fuel and use of hydrogen technology will increase.
Financial Impact (2030 net sales)		• Hydrogen-related Products ¥400 billion	• (Scheduled for future implementation)	• (Scheduled for future implementation)

Business Segment		Energy Solution & Marine Engineering Segment	Aerospace Systems Segment	Motorcycle & Engine Segment
Kawasaki's measures to address opportunities and risks	**Hydrogen-related**	• We have promoted the Green Innovation Fund's commercialization demonstration projects to achieve greater scale at lower cost. We have actively promoted alliances with relevant companies to realize an international supply chain.	• Kawasaki is also promoting R&D in hydrogen aircraft core technology. We are advancing studies of airport infrastructure, etc. utilizing the hydrogen supply chain.	• Stimulate demand by encouraging the development of mobility and general-purpose engines utilizing hydrogen engines.
	CCUS	• Kawasaki has completed a demonstration of a CO_2 recovery plant under NEDO* and Ministry of the environment projects based on the strength of our submarine technology, and are advancing efforts to scale up and strengthen cost competitiveness of the plant toward commercialization. We are investigating a wide range of possibilities for utilization of CO_2, including synthetic fuels. * New Energy and Industrial Technology Development Organization	—	—
	Electrification	• Expand sales of hybrid/electric propulsion systems.	• Advance development of elemental technologies related to electrification.	• Deploy EV/HEV in at least 10 models by 2025, and replace major models with EV/HEV by 2035.
	Alternative Fuels	• Expand sales of boilers compatible with a wide variety of biomass fuels.	• Advance preparations for development of SAF-compatible engines.	• Promote development of e-fuel compatible mobility.
	Other	• In addition to meeting immediate transport demand with ammonia carriers, provide hydrogen engines and hydrogen supply systems for coastal vessels, which are the primary target ship types for our marine LNG gas engines. • Meet demand for LNG power generation from an energy security perspective, while also promoting a conversion to hydrogen gas turbines and hydrogen gas engines.	• Promote R&D in composite materials and high-efficiency systems. • To cope with rising research and equipment costs, promote R&D in low-cost production technology using robot technology and IOT. Also increase development efficiency through alliances with other companies.	• With regards to development costs and capital investments, we will control costs by standardizing components and outsourcing, including through collaboration with other companies.

4℃ Scenario (as of 2030) in the Absence of Progress with Group Vision 2030

Business Segment	Energy Solution & Marine Engineering Segment	Aerospace Systems Segment	Motorcycle & Engine Segment
Assumptions	• Many countries withdraw from the Paris Agreement, leaving nature to take its course. Japan also fails to implement policies to reduce greenhouse gas emissions. • Typhoons, floods and other natural disasters chronically occur and intensify. • Gradual progress in deployment of renewable energy. Reliance on coal and oil continues. Hydrogen and ammonia technology fails to progress and introduction does not move forward.		
Opportunities	• Demand for distributed power and emergency power generation facilities will increase as a means of reducing disaster damage.	• Demand for disaster response helicopters and related systems will increase as a means of reducing disaster damage.	—
Risks	• The frequent occurrence of natural disasters may increase damage to power generation and transmission equipment, and increase the occurrence of delays in parts procurement and delivery due to supply chain disruptions.		
	• Lack of progress in adoption of hydrogen and CCUS may cause delays in return on investments and require reevaluation of business plans.	—	• Temperature changes may reduce lawn growth and shrink the general-purpose engine market.
Financial Impact	• Loss of sales opportunities in hydrogen-related businesses. Delays in recovering investment. • Maintenance and growth of business scale expected through continuation of and improvements to existing products.	(Scheduled for future implementation)	(Scheduled for future implementation)
Kawasaki's measures to address opportunities and risks	• Promote deployment of distributed power sources, emergency power generation.	• Accelerate deployment of disaster response helicopters and related systems.	• Consider repurposing technology acquired in lawn-related engines to enter markets outside of the lawn and garden segment.
	• Strengthen business continuity planning (BCP), mainly at coastal plants, as a countermeasure against natural disasters. Work toward a more resilient supply chain.		

Note: EV: Electric Vehicle; HEV: Hybrid Electric Vehicle; GHG: Greenhouse Gas

The Three-Year Environmental Management Activities Plan 2022 (FY2022–2024)

Policy for Initiatives

Based on the environmental policy laid out in the Group Environmental Charter,[1] the Group Mission,[2] the Group Vision 2030,[3] and assessments of the Three-Year 10th Environmental Management Activities Plan (FY2019–2021),[4] the Kawasaki Group has established key strategies to help meet society's needs, realize both environmental conservation and business growth, and achieve the Kawasaki Global Environmental Vision 2050 goals of "CO_2 FREE," "Waste FREE," and "Harm FREE."
To realize a decarbonized society (CO_2 FREE), we have drafted in-house energy measures in accordance with Japan's energy policy and so on, and our aim is to achieve carbon neutrality by 2030.
In addition, to realize a recycling-oriented society (Waste FREE) and a society coexisting with nature (Harm FREE), we will raise the level of management of the entire Group, work to further reduce environmental risk, and restore natural environments damaged by the construction of our plants.
At the same time, to help achieve the Sustainable Development Goals (SDGs), we will work mainly through the environmental and energy businesses to solve social issues from a long-term perspective.

1 Please refer to "Environmental Charter."

2 The Group Mission of "Kawasaki, working as one for the good of the planet."

3 Please refer to the Group Vision 2030.

4 Please see the Summary of Environmental Activities in Fiscal 2021 and Results of the Three-Year 10th Environmental Management Activities Plan (FY2019–2021).

The Three-Year Environmental Management Activities Plan 2022 (key strategies)

(1) CO_2 FREE	Targets of the Environmental Plan 2022 Reduce the CO_2 emissions by 15,000 t in the three years from 2022 to 2024 (total for Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing)
Realization of a decarbonized society	**In-house CO_2 reduction** **(a) Expanded introduction of decarbonized energy** • We will make full use of solar power generation and waste generation, promote the procurement of zero-emission electricity, and address the building of an in-house energy management system envisioning hydrogen power generation in the future. • We will plan for the decarbonization of heating energy (air conditioning). **(b) Further promotion of energy-saving activities** • We will tackle this issue by adding a new in-house mechanism to existing energy-saving investment. • We will endeavor to save energy in heating (air conditioning, etc.). • We will introduce a carbon levy and engage in short-term follow-up of CO_2 emissions. **(c) Reduction of fossil energy** • We will exchange information on product decarbonization strategy and development status of Kawasaki Centrifugal Compressors (KCC). • We will minimize our fossil energy use and CO_2 emissions. **External CO_2 reduction** **(a) Reduction of CO_2 emissions in entire supply chain** • We will compile measures, during fiscal 2022 if possible, to reduce Scope 3 CO_2 emissions (product decarbonization strategy). **Upstream supply chain** Regarding representative suppliers generating procurement-related CO_2 emissions, we will consider engagement relating to green procurement, etc. and commence specific discussions. **Downstream supply chain** We will expand the scope of application of the Kawasaki Ecological Frontiers certification system (formerly the Kawasaki-brand Green Products system) for environmentally conscious products to the entire Group and enhance the effect of reducing CO_2 emissions through product contributions.
(2) Waste FREE	Targets of the Environmental Plan 2022 Maintain ratio of direct-to-landfill waste to total waste generation at less than 1% (total for Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing)
Realization of a recycling-oriented society	**(a) Confirmation of water resource risks** • We will minimize water resource risks in the entire supply chain. **(b) Circular economy** • Without limiting ourselves to the 3Rs for resources (reduce, reuse, recycle), we will begin studying a new business model based on wide-ranging concepts, such as sharing and products as services, and set about compiling a roadmap.
(3) Harm FREE	Targets of the Environmental Plan 2022 Reduce environmental risk while operating factories with respect for biodiversity
Realization of a society coexisting with nature	**(a) Management of chemical substances** • We will properly manage harmful chemical substances and consider alternatives (Reduce Group-wide environmental risk) **(b) Forest-conservation activities** • We will set independent goals relating to the establishment of green belts. • We will study the visualization of contributions in areas of activity that do not have CO_2 absorption certification systems.

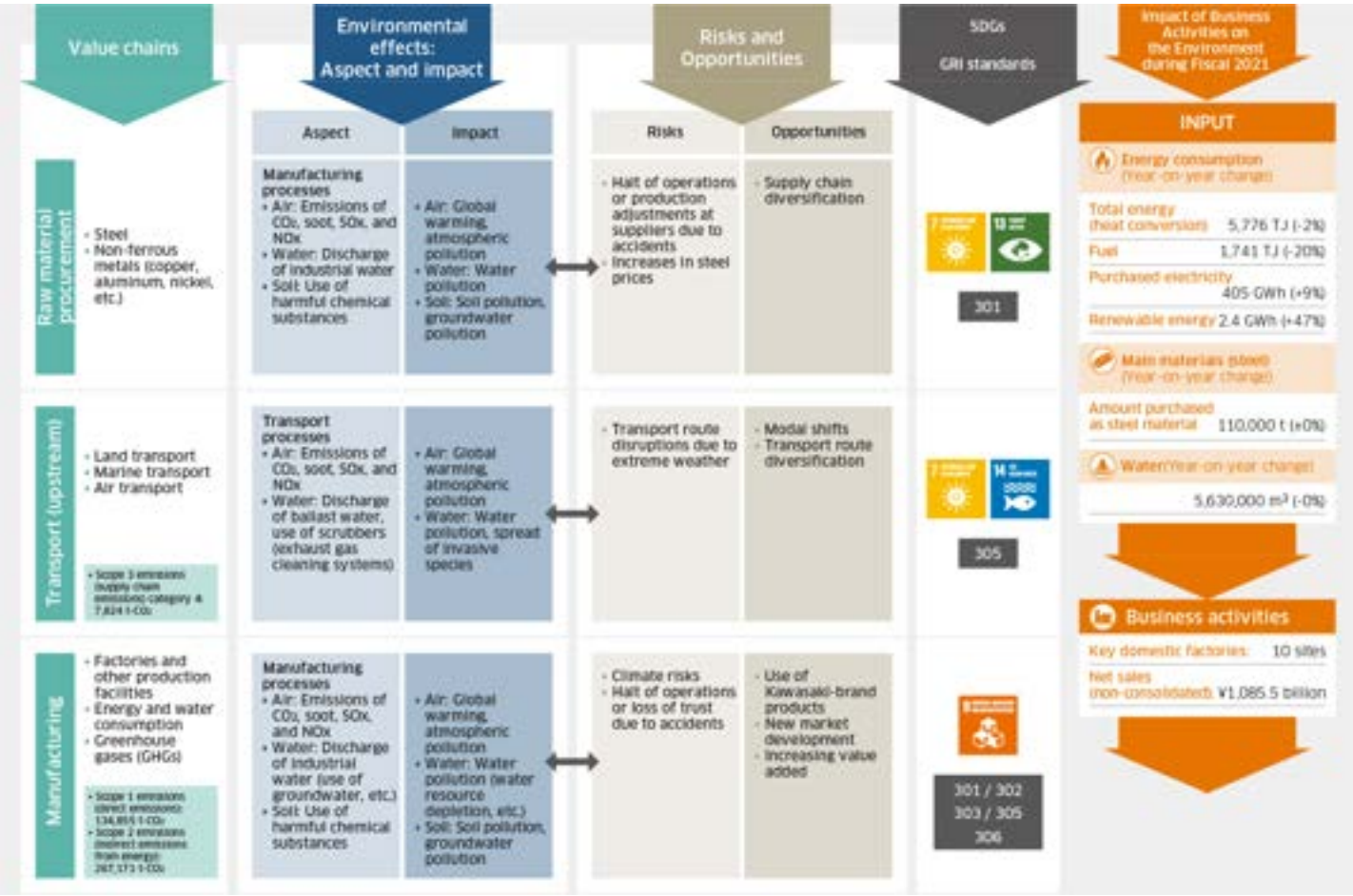
Kawasaki's Business Processes

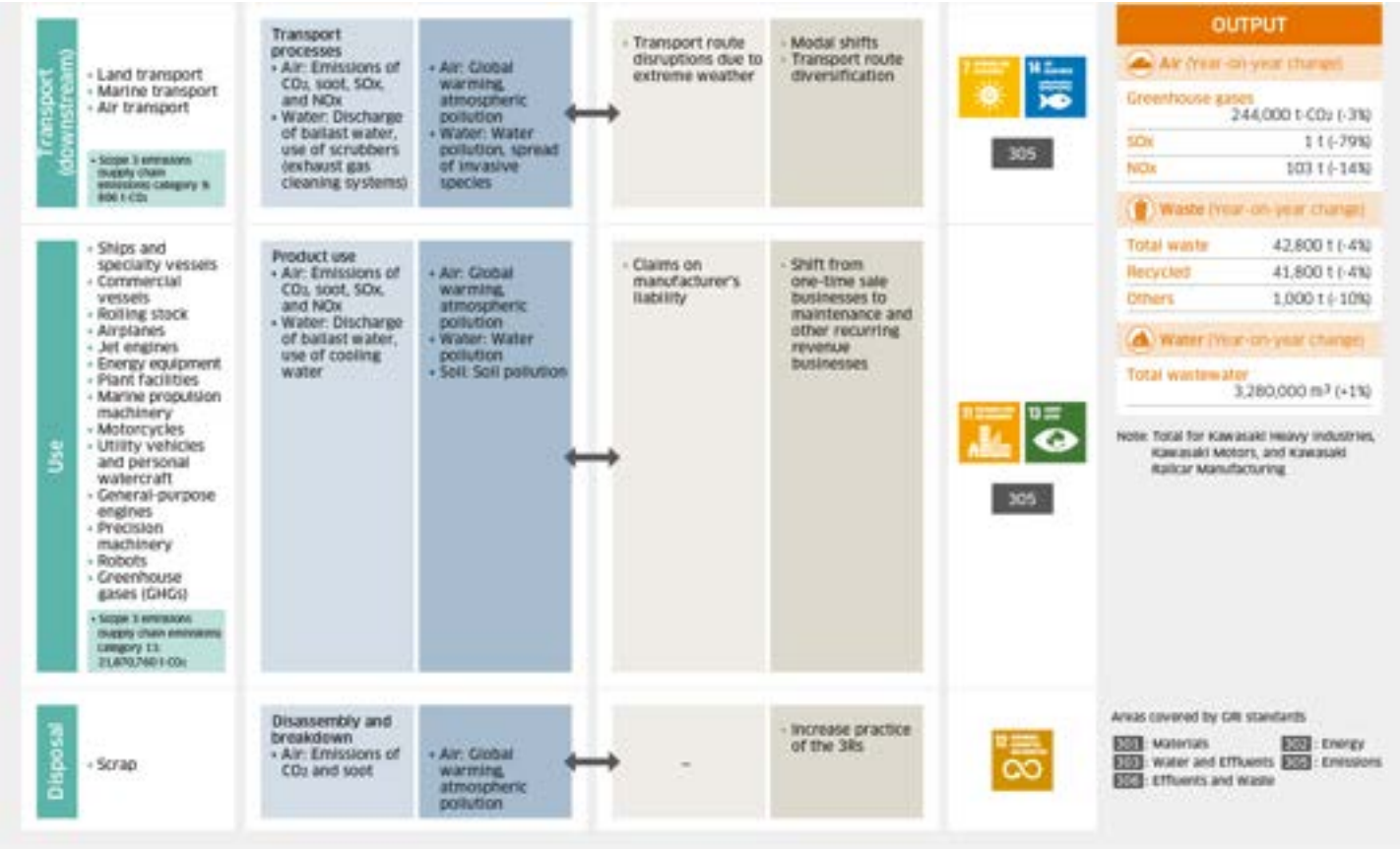
Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing, which are at the core of the Group, reported on business process and environmental impacts in fiscal 2021 as set forth below.

[Main Products]

- **Transport:** Ships, rolling stock, aerospace
- **Energy:** Cogeneration, energy plants, gas turbines, gas engines
- **Industrial equipment:** Hydraulic machinery, industrial robots, industrial plants, environmental/recycling plants
- **Leisure:** Motorcycles, off-road utility vehicles, JET SKI® personal watercraft (PWC)

* Click the image to display an enlarged image.





Third-Party Verification of Greenhouse Gas Emissions

For the purpose of ensuring credibility, the Kawasaki Group received a third-party verification from SGS Japan Inc. of its greenhouse gas emissions data.

- FY2021 Third-Party Verification of Greenhouse Gas Emissions
- FY2020 Third-Party Verification of Greenhouse Gas Emissions
- FY2019 Third-Party Verification of Greenhouse Gas Emissions
- FY2018 Third-Party Verification of Greenhouse Gas Emissions
- FY2017 Third-Party Verification of Greenhouse Gas Emissions
- FY2016 Third-Party Verification of Greenhouse Gas Emissions
- FY2015 Third-Party Verification of Greenhouse Gas Emissions

Summary of Environmental Activities in Fiscal 2021 and Results of the Three-Year 10th Environmental Management Activities Plan (FY2019–2021)

CO_2 FREE (Realization of a Low-carbon Society)

Target	Reduce fiscal 2021 CO_2 emissions per unit of net sales by 20% from the fiscal 2013 level (non-consolidated*) * Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing
Fiscal 2021 Results	Worked on the "optimization of energy procurement" as an additional measure, and with respect to CO_2 emissions per unit this resulted in the CO_2 emissions per unit of net sales coming to 225 t-CO_2/billion yen (down 22.6% from the fiscal 2013 level) in fiscal 2021
Initiatives in Fiscal 2021	**Proactive use of onsite power generation facilities**
	Commenced studies on hydrogen power generation using gas turbines and on hydrogenation of fuel in gas engines , etc.
	Utilization of renewable energy, energy-saving activities, and optimization of energy procurement (additional measure)
	Established guidelines to promote the adoption of renewable energy and conducted several studies on the introduction of renewable energy Developed Company-wide energy-saving activities based on guidelines for adoption of energy-saving equipment Commenced procurement of electricity with low CO_2 emission factors at Hyogo Works and Harima Works Began considerations on an in-house energy management system that assumes maximum use of hydrogen power generation (fuel conversion in onsite power generation) in the future and solar power generation
	Expansion of CO_2 emission-reducing effects through the Kawasaki Ecological Frontiers system and product-based contributions
	Emission reduction effect on CO_2 from product use of 17,390 kt-CO_2 (products sold in fiscal 2021)
Three-year Overview	CO_2 emissions reduced compared to the previous fiscal year for all three years from 2019 to 2021 As a result, we achieved the target, with fiscal 2021 CO_2 emissions per unit of net sales coming to 225 t-CO_2/billion yen, down 22.3% from fiscal 2013 level

Waste FREE (Realization of a Recycling-oriented Society)

Target	Landfill disposal rate (=direct-to-landfill waste generation÷total waste generation) at less than 1% (non-consolidated*) * Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors and Kawasaki Railcar Manufacturing
Fiscal 2021 Results	Landfill disposal rate: 0.2% (target achieved)
Initiatives in Fiscal 2021	**Further enforce waste sorting and recycling**
	Shared on-site confirmation information on waste processing contractors (Fiscal 2021 transactions involved 81 contractors, with a total of 6 processing sites confirmed)
	Precisely understand water uses and usage volumes
	Confirmed water-resource risks utilizing the Aqueduct Water Risk Atlas published by U.S. think tank WRI (World Resources Institute), to conduct domestic and overseas on-site risk assessment from the point of view of water shortage, drought, flooding, and water pollution
Three-year Overview	The target was achieved with the less-than-1% landfill disposal rate for the three years from 2019–2021

Harm FREE (Realization of a Society Coexisting with Nature)

Target	Reduce environmental risk while operating factories with respect for biodiversity
Fiscal 2021 Results	No problems occurred
Initiatives in Fiscal 2021	**Properly manage harmful chemical substances and consider alternatives (Reduce Group-wide environmental risk)**
	Maintained proper management of dichloromethane, hexavalent chromium, and major VOCs Usage of dichloromethane increased but that of hexavalent chromium and major VOCs decreased year on year
	Identify the types of trees on factory grounds and, where appropriate, replace with native species while continuing Company-wide forest conservation activities
	Continued proper management of green spaces at plants Implemented forest conservation activities in Taka and Ono in Hyogo Prefecture, Machida in Tokyo, and Niyodogawa* in Kochi Prefecture, to make up for shortcomings as measured against the Company's voluntary indicator for green space land area (target achieved) * Not included in Company-wide activities
Three-year Overview	Implemented plant operations that respect biodiversity while reducing environmental risks through the management of harmful chemical substances and green spaces at plants

Notes: 1. Per unit of net sales figures are calculated based on non-consolidated net sales.

2. Major VOCs: For the Kawasaki Group, the major VOCs are toluene, xylene, and ethylbenzene.
VOCs: Volatile Organic Compounds.

CO_2 FREE (Realization of a Carbon-neutral, Low-carbon Society)

In October 2020, the Japanese government declared its target of achieving carbon neutrality by 2050, to this end raising its fiscal 2030 reduction target for CO_2 emissions from 26% to 46% (both compared with the fiscal 2013 level) in April 2021. This is but one example of decisions made by countries around the globe amid the accelerating trend toward across-the-board decarbonization and the realization of a low-carbon society.
In response, Kawasaki is striving to utilize hydrogen-fired power generation and natural energy resources while promoting products and manufacturing practices that efficiently use energy, with the aim of contributing to the transition to decarbonization and realization of a low-carbon society.

Target of the 10th Plan (FY2019–2021)

Reduce fiscal 2021 CO_2 emissions per unit of net sales by 20% from the fiscal 2013 level (non-consolidated*).

* Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing.

Key strategies of the 10th Plan

Proactive use of onsite power generation facilities
Consider energy supply and demand for each plant and draft concrete plans to adopt onsite power generation facilities. Consider both purchasing such facilities as internal capital expenditure and selling products for such facilities to energy supply companies and then using their power generation services.

Utilize renewable energy
Purchase electricity from solar power generation facilities on the roofs of our plants.

Energy-saving activities
Promote energy saving by utilizing energy visualization systems and replacing aging equipment.

Expand the CO_2-reducing effects of Kawasaki Ecological Frontiers and other products

The results of activities in fiscal 2021 to achieve the above targets are reported below.

Reducing CO_2 Emissions from Production Activities

Kawasaki has designated the target of reducing fiscal 2021 CO_2 emissions from production activities per unit of net sales by 20% from the fiscal 2013 level (CO_2 emissions per unit of net sales: 233 t-CO_2/billion yen). To achieve this target, we are advancing the key strategies of proactively utilizing onsite power generation facilities and utilizing renewable energy while continuing to implement ongoing energy-saving activities.

In fiscal 2021, CO_2 emissions per unit of net sales came to approximately 225 t-CO_2/billion yen, down 22.7% from the fiscal 2013 level, and thus, we achieved our target for fiscal 2021 (see graph below). CO_2 emissions and CO_2 emissions per unit of net sales both decreased from the previous year as a result of declines in energy usage due to energy-saving activities and in CO_2 emissions factors for purchased electricity.

CO_2 Emissions from Production Activities and CO_2 Emissions per Unit of Net Sales (Non-consolidated)

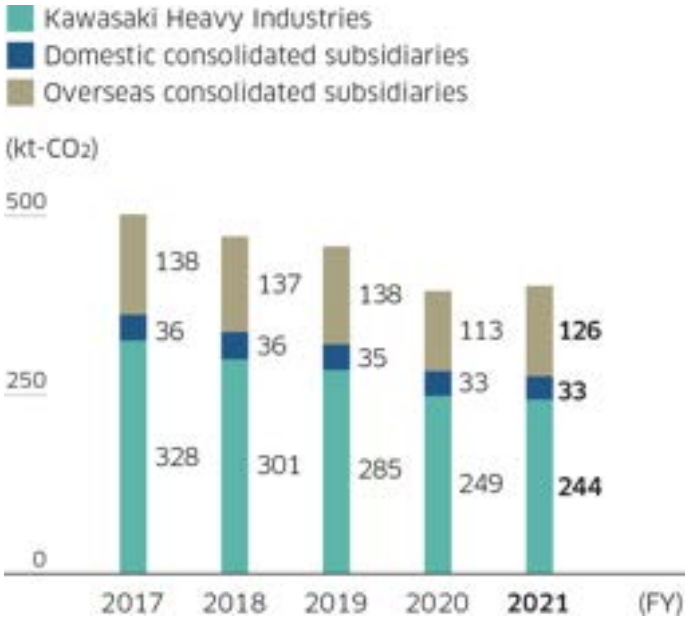
Notes: 1. Per unit of net sales figures are obtained by dividing CO_2 emissions by net sales.
2. The fuel and heat CO_2 emission factors used are values published by the Agency for Natural Resources and Energy.
3. The electricity CO_2 emission factors used are values published by Japan's Ministry of Environment for each power provider in each fiscal year.
4. Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing.

Estimating Supply Chain CO_2 Emissions

The Kawasaki Group's CO_2 emissions and energy consumption attributable to production activities are shown in the graph below. Also, the supply chain CO_2 emissions* are shown in the tables under "Fiscal 2021—the Kawasaki Group's Scope 1 and Scope 2 Calculation Results" and "Fiscal 2021—Scope 3 Calculation Results for Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing." The scope that Kawasaki is required to cover in tracking CO_2 emissions is expanding toward the inclusion of not only its own operations but also those of its supply chain. Within the entire supply chain, the greenhouse gas (GHG) effect accompanying the use of Kawasaki-sold products is extremely high. We have been making progress in reducing CO_2 emissions through product-based contributions, but, going forward, we will take an even more proactive approach.

* The standards for calculating emissions along our supply chain include the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, established by the Greenhouse Gas Protocol, an internationally accepted set of GHG calculation and reporting guidelines. In Japan, the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain—a Japanese version of Scope 3—were prepared by the Research/Study Committee on Standards for Accounting and Reporting Organizations' GHG Emissions throughout the Supply Chain, established jointly by the Ministry of Economy, Trade and Industry and the Ministry of the Environment. Using these basic guidelines, Kawasaki calculates CO_2 emissions along its supply chain.

CO_2 Emissions from Kawasaki Group Production Activities (by company)



Notes: 1. The CO_2 emission factors are the figures published by Japan's Ministry of the Environment for each power provider in each fiscal year.
2. For overseas sites, the CO_2 emission factors are the figures published by the Greenhouse Gas Protocol.

(Unit: kt- CO_2)

	2017*1	2018*1	2019*2	2020*3	2021*4
Kawasaki Heavy Industries*5	328	301	285	249	244
Domestic consolidated subsidiaries	36	36	35	33	33
Overseas consolidated subsidiaries	138	137	138	113	126
Total	502	474	459	395	403

*1 Total of Kawasaki Heavy Industries, 20 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries
*2 Total of Kawasaki Heavy Industries, 24 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries
*3 Total of Kawasaki Heavy Industries, 26 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries
*4 Total of Kawasaki Heavy Industries, 37 domestic consolidated subsidiaries, and 23 overseas consolidated subsidiaries
*5 Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing.

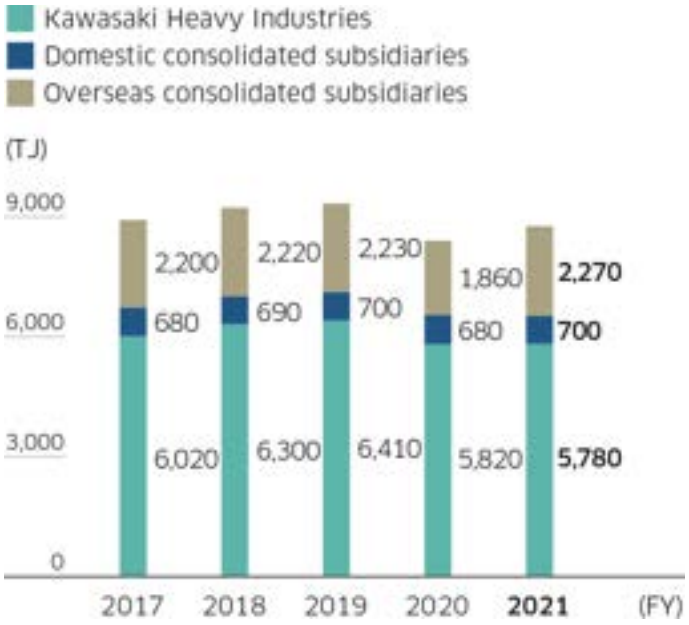
CO_2 Emissions from Kawasaki Group Production Activities (Scopes 1 and 2)

(Unit: kt- CO_2)

	2017*1	2018*1	2019*2	2020*3	2021*4
Scope 1	176	162	169	140	135
Scope 2	326	311	290	255	267
Total	502	474	459	395	402

*1 Total of Kawasaki Heavy Industries, 20 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries
*2 Total of Kawasaki Heavy Industries, 24 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries
*3 Total of Kawasaki Heavy Industries, 26 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries
*4 Total of Kawasaki Heavy Industries, 37 domestic consolidated subsidiaries, and 23 overseas consolidated subsidiaries

Energy Consumption in Kawasaki Group Production Activities (by company)



(Unit: TJ)

	2017*1	2018*1	2019*2	2020*3	2021*4
Kawasaki Heavy Industries*5	6,020	6,300	6,410	5,820	5,780
Domestic consolidated subsidiaries	680	690	700	680	700
Overseas consolidated subsidiaries	2,200	2,220	2,230	1,860	2,270
Total	8,900	9,210	9,340	8,360	8,750

*1 Total of Kawasaki Heavy Industries, 20 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries

*2 Total of Kawasaki Heavy Industries, 24 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries

*3 Total of Kawasaki Heavy Industries, 26 domestic consolidated subsidiaries, and 24 overseas consolidated subsidiaries

*4 Total of Kawasaki Heavy Industries, 37 domestic consolidated subsidiaries, and 23 overseas consolidated subsidiaries

*5 Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing.

Fiscal 2021—the Kawasaki Group's Scope 1 and Scope 2 Calculation Results

Category	Calculation Targets	FY2020 Calculation Results (kt-CO_2/year)	FY2021 Calculation Results (kt-CO_2/year)
Scope 1			
Direct emissions	Direct emissions through use of fuel at Kawasaki and associated industrial processes	140	135
Scope 2			
Indirect emissions from the generation of purchased energy	Indirect emissions accompanying use of electricity and heat purchased by Kawasaki	255	267

* Total of Kawasaki Heavy Industries, 37 domestic consolidated subsidiaries, and 23 overseas consolidated subsidiaries

Fiscal 2021—Scope 3 Calculation Results of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing

Category	Calculation Targets	FY2020 Calculation Results (kt-CO2/year)	FY2021 Calculation Results (kt-CO2/year)
Scope 3 (Other indirect emissions): Upstream			
① Purchased goods and services	Emissions associated with activities up to production of raw materials, parts, purchased goods, and sales-related materials	1,465 (1.2%)	2,394 (9.7%)
② Capital goods	Emissions from construction and production of Kawasaki's capital goods	128 (0.1%)	180 (0.7%)
③ Fuel- and energy-related activities not included under Scope 1 or Scope 2	Emissions associated with procurement of fuel from other providers and procurement of fuel required to generate power, such as electricity and heat	35 (0.0%)	31 (0.1%)
④ Upstream transportation and distribution	Emissions associated with logistics of raw materials, parts, purchased goods, and sales-related materials up to delivery to Kawasaki	9 (0.0%)	8 (0.0%)
⑤ Waste generated in operations	Emissions associated with transportation and processing of waste generated by Kawasaki	11 (0.0%)	8 (0.0%)
⑥ Business travel	Emissions associated with business travel by employees	5 (0.0%)	7 (0.0%)
⑦ Employee commuting	Emissions associated with transportation of employees between their homes and their worksites	7 (0.0%)	7 (0.0%)
⑧ Upstream leased assets	Emissions associated with operation of assets leased by Kawasaki (excluding those included in Scope 1 or Scope 2 calculations)	0 (0.0%)	0 (0.0%)
Scope 3 (Other indirect emissions): Downstream			
⑨ Downstream transportation and distribution	Emissions associated with transportation, storage, cargo handling, and retail sales of products	0 (0.0%)	1 (0.0%)
⑩ Processing of sold products	Emissions associated with processing of intermediate products by companies	Excluded*1	Excluded*1
⑪ Use of sold products	Emissions associated with use of products by consumers and companies*3	121,814*3 (98.5%)	21,871*3 (88.7%)
⑫ End-of-life treatment of sold products	Emissions associated with transportation and treatment of products upon disposal by consumers and companies	Excluded*1	Excluded*1
⑬ Downstream leased assets	Emissions associated with operation of assets leased to other companies	Excluded*2	Excluded*2
⑭ Franchises	Emissions by franchisees	Excluded*2	Excluded*2
⑮ Investments	Emissions related to operation of investments	146 (0.1%)	158 (0.6%)
Total		**123,616*3 (100%)**	**24,664*3 (100%)**

*1 Excluded from calculation target because Kawasaki is unable to confirm reference data at this time.

*2 Excluded from calculation target because it is outside of the scope of our business.

*3 To more accurately determine emissions in Scope 3, Category 11, the calculation method was revised in fiscal 2021. Previously, calculations for products manufactured as parts incorporated into finished products such as hydraulic machinery were performed using the CO_2 emissions for finished products such as construction machinery, but as of fiscal 2021, the calculations are performed by taking into consideration to the degree of contribution to finished products, the weight ratios, and other factors. Total Scope 3 emissions in fiscal 2020 calculated according to the new method were 31.531 million tons (of which Category 11 accounted for 29.726 million tons).

Reduction of CO_2 Emissions in Logistics Processes

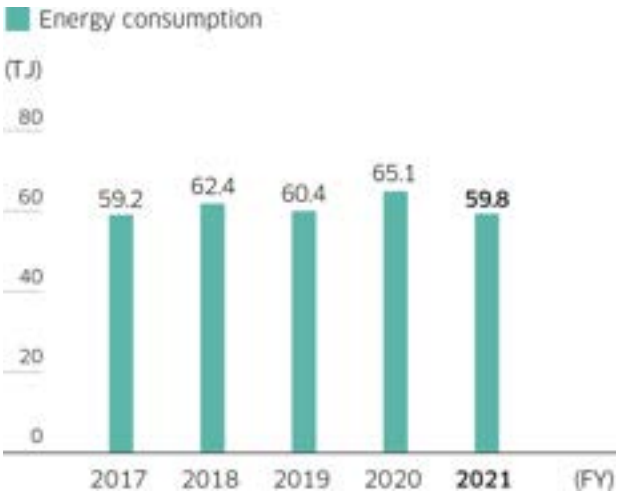
Kawasaki takes steps to pinpoint CO_2 emissions and promote energy-saving activities in its logistics processes, which cover some of its supply chain (Scope 3, Category 4 "Upstream transportation and distribution"), to realize continuous reduction in CO_2 emissions.

In fiscal 2021, CO_2 emissions decreased by 8.2% year on year, to approximately 4,000 t-CO_2 (energy used was approximately 60,000 GJ), due to higher efficiency in truck transportation. Amounts for the past five years are shown in the graph below.

CO_2 Emissions from Logistics Processes and CO_2 Emissions Per Unit of Net Sales (Non-consolidated)

Notes: 1. Per unit of net sales figures are obtained by dividing CO_2 emissions by net sales.
2. The CO_2 emissions factors used are values published by the Agency for Natural Resources and Energy.
3. Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing.

Energy Consumption in Logistic Processes (Non-consolidated)



Notes: 1. Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing.

Proactive use of onsite power generation facilities

Kawasaki uses onsite power generating facilities that employ gas turbines and gas engines and efficiently uses energy at its plants. Under the 10th Plan, we have worked to reduce CO_2 emissions by introducing high-efficiency gas turbines and gas engines and increasing the use of waste heat.

Our goal is to reduce CO_2 emissions at all domestic business sites, currently approximately 300,000 tons annually, to zero by 2030 through voluntary initiatives centered on hydrogen power generation, thereby achieving carbon neutrality. In fiscal 2021, we began investigating 100MW of hydrogen power generation using gas turbines, hydrogenation of fuel in gas engines, and other measures.

In addition, we began a verification test for a battery storage hybrid system at our Akashi Works, combining the plant's distributed power generation system equipped with Kawasaki's M1A-17D high-efficiency gas turbine, lithium-ion storage batteries, and photovoltaic (PV) panels. The system is designed to optimize energy supply for a user's variable heat and power needs, by recovering waste heat generated during gas turbine power generation, supplying power generated by the PV system and gas turbine, and by optimized charging and discharging of the lithium-ion storage batteries.

An M1A-17D gas turbine at the Akashi Works

PV panels at the Akashi Works

Utilizing Renewable Energy

The Kawasaki Group is advancing the use of renewable energy to reduce the CO_2 emissions from its plants. To this end, we are installing solar power generating systems at our plants. We have a total solar power generation capacity of 4,996 kW including Group companies.
In fiscal 2021, these systems generated 5,629 MWh, of which 2,405 MWh was used in-house.*1

*1 Equivalent to 0.5% of Kawasaki's total energy consumption.

The Kawasaki Group's Solar Power Generation Capacity

Name	Power Usage	Generation Capacity (kW)
Iwaoka Photovoltaic Power Generation Station1*1	Sold via FIT*2	1,505
Nagoya Works	Used in-house	750
Seishin Works	Used in-house via PPA	728
Seishin Photovoltaic Power Generation Station*1	Sold via FIT	701
Nishi-Kobe Works	Used in-house	505
Nishi-Kobe Photovoltaic Power Generation Station*1	Sold via FIT	422
Akashi Works	Used in-house	230
Sakaide Works	Used in-house	50
Kakogawa Photovoltaic Power Generation Station*1	Sold via FIT	48
Kobe Head Office of Kawasaki Railcar Manufacturing Co., Ltd	Used in-house	25
Kobe Works	Used in-house	20
Kawasaki Thermal Engineering Co., Ltd.	Used in-house	6.6
Harima Works	Used in-house	5
Total		**4,996**

*1 Power generation facility operated by Kawasaki Trading Co., Ltd.
*2 FIT: Feed-in tariff; a program in which renewable energy is bought back at a fixed rate

Photovoltaic output (including power sold via FIT) (Non-consolidated)

Notes: 1. Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing.

Nagoya Works: 750-kW power generation facility

Seishin Works: 728-kW power generation facility

Measures to Improve Energy Costs

The Company has established energy-saving promotion structures for each business segment and implements various Company-wide energy cost improvement initiatives including energy conservation measures.
One example of energy cost improvement measures in fiscal 2021, the use of onsite power generating capacity at the Akashi Works and Kobe Works for demand response (DR)[*1] and to respond to power generation requests from electric power companies, is presented below. In both instances, the compensation that we received from these improvements is compensation for responding to the electric power shortage throughout society by using our energy-related facilities, and therefore is the effect of our energy cost improvement initiatives.

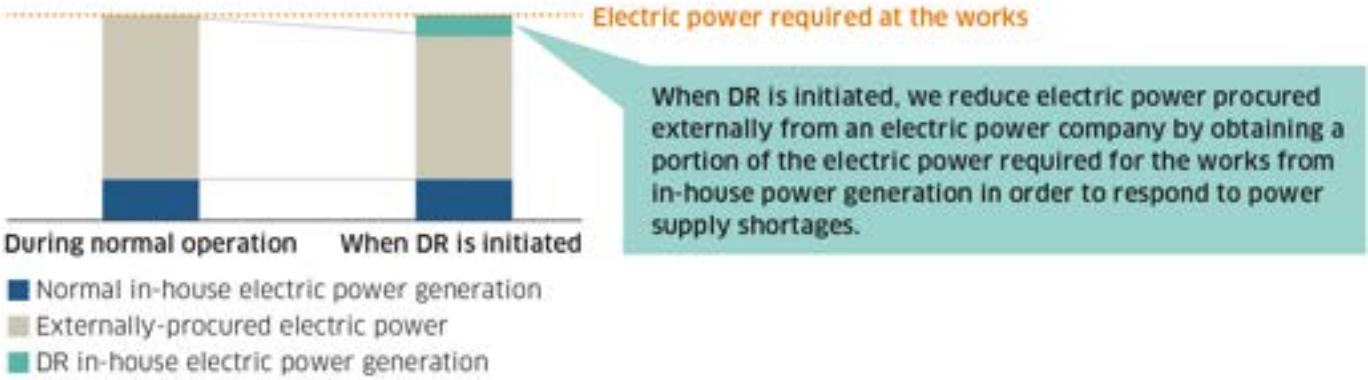
Akashi Works

The Akashi Works had a gas turbine generator that was out of operation due to both aging and operating costs. Methods of use for this gas turbine generator were investigated, and a decision was made in fiscal 2021 to participate in DR by internally using the electric power obtained from the additional operation of the gas turbine generator, lowering our demand for power from the electric power company.

The amount of compensation received for participating in DR varies depending on the aggregator company*2 with which a DR contract is entered into, so we investigated and compared multiple aggregator companies and concluded a DR contract with the aggregator that provided the greatest benefits.

Preparation work was necessary to bring the idle gas turbine generator back into operation. We reviewed manuals and established an implementation system to ensure that the gas turbine generator could be operated without delay when DR is initiated once the preparation work was completed.

After completing this work, we began participating in DR in October 2020. As a result, we received the corresponding compensation from the aggregator company and made social contributions by supporting the coordination of electric power demand and supply.



*1 Demand response (DR) is a framework for creating the ability to adjust electric power by controlling power supply and demand based on requests from aggregator companies2 when there is a shortage of electric power. Specific adjustment methods include suppressing or ceasing the output of load equipment, increasing the output of generators or starting up additional generators, and discharging storage batteries. Participating companies enter into DR contracts with an aggregator company and receive compensation from the aggregator with which they concluded a DR contract.

*2 A company that aggregates users of electric power. By participating in DR, a user receives request to conserve power and accepts compensation for responding and standby compensation from the aggregator company.

Kobe Works

In January 2021, the onsite power generation facility at the Kobe Works had excess power generating capacity when electric power supplies in the Kansai Region were tight due to an increase in demand. By increasing electric power generation over normal levels in response to a request to provide electric power from the electric power company, we contributed to eliminating the power shortage in the Kansai Region and received compensation corresponding to the requests for power, thereby improving energy costs.

Onsite power generation facility at the Kobe Works

Reducing CO_2 Emissions through Product-Based Contributions

Nearly 90% of CO_2 emitted during the life cycles of our products is released during the period of their use after they are sold. Therefore, the Company seeks to realize a carbon-neutral society by providing products that produce only low CO_2 emissions during their use.

To reduce products' post-sale CO_2 emissions, in addition to increasing product energy efficiency, we are advancing electrification and modal shifts when replacing existing products in our product lineup and expanding our lineup of products that utilize exhaust heat, waste, and renewable energy. Key products that help reduce CO_2 emissions are listed below. In fiscal 2017, we revised our rules for calculating CO_2 emissions reductions through product-based contributions in order to better quantify the contributions of such products to the mitigation of global warming.

Calculations based on these rules showed that the CO_2 emissions reduction through products we sold in fiscal 2021 was about 17.39 million tons. Large contributions were made mainly by the M7A Series gas turbines for power generation, which boast excellent reliability, economy, and environmental friendliness and are certified under the Kawasaki Ecological Frontiers system, an internal certification program for environmentally conscious products, and the KC-MB-20, a controller for use in construction machinery to improve its fuel efficiency via the application of superior controlling technologies.

Key Products That Contribute to Reducing CO_2 Emissions During Use (by Segment)

Aerospace Systems

Airplanes and Space
- Boeing 787 (component production)
- BK117 helicopters

Jet Engines
- Trent 1000 for the Boeing 787
- PW1100G-JM for the Airbus A320neo

Energy System & Plant Engineering

Energy System
- Gas engines for power generation, including the M1, M5, and M7 series industrial-use gas turbines
- Non-heated boilers (plant waste heat, waste incineration waste heat)

Plant Engineering
- LNG tanks
- Crushing machine plant (CK Mill[1])

Marine Propulsion
- Marine propulsion systems (E-series Rexpeller[2])

Precision Machinery & Robot

Precision Machinery
- Hydraulic systems for construction and industrial machinery (K8 Series pumps for HSTs, M7V Series motors for HSTs, KC-MB-20 controller for construction machinery, etc.)
- High-pressure hydrogen regulators for fuel cell vehicles

Robot
- duAro dual-arm SCARA robot, NT420 general-purpose clean robot
- BX200L spot welding robot, KJ264/314 large painting robots

Transportation

Ship & Offshore Structure
- LNG carriers, LPG carriers
- Ship operation support system (SOPass[3])

Rolling Stock
- Standard railcars (efACE[4])
- Mainline/switcher diesel electric locomotives

Motorcycle & Engine
- Ninja 250, Ninja ZX-6R, Ninja H2
- Z900, Z H2

*1 CK Mill: Named after the companies that jointly developed it, Chichibu Cement Co., Ltd. (now Taiheiyo Cement Corporation) and Kawasaki.
*2 Developed with a focus on three Es: energy saving, easy maintenance, and environmentally friendly.
*3 Ship Operation and Performance analysis support system
*4 Environmentally Friendly Advanced Commuter & Express train

Calculation Rules

- Products to be assessed: Kawasaki Ecological Frontiers system, products that use waste, waste heat, and renewable energy, as well as cogeneration systems and rolling stock pertaining to modal shifts, etc., were selected for assessment
- Period of assessment: Until fiscal 2016, we used a one-year period of assessment. However, in line with the revision of the calculation rules, since fiscal 2017, we have adopted a flow-based approach* in which the period of assessment is the estimated useful life of products sold in the fiscal year, because the estimated useful lives of our products are long. This allows us to better calculate the difference in CO_2 emissions between our products and industry standard class products over the entire period of use.

* Please refer to the "Guideline for Quantifying Greenhouse Gas Emission Reduction Contribution" (Ministry of Economy, Trade and Industry, March 2018)

In order to quantify the contributions of highly energy efficient products to the mitigation of global warming, products included in the calculation of CO_2 emissions reduction through product-based contributions include power generated through waste heat, waste, renewable energy, and so forth. As a result, some of the products included differ from those included in the calculation of Scope 3, Category 11, which covers only energy-derived CO_2 emissions.
CO_2 emission reductions for the past five years are shown in the graph below. Particularly notable products that have had a large cumulative effect are shown below.

Notes: 1. Kawasaki uses CO_2 emissions factors provided in the list of calculation methods and emissions factors published by Japan's Ministry of the Environment.
2. The CO_2 emission reduction effect through product-based contributions achieved through the higher energy efficiency of products is based on a comparison using industry standard products.
3. The application of waste heat, waste, and renewable energy is counted toward the CO_2 emissions reduction effect through product-based contributions.

M7V Series motors for HSTs

Industrial-use gas turbines (M7A Series, etc.)

KC-MB-20 controller for construction machinery

Kawasaki Green Gas Engine

Modal shift by railcars
(subway railcars for the LTA in Singapore)

Cement plant waste heat power generation facilities

Particularly notable products that contribute to reducing CO_2 emissions during use

- **For details on the Kawasaki Ecological Frontiers certification system for environmentally conscious products, please refer to environmentally conscious products.**

Waste FREE (Realization of a Recycling-oriented Society)

Efforts to curb the consumption of natural resources and reduce waste have acquired greater social urgency, reflecting wider economic activity and population growth.
By promoting resource efficiency in its products and manufacturing processes, Kawasaki takes great care to effectively utilize and recycle the planet's finite resources.
Through ongoing initiatives in our business activities and efforts to promote their penetration in workplaces, we have maintained landfill disposal and recycling rates at our target levels.

Target of the 10th Plan (FY2019–2021)
Maintain ratio of direct-to-landfill waste to total waste generation at less than 1% (non-consolidated*) * Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing

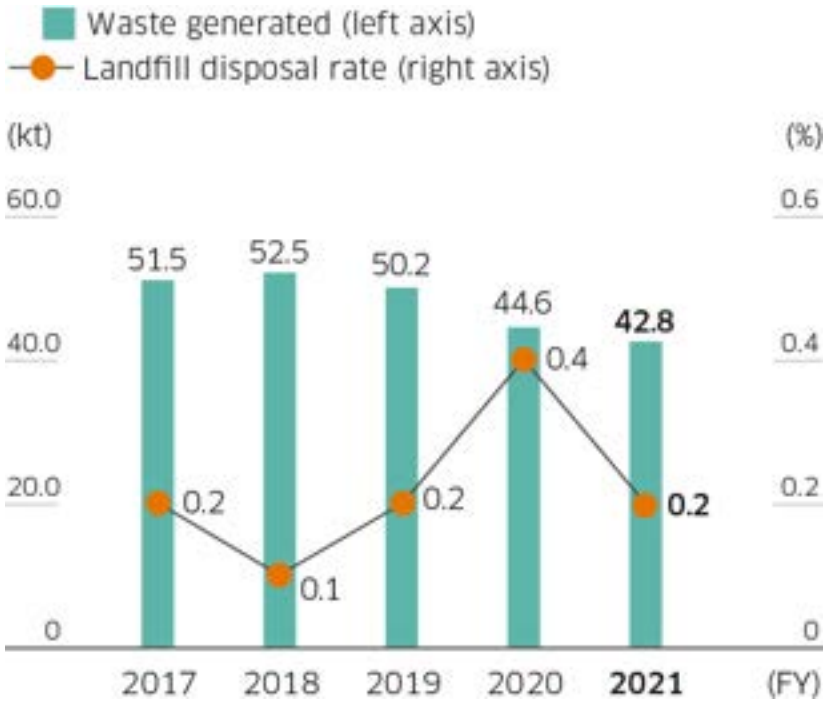
Key strategies of the 10th Plan
Further enforce waste sorting and recycling Improve Group-wide management **Precisely understand water uses and usage volumes** Confirm water resource risks

The results of activities in fiscal 2021 to achieve the above targets are reported below.

Reduction of Total Waste Generation

We are continuing activities to achieve our targets to reduce waste generated through our manufacturing processes per unit of net sales by using resources effectively, and to achieve zero waste disposed of in landfills through the promotion of recycling.
In fiscal 2019, by making changes to product packaging, we reduced waste and eliminated the need to sort cardboard and foam, facilitating recycling. Total waste generated and the landfill disposal rate (the ratio of waste disposed in landfills to total waste generated) in fiscal 2021 are shown below. The landfill disposal rate was 0.2%, achieving the target of 1% or less.

Waste Generated and Landfill Disposal Rate (Non-consolidated)



Note: Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing

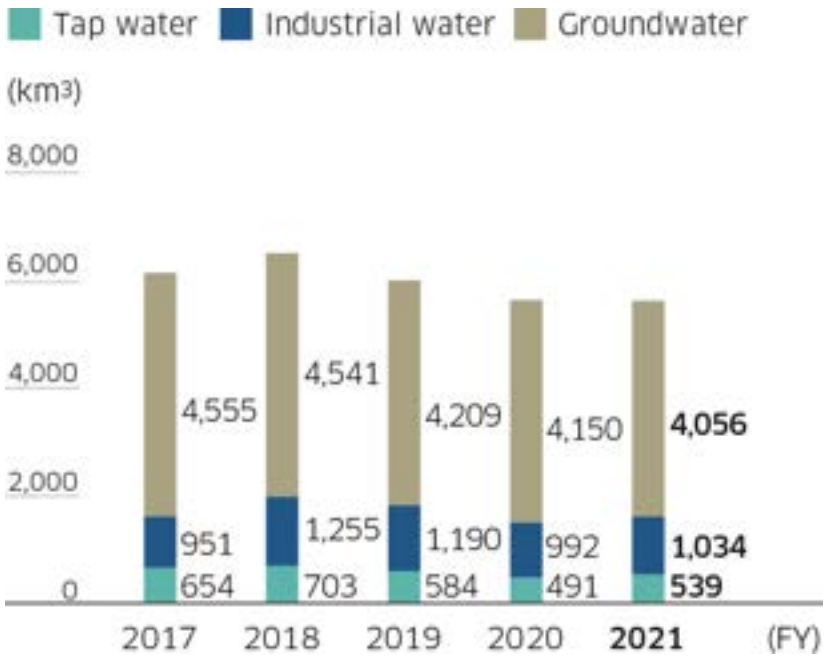
Promoting PCB Treatment

The disposal of PCB (polychlorinated biphenyl) waste is proceeding worldwide, in line with the Stockholm Convention, which includes stipulations on the proper treatment of PCBs. In Japan, disposal is undertaken in a systematic manner, mainly by the Japan Environmental Storage & Safety Corporation (JESCO), which was established by the Ministry of the Environment. The phased disposal period for high-concentration PCB waste is scheduled to end in 2023, and that for low-concentration PCB waste will end in 2027. We are undertaking the treatment of our PCBs, aiming for completion ahead of the national schedule. To achieve our disposal targets, we are steadily ceasing use of equipment that contains PCBs (low-concentration PCB waste), putting such items into storage, and working with treatment service providers.

Precisely Understanding Water Uses and Usage Volumes

To more effectively use water resources, Kawasaki is advancing efforts to precisely understand water usage at each of its plants.
Water consumption in fiscal 2021 came to 5,629,000 m^3. We are reexamining our uses of water, such as in production activities and boilers, as we explore ways to promote more efficient and effective water use. By rolling out these initiatives across the Group, we will reduce water resource risks.

Water Consumption (Non-consolidated)



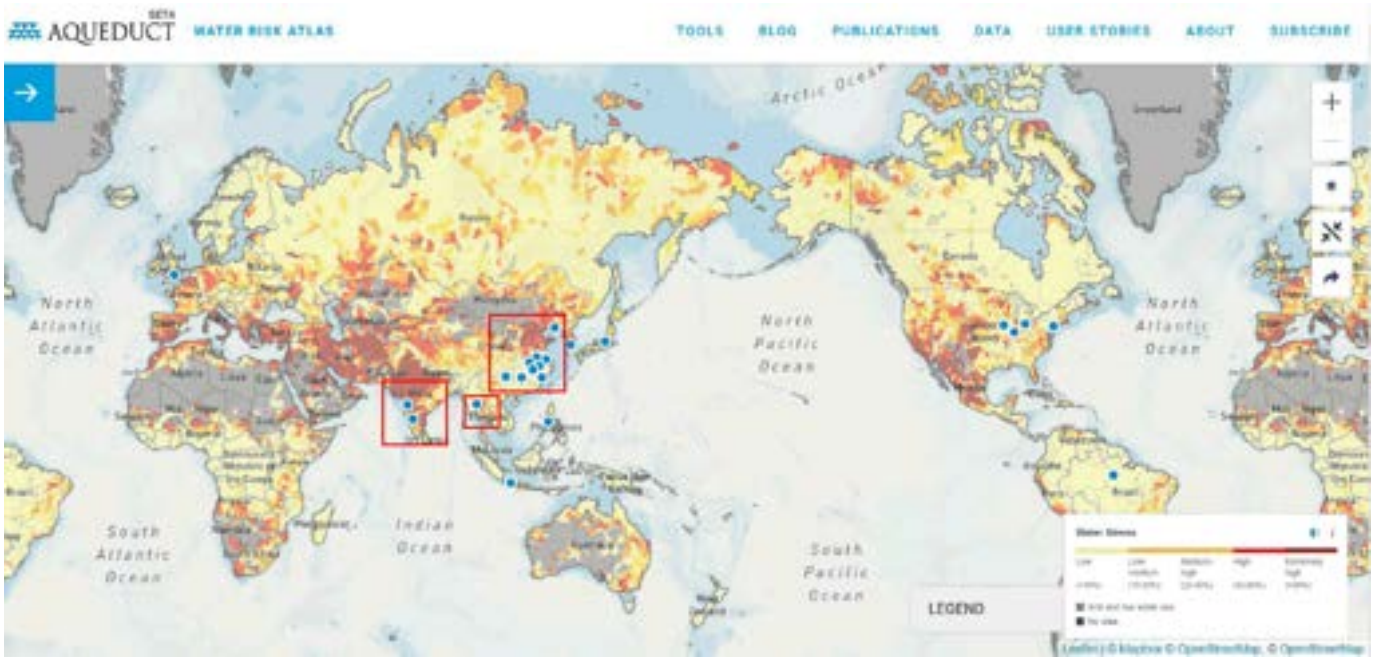
Note: Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing

Reduction of Water Resource Risks

In fiscal 2021, in collaboration with external experts, we conducted a simple risk analysis from the perspectives of water shortage, drought, flooding, and water pollution utilizing the Aqueduct Water Risk Atlas published by U.S. think tank WRI (World Resources Institute).
Based on the results of this analysis, we have set in our Three-Year Environmental Management Activities Plan 2022 the minimization of water resource risks across the entire supply chain as a key strategy concerning water resource risks. Classifying what we envision for this key strategy into the minimization of direct operation risk, the minimization of water resource risks for our suppliers, and the reduction of our products' environmental impact, we will continue our efforts toward these respective aims.

Manufacturing Facilities and Water Level Risk (Water Stress)

Kawasaki Group has 17 manufacturing facilities domestically and 21 overseas, and many of our overseas manufacturing facilities are located in areas with high water stress; such risk is becoming especially high in countries such as India, Thailand, and China.



Global water stress

Harm FREE (Realization of a Society Coexisting with Nature)

Modern society is maintained by the value provided by natural ecosystems, including material cycles and the regeneration of air, water, and soil environments.
Kawasaki Group strives to reduce its environmental impact through products and manufacturing processes that exist in harmony with the global environment and contributes to the protection of ecosystems.

Target of the 10th Plan (FY2019–2021)
Reduce environmental risk while operating factories with respect for biodiversity

Key strategies of the 10th Plan
Properly manage harmful chemical substances and consider alternatives (Reduce Group-wide environmental risk) **Identify the types of trees on factory grounds and, where appropriate, replace with native species while continuing Company-wide forest conservation activities**

The results of activities in fiscal 2021 to achieve the above targets are reported below.

Harmful Chemical Substance Reduction

Kawasaki properly manages and looks for alternatives to chemical substances that present a risk of negatively impacting human health or the environment.
Kawasaki's emission volumes of major VOCs (toluene, xylene, and ethylbenzene) per unit of net sales, along with handling volumes of dichloromethane and hazardous metals (hexavalent chromium compounds) up to fiscal 2021 are illustrated as given below. Going forward, we will continue to properly manage chemical substances while aiming to reduce their use.

Handling volume of managed chemical substances and VOC emission volumes per unit of net sales (Non-consolidated)

Notes: 1. Major VOCs per unit of net sales figures are obtained by dividing VOC emissions by net sales.
2. Figures for hazardous heavy metals represent the combined amounts of hexavalent chromium compounds. Reduction activities are undertaken separately for each substance.
3. Fiscal 2021 figures are the total of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing.

Forest Conservation Activities

We are engaged in forest conservation activities in Taka and Ono, Hyogo Prefecture; Machida, Tokyo; and Niyodogawa, Kochi Prefecture. In fiscal 2021, activities were conducted with measures in place to prevent the spread of infections due to the impact of COVID-19.

Hyogo Prefecture

Since December 2008, we have participated in the prefecture' s corporate forest restoration project. These activities began in the town of Taka and, in fiscal 2020 were expanded to Ono City, giving employees and their families the opportunity to get involved in forest conservation activities (trimming and clearing undergrowth) in two locations.

Tokyo

In fiscal 2020, Kawasaki became a participant in the "Tokyo Green Ship Action," and employees and their families joined forest conservation activities (clearing undergrowth) in Machida City for the first time under this campaign.

Kochi Prefecture

Since fiscal 2007, we have participated in a prefecture-organized forest restoration project, with new employees implementing such activities as forest thinning in the town of Niyodogawa. Although we refrained from directly participating in activities in fiscal 2021, we served as a co-sponsor to support local efforts.

Fiscal 2021 Achievements

Activity location	Taka, Hyogo	Ono, Hyogo	Machida, Tokyo	Niyodogawa, Kochi
Activity content	Tree trimming, clearing undergrowth	Tree planting, trimming, clearing undergrowth, nature observation	Clearing undergrowth, nature observation	Forest thinning Co-sponsoring local activities
Participants	Employees and their families, and others (23 people)	Employees and their families, and others (total 77 people)	Employees and their families, and others (26 people)	Refrained from employee participation due to the COVID-19 pandemic
Area covered	6.8ha	10.0ha	10.14ha	70.0ha
Number of events	1	2	1	0
Notes	Volume of CO_2 absorbed: 0.26 t/CO_2 (subject to a third-party certification for absorption volume)			Volume of CO_2 absorbed: 36.0 t/CO_2 (subject to a third-party certification for absorption volume)

Environmental Education through Forest Conservation Activities

We carry out forest conservation activities, such as forest development and experiential learning, every year to provide opportunities for thinking about the environment.

Fiscal 2021 Achievements

Activity content	Aim	Date
Nature observation (Ono, Hyogo Prefecture)	Interact with nature and learn about the importance of forests • Learn about the necessity of forest maintenance by observing the gradually growing number of trees succumbing to Japanese oak wilt • Observe thriving wild grasses, insects and birds as part of a natural ecosystem in a thick forest of evergreen trees	April and November 2021
Nature observation (Machida, Tokyo)	Interact with nature and learn about the importance of forests • Observe insects and grasses constituting a natural ecosystem in a location where a forest of *Quercus serrata* (jolcham oak) and *Quercus acutissima* (sawtooth oak) thrives alongside an orchard and a bamboo forest • Take a close look at new growth sprouting from tree stumps to learn about the inherent capabilities of trees to regenerate themselves and, eventually, restore the forest as a whole	October 2021

Activities in Ono, Hyogo Prefecture (in cooperation with NPO Hyogo Mori no Club)

Activities in Machida, Tokyo

River Cleaning Activities

From fiscal 2021, in addition to river improvement and utilization, and following on from our forest conservation activities, we initiated river cleaning activities as part of our biodiversity conservation activities. These aim to conserve the river environments which serve as habitats for the growth of fish (salmon, eel, goby, etc.) which move between rivers and oceans.

Hyogo Prefecture

In March 2022, we took part in activities of the Fukuda River Clean Club, which conducts river clean-up activities in the Fukuda River, Tarumi Ward, Kobe.

Scene from clean-up activities for Fukuda River

Initiatives at Akashi Works

Winners of the Prize for Excellence, Akashi Flower Bed Competition

Akashi Works were awarded the Prize for Excellence after entering the flower bed competition hosted by Akashi.
We designed a flower bed with an octopus motif, from the competition theme of "The Abundant Seas of Akashi," and were highly rated for our lively design suggestive of imminent movement.
At the competition award ceremony, held in May 2022, the mayor of Akashi was in attendance, with local cable television also filming at the event.
In addition, at Akashi Works, we create flower beds in green spaces which can also be seen from the pavements outside the factory, to allow local residents to enjoy the pleasant views. We will continue to promote factory greening activities to provide eye-pleasing views to local residents.

Scene from the awards ceremony

Flower bed with octopus motif which was awarded the Prize for Excellence

Opening a violet garden to employees

Every spring, a great number of violets blossom at the Akashi Works' heliport. Such a thriving colony of naturally seeded violets within the premises of a plant is considered quite rare by botanists. To share this asset with plant employees and help them learn about the importance of greenery development, in 2014 Akashi Works decided to invite them into the violet garden each year during the blooming season, opening the heliport, which is otherwise off-limits, to them. This helipad has become a rest area for insects and birds, and allowed employees to enjoy scenes of the blooming of spring flowers, in particular the violets, as part of a nature observation event held in April 2022.
Although the number of employees who applied to visit the garden was around 30 when we started this initiative, the number increased to nearly 250 in recent years, suggesting that environmental awareness has grown among employees.
Going forward, Akashi Works will pursue environmentally friendly plant operations while pushing ahead with the development of greenery within its premises.

Employees visiting the violet garden

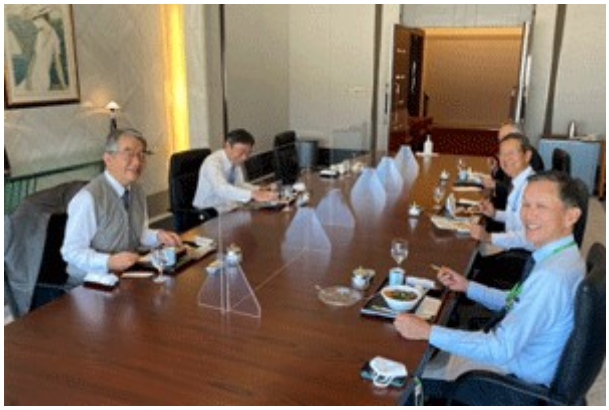
A thriving colony of naturally seeded violets

Initiatives in Food: Providing Lunches Using Wild Venison

In support of Hyogo Prefecture's efforts to counter vegetation damage caused by wild animals through the utilization of wild venison, continuing from 2020, lunch boxes titled “gibier* lunches” were offered to employees at the Kobe Head Office in June and December 2021.
We received a number of favorable comments from those who purchased the lunch boxes, such as "It went down well, and was softer than I expected and without the overwhelming smell I had imagined." As such, the provision of these lunches also served as a good opportunity for employees to think about biodiversity. The number of regular customers has gradually increased. Drawing on this experience, we are planning to continue initiatives to help raise employee awareness regarding biodiversity preservation.

* "Gibier" is French for game.

One of the menu items offered: Grilled wild venison bowl



Enjoying the venison packed lunch

Initiatives in Food: Sustainable Seafood Included on the Cafeteria Menu

As part of activities aimed at the realization of a society coexisting with nature, in February 2020, the cafeteria of the Tokyo Head Office began serving sustainable seafood that is MSC certified and ASC certified with the cooperation of Kobe Foods Co., Ltd.
In this way, we are providing employees with opportunities to think about water resource depletion and the impact of global warming through food—an integral part of daily life.

MSC: A certification system for sustainable fishing and fishery products	ASC: A certification system for responsible aquaculture and fishery products

Menu item offered in January 2022: Prawn and egg in chili sauce

Environmentally Conscious Products

Kawasaki Ecological Frontiers System

Purpose of the System

Since 2014 the Kawasaki Group has implemented its Kawasaki Ecological Frontiers system (formerly Kawasaki-brand Green Products system), an internal system for certifying environmentally friendly products, as a means of reducing the environmental burden of the Group's products and services throughout their life cycles. Under the system, superior products—in terms of whether the products themselves evidence improved environmental performance and whether the associated manufacturing processes demonstrate a reduced environmental impact—are certified and registered.

The Certification Process

The Group evaluates its products and their manufacturing processes for conformity with its own internal standards and disseminates the results of its evaluations outside the company in accordance with international standard ISO14021. Specifically, our standards are geared to improving the environmental performance of our products and reducing the environmental impact of our manufacturing processes from three emissions-reduction standpoints: CO_2 Free (reduction of CO_2 emissions), Waste Free (reduction of industrial waste), and Harm Free (reduction in the release of harmful chemical substances). We keep registration current by reevaluating registered products every three years. As of the end of September 2022, the Group had registered 69 products in total, including 24 new registrations during the three years prior (10 in 2020, 9 in 2021, and 5 in 2022) and 45 renewed registrations of products originally certified in 2014–2019.

Impact of the System

As a result of its environmentally friendly products, including those registered under the Kawasaki Ecological Frontiers system, the Group has been able to reduce its annual CO_2 emissions by 17,390 kt-CO_2*. The certified and registered products are contributing in many ways to reducing annual CO_2 emissions and other environmental burdens. Examples include gas-turbine and gas-engine electric power generation equipment that has achieved world-class efficiency, motorcycles manufactured with more than 90 percent recycled materials, energy-saving rolling stock made possible by weight reduction, and low-noise helicopters.

* To put this figure into perspective, a passenger car with a gas mileage of 15 km/l that is driven 10,000 km per year emits about 1.5 t-CO_2.

- For details, please refer to CO_2 FREE (Realization of a Carbon-neutral, Low-carbon Society).

Program logo

The program logo embodies the Group's commitment to environmental sustainability through products and manufacturing. The Kawasaki Group's primary business areas—land, sea, and air transport systems, energy and environmental engineering, and industrial equipment—each with innovative and advanced technological capabilities, form three solid pillars that together support the global environment.

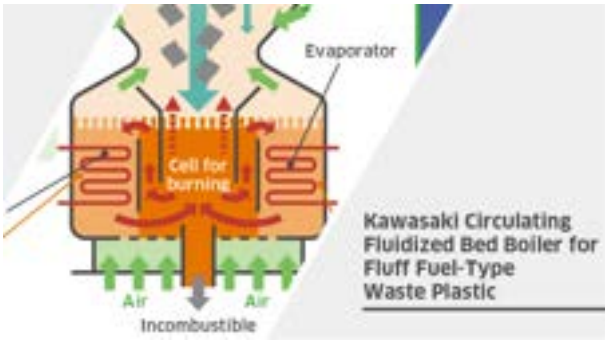
Program logo

The Kawasaki Ecology Prize 2021

The Kawasaki Group ordinarily awards the Kawasaki Ecology Prize in special recognition of a Kawasaki Ecological Frontiers system registered product that is held in high esteem outside the company for benefiting the environment and has also contributed substantially to the Group's business operations in the evaluation period. In 2021, however, no product was selected for the award.

Kawasaki Ecological Frontiers Products

2022



Membrane Type
CO_2 Removal Device
(SEPERNA®)

ECO SERVO
Light・Avant

Spot Welding Robot
BXP110L/210L

SOPass
Ship Operation and
Performance Analysis
Support System

VEGA Boiler

U-KACC Boiler

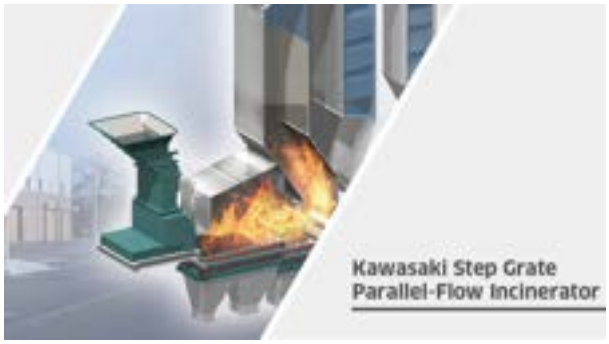
Waste Carbonization System

Versys 1000
(2019MY)

Small Payload Material
Handling Robots
RS007 Series

L30A-01D/DLH
Gas Turbine

CK Mill



Kawasaki Step Grate
Parallel-Flow Incinerator

Z125/Z125PRO

Control Valve
KMX13RB

Dual-Arm SCARA Robot:
duAro

Universal Controller

2021

MAG Turbo
(Model:M55)

Kawasaki Green Gas Engine
KG-18-T

Kawasaki
Electric and Hybrid
Propulsion Systems

Hydrogen Liquefaction
System

Liquefied hydrogen loading/unloading terminal (~ 10,000 m³ storage tank)

Waste to Energy-Smart Automatic Running System WtE-SAURS

Autonomous Underwater Vehicle "SPICE"

Multifunctional Controller for Construction Machinery KC-MC-20

Small Painting Robot KJ155

E-series Rexpeller (Azimuth Thruster)

2020

M5A-01D Gas Turbine

FLNG Boiler

M7A-03D Gas Turbine

LPG Powered Large LPG Carrier

LNG-Fueled
Pure Car and Truck Carriers

Electric Joystick
ERU2-7.0

F60 Controller

Hydraulic Pump
for Mobile Machinery
K3VL585

KC-MB-20,
Multifunctional Controller
for Construction Machinery

ECO SERVO

Painting Robot
KJ264/314

Clean Robot
NT series

Track Material
Monitoring Device

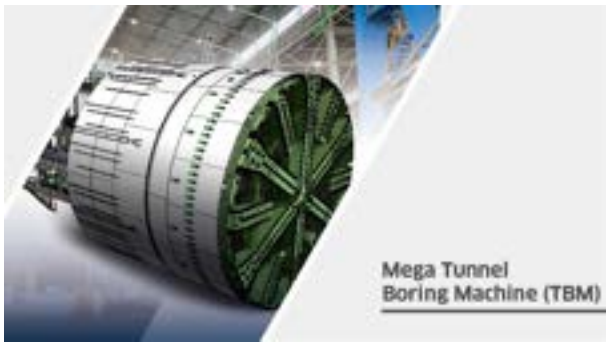
Straight Tube LED Lamps
for Rail Cars

Ninja 400/Ninja 250

Versys 650

2020

Gas To Gasoline Plant



Mega Tunnel
Boring Machine (TBM)

ECO SERVO®
Controller
N-ECST

Kawasaki Robot
ANSHIN Lifecycle Support
K-COMMIT®

New Thermal
Insulation Panel
for LNG Tank

Autonomous
Track Geometry
Measurement System

Diesel Electric Locomotives
(for main line operation
and shunting)

Z H2
(2020MY)

Z900
(2020MY)

LNG Floating
Power Plant

BK117 D-2 Helicopter
(Airbus Helicopters
Model: H145)

M1A-17D
Gas Turbine

2014

Green Gas Engine

MAG Turbo

CKK System

Oil-Free Kawasaki
Centrifugal Compressor

LNG Tank
(New safety factor applied)

HST Pump
K8V Series

The fiscal 2021 share of Kawasaki Ecological Frontiers products (the total net sales of Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing): 23%*

* In Kawasaki Heavy Industries (non-consolidated), total sales were 1,085.5 billion yen, with sales of Kawasaki Ecological Frontiers products at 248.6 billion yen.

Environmental Education

Various Training Conducted

We conduct a variety of training for Group employees to increase their understanding of environmental management.

E-learning content for managerial staff

Pamphlet for general employees

Target	Content (format)	Frequency	Period of the 10th Environmental Management Activities Plan (FY2019–2021)		
			Fiscal 2019 results	Fiscal 2020 results	Fiscal 2021 results
Managerial staff	Mainly environmental management (e-learning)	Content will be updated with the formulation of each three-year Environmental Management Activities Plan and education carried out within the period of the plan	Implementation: February 3–14, 2020 Participants: Approx. 2,600 (cumulative total: 76%) (for all target employees)	Implementation: November 9–20, 2020 Participants: Approx. 3,600 (cumulative total: 98%) (for target employees who did not participate in fiscal 2019 and newly eligible employees)	Implementation: December 6–29, 2021 Participants: Approx. 3,900 (cumulative total: 99%) (for target employees who did not participate in fiscal 2020 and newly eligible employees)
General employees	Practical implementation of environmental management (distribution of pamphlets)	Content will be updated with the formulation of each three-year Environmental Management Activities Plan and distributed to all general employees upon such update and to new hires thereafter	Implementation: March 2020 Distributed to all target employees Recipients: Approx. 20,000	Implementation: April 2020 Recipients: Approx. 150 * As of the end of fiscal 2019, distributed to new fiscal 2020 employees (approximately 1,000)	Implementation: April 2021 Recipients: Approx. 1000

Raising Environmental Awareness

We periodically distribute information internally to raise environmental awareness. We conduct ongoing awareness raising activities, including the publication of environment related articles in the Kawasaki Group internal bulletin, distribution of the President's message for Environment Month, and distribution of information (environmental data, case examples of energy saving, forestation activity reports, etc.) through our intranet, so that employees can put environmentally conscious activities into practice not only at the workplace, but also in their local communities and homes.

President's message for Environment Month

Forestation activity report

Cultivating Qualified Managers

To enrich management activities emphasizing energy and the environment, we are striving to cultivate individuals with legal qualifications required under laws and regulations related to energy and the environment. The number of employees with qualifications in fiscal 2021 is as follows. In addition, as an internal qualification, we offer training for internal ISO 14001 environmental management and environmental auditors. A total of 162 employees attended and passed the required training in fiscal 2021.

Employees with Legal Qualifications at Kawasaki Heavy Industries, Kawasaki Motors, and Kawasaki Railcar Manufacturing in fiscal 2021

Pollution control managers	Air	97
	Water	88
	Noise, vibration	35
	Others	79
	Total	299
Energy managers		97

Environmental Risk Management & Compliance with Laws and Regulations

Risk Management

In addition to approaches based on our risk management structures, we hold liaison conferences as needed for personnel with environmental responsibilities to ensure adherence to environmental laws and regulations, the dissemination and full understanding of legal revisions, and the enhancement of their capabilities. These conferences, which are held under the direction of the Head Office Environmental Management Division, serve as opportunities for working with Group personnel to preempt environmental accidents and other compliance-related problems.
In recent years, we have implemented initiatives in response to laws and regulations related to chemical substances, such as the European Union's ELV Directive,1 RoHS Directive,2 and REACH Regulation,3 as well as the Euro 4 regulation on motorcycle exhaust emissions.
In fiscal 2021, as there were no revisions to relevant laws, we did not implement any new risk countermeasures.

*1 ELV Directive: End of Life Vehicles Directive
*2 RoHS Directive: Directive on Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment
*3 REACH Regulation: Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals

Compliance with Laws and Regulations

The Kawasaki Group strives to implement environmental management activities in compliance with environmental laws and regulations.
In fiscal 2021, there were no serious incidents involving legal violations, however, there was an incident at Harima Works in which transport truck fuel (diesel fuel) leaked and partially flowed into the ocean. After collecting the fuel on the pavement and deploying an oil fence in the ocean to prevent secondary diffusion along with treating each catch basin by spraying oil dispersants, the incident was resolved with reports being made to the fishery cooperative and the authorities. Regarding this incident, there was no administrative guidance or complaints from neighboring plants, local residents, or elsewhere.
Meanwhile, we received two complaints from residents of neighboring communities about noise from our manufacturing facilities as well as two complaints about odor leakages from our manufacturing facilities, totaling four complaints. They were all resolved by taking corrective and preventative measures.

Society

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Product Liability/Safety

Product Liability

Our Basic Stance

The Kawasaki Group’s businesses involve the provision of many infrastructure products, so ensuring that customers can use our products and services with confidence is a key management issue. In a section titled “Quality and Safety of Products and Services,” the Kawasaki Group Code of Conduct states that we must provide high-performance, high-quality, and safe products and services. Our aim is to create a Group-wide quality-assurance and product-safety structure and reduce the number of product safety law violations to zero.

Product Quality and Safety Policy

The Kawasaki Group recognizes that creating new value contributing to people’s affluent lives and the future of the global environment is our social responsibility and that supplying products and services with customer-satisfying quality is one of the Group’s management principles relating to business continuity. In 2021 we established the Kawasaki Group Policy on Quality Management, which is operated properly throughout the entire Group so as to continue activities effectively and efficiently toward the creation of customer value.

Scope of Policy Application

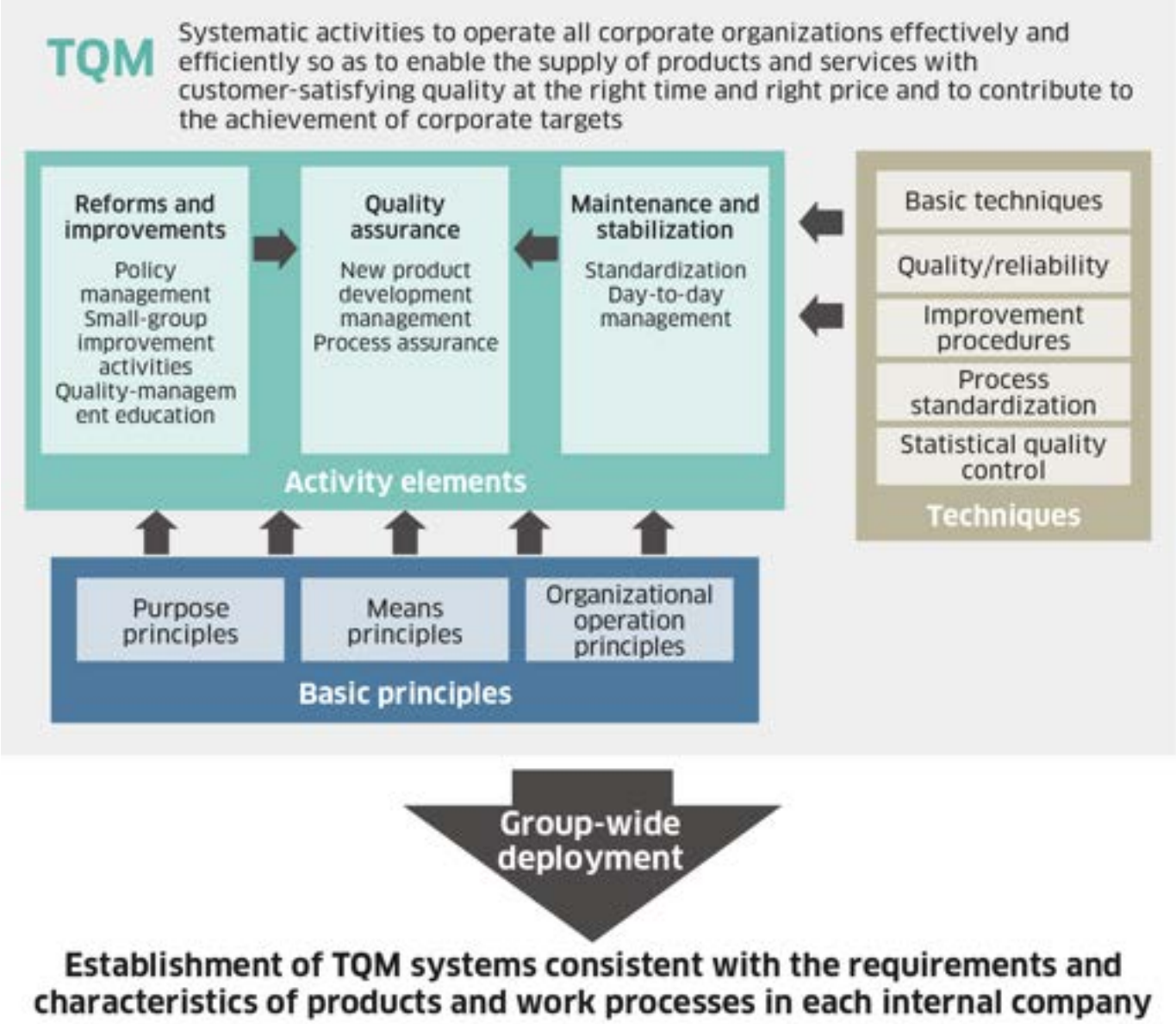
The Kawasaki Group

- The Kawasaki Group Code of Conduct
- Kawasaki Group Policy on Quality Management

Structure

We have established the TQM Department within the Corporate Technology Division and are promoting Group-wide quality-assurance activities centering on policy management, day-to-day management, and quality-management education. We have also established divisions responsible for quality control within internal companies so as to promote quality-assurance activities within these companies.

Support for the building of best-suited TQM systems for each business division



Responsible Officer

Hiroshi Nakatani, Representative Director, Senior Corporate Executive Officer (in charge of TQM)

Responsible Executive Organ and/or Committee

We promote initiatives by regularly formulating policies, plans, and so on related to the building and strengthening of the Group-wide TQM structure, including quality assurance. Furthermore, we promote information sharing between the Head Office and internal companies and quality-assurance activities through meetings of the Company-Wide Quality Committee held four times a year.

Quality and Safety Management

The internal companies have been reassessing their internal product safety rules to ensure that their product-safety processes are compliant with the international standard ISO 12100. As a result, the implementation of risk assessment in design divisions and, in response to the scale of the risk, appropriate risk-reduction measures are included in the design process.

Basic Safety Standards: Basic concepts applied to all types of machinery

- ISO 12100 Safety of machinery—General principles for design—Risk assessment and risk reduction

Generic Safety Standards: Applied across a wide range of machinery

- ISO 13849-1 Safety of machinery—Safety-related parts of control systems—Part 1: General principles for design
- IEC 62061 Safety of machinery—Functional safety of electrical, electronic, and programmable electronic control systems
- IEC 60204-1 Safety of machinery—Electrical equipment of machines—Part 1: General requirements
- IEC 61000-6-4 Electromagnetic compatibility (EMC)—Part 6-4: Generic standards—Emission standard for industrial environments
- IEC 61000-6-2 Electromagnetic compatibility (EMC)—Part 6-2: Generic standards—Immunity for industrial environments

Machine Safety Standards: Detailed safety requirements for a particular machine

- ISO 10218-1 Robots and robotic devices—Safety requirements for industrial robots—Part 1: Robots

Promotion of TQM

- Surveys using the TQM method
  We conduct surveys of quality-assurance levels using the total quality management (TQM) method and quantitatively assess all internal companies and divisions using common indicators. Through these surveys, we diagnose the current situation, clarify necessary improvements, and thereby share our respective strengths.
- Quality-assurance activities and TQM promotion activities at internal companies
  We position TQM as an approach toward supplementing and strengthening quality-assurance activities at internal companies. Rather than individual activities, we tackle activities as a means of enhancing the quality and efficiency of company-wide work and services based on the TQM method.
- Implementation of company-wide seminars, etc. to disseminate TQM
  We continuously implement dissemination seminars for officers and all employees and deepen understanding of TQM at all levels, from new recruits to top management, by means of our own level-specific educational curriculum using original teaching materials.

Quality and Safety Education and Awareness Raising

We hold serial information meetings on machinery safety and risk assessment seminars for the technical divisions of internal companies, which are on the frontlines of realizing machine safety, to ensure that the idea and practice of machine safety reaches all affected employees.

Quality and Safety Violations and Actions Taken

We monitor the status of quality- and safety-related incidents throughout the Company, including those involving violations of laws and regulations, while regularly confirming whether required countermeasures are being implemented. Findings gleaned from these activities are utilized to update our quality management structure.

ISO 9001 Certification Status

Kawasaki acquires ISO 9001 certification at the internal company and business segment level.

- Aerospace Systems Company: Certified (JIS Q 9100 for Aerospace Business Division and Aero Engine Business Division)
- Kawasaki Railcar Manufacturing Co., Ltd.: Certified
- Energy Solution & Marine Engineering Company: Certified (Energy Solution, Plant Engineering, Marine Machinery, and Ship & Offshore Structure Business Division)
- Kawasaki Motors, Ltd.: Certified
- Precision Machinery & Robot Company: Certified (Precision Machinery Business Division; some parts of the division also certified under IATF 16949, and Robot Business Division)

In addition, 18 of the 19 overseas production sites are certified under the ISO 9001 quality management standard.

- Certification Status of Quality Management

Initiatives to Prevent Human Rights Infringements in Defense-related Businesses

Aware of the CSR obligations attendant to involvement in national security-related businesses, we formulated corporate ethics-based in-house rules regarding the provision of products and services. In addition to ensuring compliance with laws and regulations associated with security trade and export control, these corporate ethics-based rules are designed to help employees judge the propriety of how purchasers put our products and technologies to actual use and thereby prevent such products and technologies from being used in unintended manners.
Furthermore, the Kawasaki Group Code of Conduct states that “We do not provide products and technologies for unethical purposes of use” and requires that Group members be aware of the ethical responsibilities associated with the provision of Group products and technologies.

- The Kawasaki Group Code of Conduct

Net Sales by Defense-related Businesses (consolidated global)

(FY)

	Unit	2017	2018	2019	2020	2021
Net sales	Millions of yen	237,737	216,989	256,839	260,960	227,696
Percentage of total net sales	%	15.1	13.6	15.6	17.5	15.2

Customer Relationship Management

Our Basic Stance

The Kawasaki Group offers a vast variety of products to a wide range of domestic and international customers. The Group's products range from transportation equipment, such as ships, rolling stock, and aircraft, to industrial machinery, such as gas turbines, engines, robots, and industrial plants, and also include leisure products, such as motorcycles. A critical aspect of our business is to reflect our customers' demands in our products as quickly as possible.
Each internal company handling our businesses and products has built its own customer relationship management (CRM) structure, and they share information among themselves so as to reflect this information in product design and after-sales services.

Structure

Since our product lineup is highly diverse, and because of the differences between our B-to-B and B-to-C businesses, we base our business activities, goal setting, and customer information management for gaining the confidence of our customers on the specific characteristics of each business. Key Group-wide activities are aimed at establishing and improving feedback systems. We have established a contact page on our website for receiving comments from stakeholders, including customers. And in addition to these efforts to acquire the customer feedback, the Marketing Division follows up by calling on internal companies to take steps to enhance customer satisfaction. Specifically, since fiscal 2013 the Marketing Division has been providing follow-up to internal companies, in principle every year, on the status of online surveys, questionnaires, and interviews relating to customer satisfaction, thereby endeavoring to share information and raise CRM awareness.

Customer Satisfaction Surveys

Since the Kawasaki Group supplies a wide range of products to customers, and since customer characteristics and business practices vary widely depending on business and product, each internal company strives to understand the level of customer satisfaction using the most appropriate methods.
Business units with many regular or ongoing customers conduct customer satisfaction surveys over time to monitor changes in satisfaction and use these findings to make necessary improvements. In particular, since Kawasaki Motors, Ltd. caters to ordinary consumers as well, it uses both direct interview-style questionnaires and online surveys to measure the satisfaction of large numbers of customers around the world.

Customer Satisfaction Surveys at Kawasaki Robot Service, Ltd.

After the completion of field service work, Kawasaki Robot Service, Ltd., which engages in maintenance service and service support for industrial robots, conducts field service work completion questionnaires of customers to check the degree of satisfaction with such matters as the attitude of service personnel and work procedure.
These questionnaires, which began in fiscal 2020, show that customers are highly satisfied with the company's work. For example, when asked about work procedure, more than 90% of respondents replied "very good" or "good."
In addition, space is offered for free comments by customers, which are used as reference so that even better services and service tools can be provided.

Communication with Customers

Since customer characteristics and business practices vary widely depending on business and product, each internal company responds to customer feedback and demands in ways best suited to their businesses. For example, Kawasaki Motors, Ltd. has a customer contact point to respond to comments, requests, and inquiries about products from customers in Japan, manages inquiry-related information in a uniform manner, and uses it to inform product development. (Similar systems are operated overseas as well.) In the event of a vehicle recall, the relevant information is quickly posted on the company's website. In addition, through sales companies in and outside Japan, Kawasaki Motors, Ltd. conducts surveys of customers who have bought new Kawasaki motorcycles regarding their opinions of their vehicles.
Furthermore, to support customers' enjoyment of motorcycling, Kawasaki Motors, Ltd. operates the motorcycle user social group Kawasaki Riders' Club KAZE, regularly organizes new product announcements and social events, and holds safe riding classes in various regions as part of its contribution to traffic accident reduction efforts.

Efforts to Deepen Relations with Customers

Establishment of 24-hour Help Desk

To provide even better service to customers, Kawasaki Robot Service, Ltd. has established a 24-Hour Help Desk, which accepts inquiries and consultations about problems at nighttime on weekdays and during the day on Sundays and non-business days. At the help desk, service personnel directly listen to inquiries from customers and, based on their abundant experience and technical materials, provide information, technical guidance, and troubleshooting support.

Support for the Building of Strong Relations with Customers in the Introduction of K-COMMIT®

Kawasaki Robot Service, Ltd. strives to build relations with customers after the introduction of robots. Through the TREND Manage service®, it conducts the predictive maintenance of robots by constant online monitoring of the condition of robotic equipment.
In this remote maintenance, the company obtains real-time information about the operation of robots, inputs it into a database, and analyzes the trend management data, thereby accurately predicting any malfunctioning. In the event of a robot error, it provides various services, including speedy support through automatic email transmission. Based on the concept of Kawasaki Robot ANSHIN Lifecycle Support, the company optimizes the lifecycle cost of robotic equipment and delivers ANSHIN (peace of mind) to the customer.
Furthermore, Kawasaki Robot Service, Ltd. quantifies all inspection results selected on the basis of its abundant inspections and maintenance-record database and conducts TREND management quantitative inspections to accurately diagnose the state of robots. In addition, with K-CONNECT, the company creates dedicated websites for each customer to exchange and share information with the customer, manage robotic equipment maintenance information, search maintenance visit reports, manage machine numbers, and send technical materials.

Remote operation of a customer’s robot via an online connection

Online Strategy

Each internal company provides services in ways best suited to their businesses. At the Group-wide level, we are using social media to provide information about the Group. Kawasaki Motors, Ltd. is working to increase customer satisfaction using services provided through RIDEOLOGY THE APP, an official smartphone application that links to supported motorcycle models.
We also provide the following online services:

- Energy Solution Business Division: Techno Net, a gas turbine remote monitoring system
- Plant Engineering Business Division: KEEPER, a waste management facility remote monitoring and support system
- Robot Business Division (KRS): TREND Manager, a robot monitoring and preventive maintenance system; K-CONNECT, a webpage for robot service members

Responsible Corporate Promotion

The Kawasaki Group seeks to accurately communicate the content of our business activities, which are based on our corporate philosophy, to stakeholders. To this end, we carefully check information prior to disclosure from various stakeholder perspectives, including checks for factualness and potential legal issues. Furthermore, we endeavor to avoid using specialized terminology or expressions likely to be misunderstood. We utilize such media as press releases, Group websites, social media, corporate promotional publications, and advertisements, selecting the form to use with due regard to how it impacts society. We engage in corporate promotion with a constant awareness of not only increasing the public awareness of the Group but also the need to communicate the Group’s contributions to solving social issues through our businesses and products.

Advertisement Violations and Actions Taken

There were no violations of laws pertaining to advertising in fiscal 2021.

Business and Human Rights

Management Approach

Our Basic Stance

As value chains expand on a global scale, ensuring respect for the human rights of employees, suppliers, and all the other people involved in our businesses has become a more important focus that, in turn, increases the necessity of understanding and dealing with the human rights risks in Group-wide business activities.
The Kawasaki Group has enshrined respect for human rights in its business activities in the Kawasaki Group Code of Conduct. In fiscal 2019, we adopted the Kawasaki Group Policy on Human Rights. The Group also supports and respects international rules and norms regarding human rights and labor, including the International Bill of Human Rights, International Labour Organization's core labor standards, the United Nations Guiding Principles on Business and Human Rights.
Additionally, our Group is conducting human rights due diligence aimed at carrying out initiatives to ensure respect for human rights in its business activities.

Human Rights Policy

The Kawasaki Group adopted the Kawasaki Group Policy on Human Rights in fiscal 2019 to complement the Kawasaki Group Code of Conduct. 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 areas of human rights as diversity, equal opportunity, forced labor, child labor, discrimination, harassment, employees' freedom of association and right to collective bargaining, and occupational health and safety.

Scope of Policy Application

The Kawasaki Group

- The Kawasaki Group Code of Conduct
- The Kawasaki Group Policy on Human Rights

Structure

The Kawasaki Group Policy on Human Rights states that the director in charge of sustainability and the Sustainability Department are responsible for human rights-related management and issues. The responsible department analyzes and monitors human rights risks in its business activities, and the Sustainability Committee attended by all directors is responsible for deliberating on human rights-related efforts and receiving reports on these activities.
For details on related structures, please refer to Sustainability Promotion System under Sustainability Framework.

- Sustainability Promotion System

Responsible Officer

Katsuya Yamamoto, Representative Director, Senior Corporate Executive Officer (in charge of sustainability)

Responsible Executive Organ and/or Committee

Sustainability Committee

Prohibition of Discrimination

The Kawasaki Group Code of Conduct prohibits discrimination, as follows:

"As stated in the Universal Declaration of Human Rights, human rights are 'the inherent dignity and the equal and inalienable rights of all members of the human family.' In order to respect the human rights of each and every person, we must afford everyone equal dignity and respect, regardless of race, skin color, gender, age, nationality, social origin, ancestry, sexual orientation, gender identity, marital status, religion, political belief, disability, health condition, or any other legally protected characteristics."

The Kawasaki Group Policy on Human Rights also prohibits discrimination. The entire Kawasaki Group implements initiatives based on its understanding of discrimination as a human rights issue. Concrete anti-discrimination measures include training covering LGBT considerations and awareness-raising activities for employees of Kawasaki Heavy Industries. To provide work environments that are more welcoming to LGBT employees, in fiscal 2020, Kawasaki Heavy Industries modified its human resources system to ensure that employees' same-sex partners are treated the same as opposite-sex spouses for the purpose of employee benefits.

Prohibition of Child Labor and Forced Labor

The Kawasaki Group clearly states in its Code of Conduct that it will not tolerate child labor or forced labor, which are global human rights and labor issues. In addition, Kawasaki is a signatory to the United Nations Global Compact, indicating its support of the Compact's 10 principles in the four areas of human rights, labor, environment, and anti-corruption.
With respect to the global human rights and labor issues of child labor and forced labor, since fiscal 2014, we periodically confirm that no company under the Group umbrella is involved in such practices and declare that none will ever employ such practices. This style of confirmation and declaration, acknowledged and supported by the Global Compact Network Japan (GCNJ) secretariat, is prepared in line with the "Global Compact Labor Principles and Business Guidelines" and signed by the presidents of all Group companies, including those overseas. As the Kawasaki Group, we adopt CSR Procurement Guidelines, which cover respect for human rights, and call on suppliers to work with us as a team to uphold these guidelines.

- The Kawasaki Group Code of Conduct
- The Kawasaki Group Policy on Human Rights
- Participation in International Initiatives
- Kawasaki Group CSR Procurement Guidelines
- Confirmation and Declaration of the Abolition of Forced Labor and Child Labor

Employee Education about Business and Human Rights

The Kawasaki Group has conducted e-learning for employees about business and human rights since fiscal 2020. In this training program, in addition to an overview of international norms regarding human rights and labor as well as information on global trends, clarification is also given on the responsibilities required of companies regarding business and human rights and on the Kawasaki Group's initiatives. The target participants were mainly employees in charge of sustainability or human resources from domestic Group companies, totaling 191 participants in fiscal 2020 and 13,245 in fiscal 2021.

Harassment Prevention

Kawasaki has established the Harassment Prevention Regulations. To create a comfortable, harassment-free working environment, Kawasaki provides grade-specific training to provide proper guidance and increase awareness.
In addition to the Compliance Reporting and Consultation System, which employees can use when they have experienced or witnessed harassment, since fiscal 2014 we have maintained consultation points, operated by the Human Resources Division, that employees, including temporary staff, can use. As necessary, we also hold meetings with employees seeking advice or help through either system and respond fairly to incidents while remaining committed to respecting their privacy.
In addition, from fiscal 2019, we have begun operation of an external consultation point that employees of Kawasaki can access for consultation regarding issues related to harassment and mental health.

Right to Organize and Right to Collective Bargaining

Kawasaki is a signatory to the United Nations Global Compact, indicating its support of the Compact's 10 principles in the four areas of human rights, labor, environment, and anti-corruption. Furthermore, the Kawasaki Group Policy on Human Rights states that the Group shall respect employees' freedom of association and right to collective bargaining.

- The Kawasaki Group Policy on Human Rights
- Participation in International Initiatives

Labor–Management Discussions

Kawasaki employs a union shop system, meaning that all general employees are members of the labor union.
The right to collective bargaining is recognized in our labor agreement, and two days' notice must be given before commencing collective bargaining with respect to such matters as corporate cost-cutting actions and significant changes in labor conditions. However, as both parties strive, in principle, to reach amicable resolutions by holding labor-management meetings (on an as-needed basis) in good faith prior to commencing collective bargaining, Kawasaki has seen no labor dispute actions over the past 40 years.
In addition, Kawasaki has concluded a labor agreement with the labor union and actively exchanges views with the union via a range of regular meetings. These include meetings of the Corporate Management Council (at least twice a year Company-wide, and at least twice a year at internal companies) to explain our corporate management policies and state of management; the Safety and Health Council (at least once a year) to explain basic policies on safety and health; the Regional Safety and Health Committee (at least once a month) to deliberate on measures for preventing hazards and health impediments to employees; and the Company-wide Environmental Preservation Committee (once a year) to explain Company measures related to environmental preservation.

Labor Union Data (non-consolidated)

(FY)

	Unit	2017	2018	2019	2020	2021
Number of union members	Persons	12,823	12,949	13,294	13,459	10,087
Labor union makeup*	%	76.9	79.2	79.2	78.7	76.8
Number of labor discussions with the union	Number	26	31	23	44	38

* The number of labor union members and labor union makeup are current as of the end of the respective fiscal years. Labor union makeup percentage represents the percentage of union members versus all permanent employees, including managerial staff.

Human Rights Due Diligence

Human Rights Risk Assessments and Impact Assessments

In fiscal 2018, the Kawasaki Group implemented human rights risk assessments and impact assessments of its main businesses in cooperation with the U.S.-based nonprofit Business for Social Responsibility (BSR).
In implementing these risk assessments and impact assessments, Kawasaki referenced international rules and principles regarding human rights, namely, the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the International Bill of Human Rights, and the United Nations Guiding Principles on Business and Human Rights.

Scope of Human Rights Risk Assessments and Impact Assessments (businesses, value chains, countries and regions, stakeholder groups)

Businesses covered:

The Kawasaki Group’s main business

Countries and regions covered:

The countries and regions in which the Kawasaki Group does business (Japan, China, the United States, the United Kingdom, Brazil, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Australia, Germany, the Netherlands, Russia)

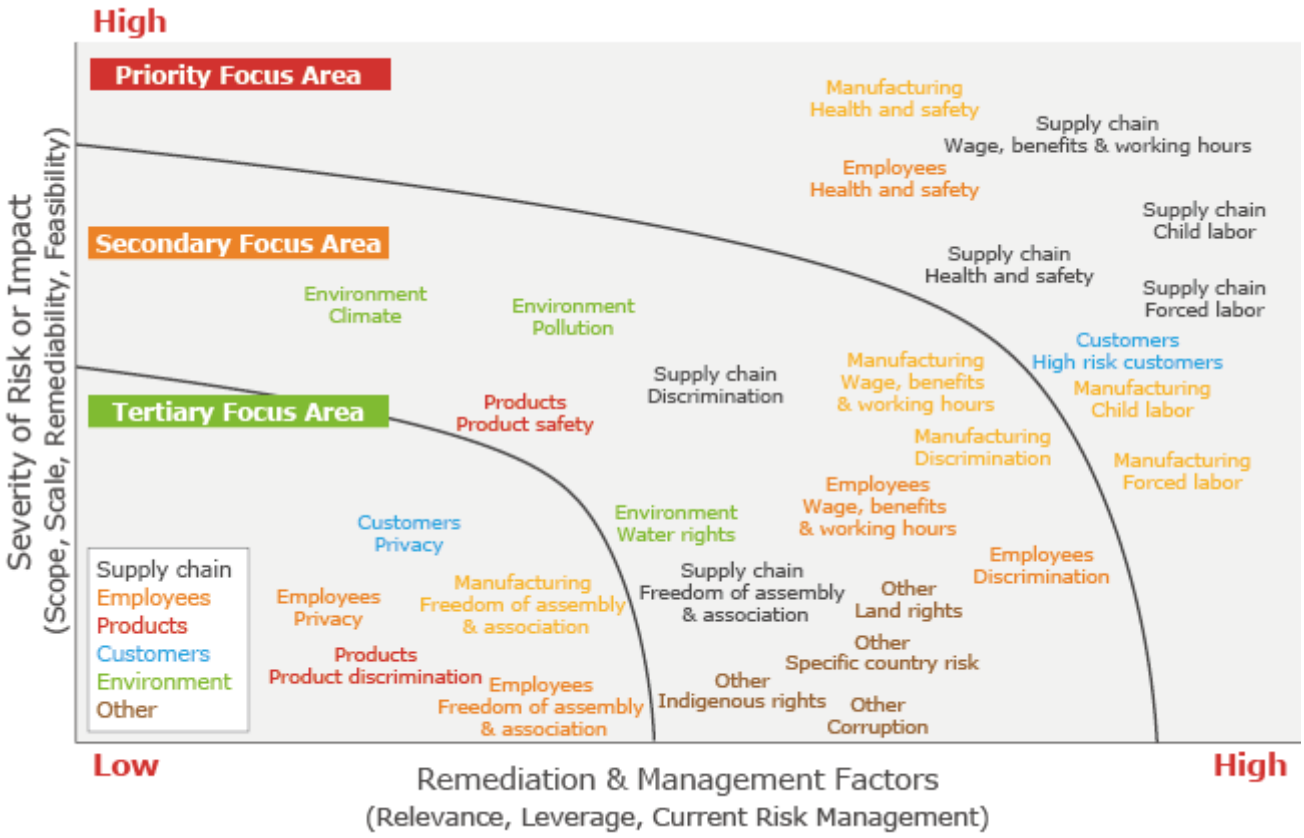
Stakeholders covered:

Customers, employees, employees in the supply chain, local residents, etc.

Assessment Results (priority human rights risks)

As a result of the risk assessments and impact assessments, we found that the following nine areas in particular present significant human rights risks.

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



Toward the Implementation of Corrective Measures

In light of the above results, the Kawasaki Group will formulate and implement risk reduction measures for key risks within the Group and in the supply chain. Specifically, utilizing SAQ made by Kawasaki which correspond to the five sections stipulated in the RBA Code of Conduct (Labor, Health and Safety, Environment, Ethics, Management Systems), we plan to monitor some of the overseas Group companies located in countries where human rights risks are high in fiscal 2022.

Mechanism for Addressing Human Rights Related Grievances

Mechanisms for Addressing Employee Grievances

Under Kawasaki's labor agreement, if a problem arises that cannot be resolved within the workplace, Kawasaki sets up a grievance committee, with participation from the director responsible for personnel and the president of the labor union, to quickly, fairly, and peacefully resolve the problem. The grievance committee handles a wide variety of issues, including the health management and safety of union members, incidents of abuse of authority or sexual harassment, and matters related to personnel transfers. Kawasaki promises that no employee will suffer disadvantageous treatment for voicing a grievance.

Consultation system	Contents of report or consultation	Contact method	Cases (fiscal 2021)	Contact point/Operating division	Scope
Internal consultation point system	Workplace harassment, such as sexual harassment, abuse of authority, and maternity-related harassment	Email	9	Head Office Human Resources Division / Head Office Human Resources Division	Kawasaki Heavy Industries, Ltd. (non-consolidated)
External consultation point system	Harassment and mental health	Webpage, phone		External institution / Head Office Human Resources Division	Kawasaki Heavy Industries, Ltd. (non-consolidated)
Compliance Reporting and Consultation System	Please refer to Whistle-Blowing System and Consultation Points.			Outside lawyer / Compliance Department	Kawasaki Group (domestic and some overseas locations)

Mechanisms for Addressing Outside Grievances (from suppliers, local communities, etc.)

Although we do not have a dedicated contact point for human-rights related grievances from outside the Group, our website includes general contact forms. Inquiries received through the website are directed to the relevant divisions and handled appropriately.

Engagement with Stakeholders

The Kawasaki Group Policy on Human Rights, established in fiscal 2019, states that the Group will fulfill its responsibilities related to respecting the human rights of the stakeholders impacted by the Group's business activities.

Identifying Human Rights Risk in Cooperation with the NPO BSR

In fiscal 2018, we worked with Business for Social Responsibility (BSR) to identify stakeholders impacted by the Group's business activities as well as areas of significant human rights risk. Going forward, we will formulate and implement risk reduction measures for key risks within the Group and in supply chains. By implementing a PDCA cycle of initiatives to ensure respect for human rights, we are advancing efforts to address risks to the human rights of our stakeholders.
For details, please refer to Human Rights Due Diligence.

In Response to the NGO SOMO's Report

In 2017, the Netherlands-based NGO SOMO published a report titled The Myanmar Dilemma, discussing human rights abuses in garment factories in Myanmar, including a factory reported to be a supplier to Kawasaki. In light of this report, we conducted an internal investigation and determined that a primary contractor commissioned by Kawasaki subsidiary Kawasaki Motors Corporation Japan to manufacture apparel products subcontracted the production of some of these products to the factory discussed in SOMO's report. The manufacture of these products at said factory was temporary, and the products were not being produced there at the time of the internal investigation. The responsible department provided explanations of potential human rights risks in the supply chain to related divisions and requested that they take steps to ensure awareness of and compliance with the Kawasaki Group CSR Procurement Guidelines. We internally share the observations and opinions of NGOs and other stakeholders and strive to respond appropriately when there is an issue.

- The Kawasaki Group Policy on Human Rights
- The Myanmar Dilemma, published by SOMO

Addressing Modern Slavery

Response to the United Kingdom's Modern Slavery Act

Our UK-based subsidiary Kawasaki Precision Machinery (UK) Ltd., the UK Branch Office of Kawasaki Motors Europe N.V., and Kawasaki Subsea (UK) Limited issue statements in accordance with the United Kingdom's Modern Slavery Act.

- Kawasaki Precision Machinery (UK) Ltd. "Slavery and Human Trafficking Statement 2020/2021"
- Kawasaki Motors Europe N.V. (UK Branch) "Modern Slavery Act Statement"
- Kawasaki Subsea (UK) Limited "Modern Slavery and Human Trafficking Statement"

Topic

Consideration Given to Employees at KMI (Indonesia)

PT. Kawasaki Motor Indonesia (KMI) is a local manufacturing and marketing base for Kawasaki-brand motorcycles in Indonesia.
About 90% of the population of Indonesia is Muslim, and many of KMI's employees are followers of Islam. Therefore, various considerations are extended to these employees. The company has set aside an area on site for a mushola (prayer room). Female employees are allowed to wear a headscarf during working hours and, in the cafeteria, no dishes made with pork are served since dietary laws prohibit consumption of pork. During the holy month of Ramadan, Muslims fast between sunrise and sunset, and through this month office hours for employees in administrative and sales and marketing divisions start 30 minutes earlier than usual. This change reflects the desire of many Muslims to have their evening meal with family at home during Ramadan. Also, after Lebaran (a celebration to mark the end of fasting), which follows Ramadan, KMI holds a Halal Bi Halal event for Muslims.
But Islam is not the state religion of Indonesia. In fact, there are Christian and Hindu minorities, and since the constitution guarantees religious freedom, Christmas and Hindu celebrations are also observed as national holidays. KMI therefore extends its consideration to employees of Christian and other faiths and holds such events as Christmas celebrations. This demonstrates KMI efforts to accommodate the local religions, cultures, and customs of the land and execute business activities that respect human rights.

On site prayer room (mushola)

Halal Bi Halal

Female employees wearing headscarves

Working with Suppliers

Our Basic Stance

Suppliers are one of the valuable business partners for the Kawasaki Group's business activities. It is essential that our procurement activities are conducted in line with our stance toward the concept of sustainability, which includes consideration for compliance, human rights, labor, occupational safety and health, and the global environment. To this end, we must work in cooperation with not only the entire Group but also our suppliers to actively promote sustainability initiatives throughout the entire supply chain. We will respond to the demands of our customers and society by identifying risks throughout the supply chain relating to human rights, labor, occupational safety and health, the environment, and so on and promoting sustainability activities together with our suppliers.

The Kawasaki Group's Policies for Material Procurement and CSR Procurement Guidelines

The Kawasaki Group's Policies for Material Procurement and CSR Procurement Guidelines, which set forth our sustainable-procurement philosophy and our expectations for our business partners in that regard, were first issued in 2012 and revised in 2020. These policies and guidelines have been disseminated among related divisions, including Group companies, so that the Group is united in our promotion of sustainable procurement. Furthermore, domestic and overseas subsidiaries engaged in procurement disclose their CSR procurement policies on their websites. Through such efforts, we pursue sustainable procurement on a global and Group-wide basis. Going forward, the Kawasaki Group will continue to promote sustainability initiatives throughout the supply chain in cooperation with suppliers.

Basic Policies

The Kawasaki Group conducts procurement activities based on the Kawasaki Group Mission Statement, the encapsulation of the Group's management principles.

Fair and Impartial Procurement

We will provide broad and impartial opportunities for our business partners and will make selections with integrity and in good faith after conducting comprehensive and fair evaluations of quality, price, delivery schedule, technological development capabilities, and other such factors.

Relationships with Business Partners
The Kawasaki Group will take a long-term perspective as it strives to build relationships of trust with business partners based on mutual respect for one another's vision and position with the aim of mutual enhancement of competitiveness and prosperity.

Compliance
We will observe related statutes and regulations as well as social norms. We will place information gained through procurement under appropriate controls and will take thoroughgoing measures to protect confidential information and prevent leaks.

Consideration for Human Rights, Labor and Occupational Safety and Health
We will advance procurement activities with consideration for human rights, the work environment, and occupational safety and health.

Harmony with the Global Environment through Green Procurement
We will advance procurement with consideration for the global environment with respect to the materials used in products.

In addition, we disclose the Kawasaki Group Policies for Material Procurement on our website to inform our business partners of our basic position on material procurement.

Scope of Policy Application

The Kawasaki Group and our suppliers

- Kawasaki Group Policies for Material Procurement
- Kawasaki Group CSR Procurement Guidelines

Structure

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

The Kawasaki Group’s Supply-Chain Management

The Kawasaki Group CSR Procurement Guidelines, which can be viewed on our website, outline the Group’s approach to sustainable procurement and requirements of suppliers. These guidelines were first issued in 2012 and revised as Group policy in 2020.
The basic agreement that Kawasaki forms with suppliers includes provisions specifying that both parties should recognize the importance of corporate social responsibility and will voluntarily and proactively engage in business and social activities with due consideration given to the sustainable development of the environment and society. In fiscal 2020 we revised the aforementioned basic agreement by stipulating that suppliers should strive to comply with the Kawasaki Group CSR Procurement Guidelines. As a result, our collaboration with suppliers has advanced, and we are practicing sustainable procurement at a new level.
In addition, we hold lectures about sustainable procurement as part of in-house training, working to raise the sustainability awareness of employees in relevant positions. Furthermore, domestic and overseas subsidiaries engaged in material procurement disclose their CSR procurement policies on their websites as suited to their specific businesses. Through such efforts, we pursue sustainable procurement on a global and Group-wide basis. Going forward, the Kawasaki Group will continue to promote sustainability initiatives throughout the supply chain in cooperation with suppliers.

Supply-Chain Risk Assessment

Since fiscal 2016 Kawasaki has conducted surveys of domestic and overseas suppliers to assess their compliance with the Kawasaki Group CSR Procurement Guidelines and evaluate our supply-chain risks. In fiscal 2016 we conducted a survey of domestic suppliers to assess their compliance based on these guidelines. About 1,400 suppliers responded to the survey. In addition, since fiscal 2018 we have conducted surveys of domestic and overseas suppliers, and in fiscal 2021 we implemented a survey of major suppliers in Japan and received replies from 395 companies.
These 39-question surveys question suppliers’ initiatives in each of seven categories, including CSR-related corporate governance, human rights and labor, the environment, fair corporate practices, and quality and safety.
Going forward, we will implement measures to strengthen our sustainability efforts throughout the supply chain based on the results of these surveys.

Capacity Building and Incentives for Suppliers

The Kawasaki Group procures materials across a wide range of fields organized into three groupings: Land & Air Transportation Systems, Motion Control & Motor Vehicles, and Energy & Marine Engineering. As necessary, each internal company provides training and implements recognition systems for the purpose of improving suppliers’ quality and delivery performance.

Thorough Compliance in Material Procurement

Each year, Kawasaki holds workshops for Group procurement divisions to ensure compliance with procurement-related laws and regulations, particularly the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the Subcontract Act) and the Construction Industry Law. Of note, we maintain proactive measures not limited to procurement divisions to promote awareness and knowledge of the Subcontract Act, as outlined below.

- In October 2009, we published a collection of examples of Subcontract Act violations, citing actual cases in which other companies had contravened this law.
- In April 2013, we posted a checklist for compliance self-auditing pursuant to the Subcontract Act on our company intranet. This checklist functions as a tool for checking and correcting administrative activities prone to violations of the Subcontract Act.
- Since fiscal 2011 we have held group training sessions every year, mainly for design and manufacturing divisions at our plants and major affiliated companies. A total of about 7,000 employees have received this training so far. In addition, in fiscal 2021 we implemented e-learning training to make as many employees as possible aware of the Subcontract Act; about 14,000 employees have taken this e-learning course so far.

Conflict Minerals

In December 2013, the Kawasaki Group posted its Policy Regarding Procurement of Conflict Minerals on its website. This policy states that the Group has no intention whatsoever of being party to conflicts or inhumane acts in the Democratic Republic of the Congo and neighboring countries through the procurement or use of the tin, tantalum, tungsten, and gold—the so-called conflict minerals—that are produced in these countries. We also ask our suppliers to make similar efforts in the Kawasaki Group CSR Procurement Guidelines.
In fiscal 2021, based on customer requests, Kawasaki Motors, Ltd. carried out a survey of not only tin, tantalum, tungsten, and gold but also cobalt and duly conveyed the results for General Purpose Engines.

Policy Regarding Procurement of Conflict Minerals

Armed groups that repeatedly commit inhumane acts such as killings, looting and sexual violence may derive capital from the four minerals of tin, tantalum, tungsten and gold (known as “conflict minerals”) being produced in the Democratic Republic of the Congo and its neighboring countries. As a result, there is a concern that these conflict minerals will lead to an escalation of problems.
The Kawasaki Heavy Industries Group has no intention whatsoever of being party to such conflicts or inhumane acts through the procurement or use of these conflict minerals in consideration of respect for human rights. Going forward, efforts will be made to tackle the issue of conflict minerals in close liaison with customers and suppliers.

- Kawasaki Group CSR Procurement Guidelines

Human Rights Efforts in the Supply Chain

Kawasaki has created the Kawasaki Group CSR Procurement Guidelines, which outline its requirements of suppliers, with the aim of promoting sustainability initiatives throughout the supply chain, such as human rights considerations and the prohibition of forced labor and child labor. These guidelines are published on Kawasaki’s website and distributed to suppliers. In fiscal 2020 we revised the basic agreements we form with our suppliers to include clear provisions mandating that they strive to comply with the Kawasaki Group CSR Procurement Guidelines. Additionally, we are asking our suppliers to step up their sustainability initiatives, including those advocating for human rights, by surveying our suppliers, hosting sustainability-themed briefings, and updating the provisions of the basic agreements.
Moreover, since fiscal 2018 we have been providing briefings to directly explain our concept of sustainability to our suppliers. At these briefings, we explain important issues in supply-chain management, such as human rights and environmental problems, and request suppliers to strengthen their sustainability initiatives. From fiscal 2018 through fiscal 2019 we held 10 such sustainability-themed supplier briefings, which were attended by a total of 1,000 people from 700 companies. Additionally, in fiscal 2019 we sent out a document titled “Toward the Further Promotion of sustainability Activities Involving the Entire Supply Chain” to our suppliers in Japan, aiming to facilitate collaborative initiatives.

- Kawasaki Group CSR Procurement Guidelines

Human Resource Management

Our Basic Stance

Human resources are the most important asset necessary for the Group to continuously provide the new value required by society, and we consider the enhancement of human capital to be fundamental to this. In the Group Vision 2030, we positioned human capital as an important element supporting our growth scenario.
Based on this awareness and in accordance with our basic policy on human capital (Kawasaki Group Policy on Human Resource Management), we are implementing various measures to recruit and develop diverse human resources, create an environment that enhances and demonstrates the individuality and abilities of those human resources, and achieve people and organizations that continuously tackle challenges and reform in a positive manner.
In particular, we position the improvement of employee engagement as a priority issue and are actively working on human resource system reforms and organizational development activities to further increase highly motivated employees provided environments in which they can fully exercise their abilities.

Guidelines

The Kawasaki Group seeks to create a hopeful future by providing in a timely manner innovative solutions that accommodate an ever-changing society through advanced technological capabilities in wide-ranging fields.
Human resources are the most important assets supporting the foundations of the Group. Moreover, changes in the business environment and the values of employees are accelerating, and human resources are becoming increasingly important for creating new value.
We established the following human resource and organizational goals and will implement human resource policies in order to continuously transforming our corporate culture so that all Kawasaki Group human resources will be highly motivated to ambitiously work toward the realization of the Group Vision 2030: “Trustworthy Solutions for the Future.”

- Kawasaki Group Policy on Human Resource Management

Personnel-related Structures

Company-wide policies on human resource development and utilization with significant potential impact on corporate management are discussed and reviewed at the Company-wide HR Management Committee. With the president as its presiding officer, the Company-wide HR Management Committee comprises primarily internal company presidents. The committee discusses and reviews matters regarding 1) cultivating corporate managers, 2) the application of human resources in key strategies, 3) the assignment of human resources to new business and new product operations, and 4) the status of human resource measures in operation.

In addition, the Head Office Human Resources Division maintains various meetings and committees in which division managers in charge of human resources and labor at the internal companies convene to gather views and opinions on the drafting of detailed of human resource initiatives and communicate Company-wide policies.

Human Resource Committees and Meetings

Body	Purpose	Attendees	Meeting frequency
Company-wide HR Management Committee	To discuss and consider Company-wide policies on human resource development and related matters with the potential to significantly impact corporate management	• President, Senior Corporate Executive Officer, and internal company president • General Manager of the Corporate Technology Division • General Manager of the Corporate Planning Division • General Manager of the Human Resources Division	Four times a year
Meeting of Company-wide human resources planning departments*	To consider and share information on policy and operations related to personnel & labor administration	• Head Office Human Resources Planning Department (host) • Senior managers of personnel & labor administration sections of internal companies and offices	As needed (approximately twice a month)
Meeting of managers in charge of human resources	To exchange views about and discuss the operations of Human Resources & Labor Administration Department	• The Head Office Human Resources & Labor Administration Department (host) • Managers of personnel & labor administration sections of internal companies	As needed (approximately twice a year)

Body	Purpose	Attendees	Meeting frequency
Meeting of managers in charge of human capital development	To exchange views about and discuss the operation of Human Capital Development Department	• The Head Office Human Capital Development Department (host) • Managers in charge of human capital development of internal companies, and personnel & labor administration sections of offices • Managers of human capital development sections of the Group companies	Twice a year
Meeting of managers in charge of labor administration	To exchange views about and discuss the operation of Human Resources & Labor Administration Department	• The Head Office Human Resources & Labor Administration Department (host) • Managers of personnel & labor administration sections of internal companies and offices	Twice a year
Meeting of managers in charge of safety & health management	To exchange views about and discuss the operation of Safety & Health Management Department	• The Head Office Safety & Health Management Department (host) • Managers of the safety & health management sections of each office	Four times a year

* Meetings of managers serve as venues for discussion, while the meeting of Company-wide human resources planning departments serves as a venue for sharing information and communicating policy.

Responsible Officers

Katsuya Yamamoto, Representative Director, Senior Corporate Executive Officer, General Manager of Human Resources Division

Company-wide HR Management Committee: Yasuhiko Hashimoto, Representative Director, President, and Chief Executive Officer

Other various HR meeting bodies: Senior Managers from the Head Office Human Resources Division

Responsible Executive Organ and/or Committee

Company-wide HR Management Committee

K-Win Activities (Kawasaki Workstyle Innovation)

The Kawasaki Group launched K-Win activities, an effort to promote workstyle reform, in fiscal 2016 with the objectives of "promotion of work-life balance," "increasing the productivity of administrative and technical personnel," and "reducing long working hours." Through these activities, we pursued three areas of transformation, namely, operational transformation, organizational and corporate culture transformation, and system transformation.
K-Win activities are currently integrated with Group management and have been expanded to include overall corporate innovation to change the corporate culture and employee awareness for the purpose of achieving the Group Vision 2030. Through these efforts to create more highly motivated employees who actively take on challenges, we are building organizations that create virtuous cycles of corporate value enhancement.

Vision for Our Employees and Organization

We have identified a vision for our employees and organization as described below. This vision is aimed at making effective use of human resources with an eye to total business portfolio optimization, maximizing results by improving productivity, and realizing value creation by bringing together diverse insights.

- People and organizations with high levels of engagement, job satisfaction and enjoyment, and ease of work
- Organizations in which every employee takes specific actions that go beyond internal and external boundaries based on market-in perspectives for achieving the Vision

Priority Issues to Be Addressed in K-Win Activities

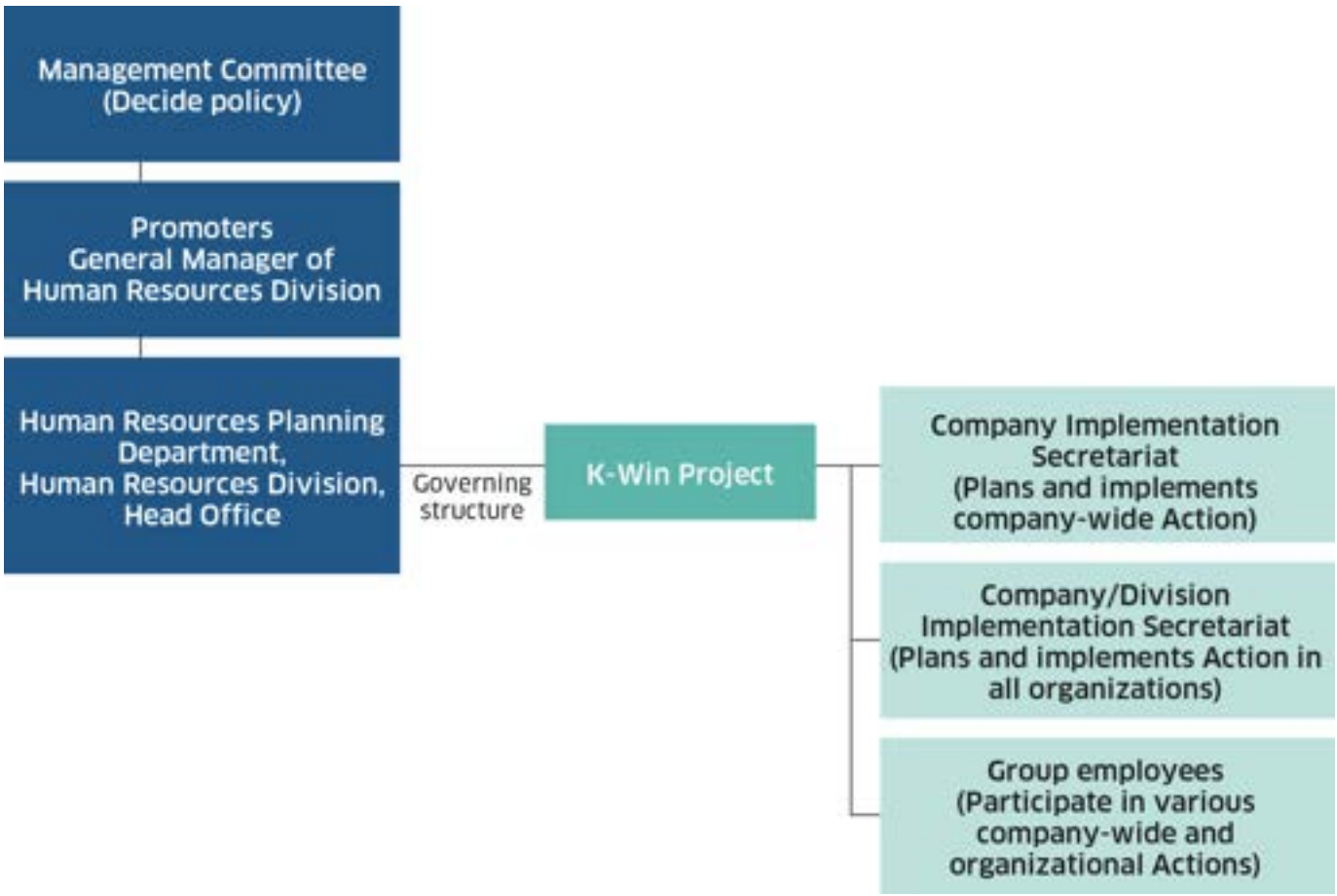
Encouraging the formation of connections and dialogue that link management topics with employees: proactively moving in a single direction

- Informing employees about the Group Vision 2030 and engaging in dialogue with senior management
- Implementation of the WinDEX engagement survey to make visible the corporate culture and address organizational issues
- One-on-one engagement and organizational development to establish a shared awareness with employees and revitalize organizations

Promote crossover action internally and externally with a focus on demonstrating competence and results: break down existing constraints and overcome internal and external boundaries

- Shift to new workstyles for Kawasaki and advance communications (e.g., use of remote communications and DX)
- Share information and solve cross-organizational issues using a suggestion box on the Company intranet
- Form a crossover community made up of members from inside and outside the company and exchange knowledge

K-Win Implementation Structure



Responsible Officer

Katsuya Yamamoto, Representative Director, Senior Corporate Executive Officer, General Manager of Human Resources Division

Responsible Executive Organ and/or Committee

K-Win Activities Implementation Secretariat

Workstyle Reform

To promote organizational and corporate culture transformation, we have issued messages from top management, provided educational seminars for managerial staff, and held one-on-one meetings. In system transformation, in fiscal 2017 we added productivity as one of our employee review criteria for administrative and technical personnel in order to recognize employees who carry out work quickly and efficiently, and in fiscal 2018 we introduced a remote working program (teleworking program) for said employees. In terms of operational transformation, we have provided the Operational Efficiency Improvement Start Book as well as useful information for operational transformation, including tools for various types of work.

Securing and Retaining Human Resources

Hiring

Administrative and technical positions are characterized by a prevalence of team-based operations. As such, finding team players who can engage in friendly competition with their colleagues is a major focus in hiring. When recruiting human resources, rather than simply filling the gaps left by outgoing retirees, we seek to secure individuals with the necessary skills in the required numbers from a medium- to long-term perspective. Furthermore, to flexibly meet the need for more employees due to business expansion, we are actively recruiting not only new graduates but also individuals with career experience. To facilitate overseas business expansion and promote diversity, we hire new overseas college graduates and foreign national students in Japan.

- For details on hiring foreign national students in Japan, please refer to Promoting the Employment and Active Participation of Non-Japanese Nationals under Diversity.

Number of Employees Hired (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

(FY)

		Unit	2018	2019	2020	2021	2022
New graduates hired*		Persons	538	562	555	357	370
	Male	Persons	492	507	498	323	333
	Female	Persons	46	55	57	34	37
Administrative and technical positions		Persons	332	338	344	231	246
	Male	Persons	291	290	296	200	214
	Female	Persons	41	48	48	31	32
Production specialists		Persons	206	224	211	126	124
	Male	Persons	201	217	202	123	119
	Female	Persons	5	7	9	3	5
Mid-career hires and ratio of mid-career hires to all new hires		Persons	417	296	167	95	-
		%	43.7	34.5	23.1	21.0	-
	Male	Persons	297	202	136	72	-
	Female	Persons	120	94	31	23	-
Administrative and technical positions		Persons	162	165	90	89	-
	Male	Persons	152	148	81	68	-
	Female	Persons	10	17	9	21	-
Production specialists		Persons	148	60	59	6	-
	Male	Persons	140	50	54	4	-
	Female	Persons	8	10	5	2	-
Partner		Persons	107	71	18	-	-
	Male	Persons	5	4	1	-	-
	Female	Persons	102	67	17	-	-
Average years of service		Years	13.6	13.4	13.7	14.2	-
	Male	Years	13.7	13.7	14.0	14.5	-
	Female	Years	12.3	10.0	10.3	10.8	-

* Number of new graduates hired as of April 1 of each fiscal year.

Employee Evaluations

Our Approach to Human Resource Evaluation

Kawasaki operates a personnel system that rewards employees based not on such individual characteristics as age, but on the size of the employee's role, the ambition of the targets they set, their ability to carry out the necessary work with determination and speed, and the results they achieve. By using this system, we aim to promote the further growth of our human resources and ongoing corporate growth. At the core of this is our target management system, which values commitment and ambitious effort.
Employees set targets for themselves that comprise both the expected targets entailed in carrying out their basic responsibilities as well as targets that reflect taking on self-directed challenges and rising above their normal roles to generate additional added value. Supervisors and their subordinates meet regularly to discuss hurdles to achieving these targets and employees' initiatives to do so. At the end of the fiscal year, employees themselves and their supervisors evaluate their performance regarding each target, and supervisors provide feedback that includes the reasons for their evaluations and reach a final evaluation. They then discuss initiatives for the coming year and the subordinate's career path.
To ensure fair and equitable evaluations, we have established fixed evaluation procedures. We also incorporate case studies and other training aimed at improving evaluation skills into the training of managers. For managerial staff, we implement multi-faceted observational surveys, which serve to aid individuals in seeing themselves through the eyes of others in an objective, multi-perspective manner, helping to develop their self-awareness as part of their education.
Moreover, once a year, the labor union is briefed on promotions and compensation to verify that employees are being treated in an equitable and fair manner.

Percentage of Employees Assessed by Different Evaluation Methods (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

(FY)

	Unit	2017	2018	2019	2020	2021
Evaluation based on target management*1	%	100	100	100	100	100
Multifaceted performance evaluations*2	%	21	21	21	21	21
Evaluations for ranking employees within their category	%	100	100	100	100	100

*1 Evaluations based on targets and other criteria agreed to by the Line Manager.
*2 360º evaluations, etc.

Overview of Long-term Incentives for Employees

Kawasaki provides a retirement payment system where employees can receive payment in a lump sum or as a pension. In addition to defined benefit pensions, Kawasaki offers defined contribution corporate pensions, which allow employees to choose their contribution amounts to suit their life plans and put them to good use in their long-term asset building plans.

Assessment Criteria

Years of service, age, work qualifications, work performance

Period for Assessment

Three years or more

Scope of Policy Application

All employees

Number of People Resigning (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

(FY)

		Unit	2017	2018	2019	2020	2021
Total number of resignations and turnover rate[*1]		Persons	-	-	-	-	481
		%	-	-	-	-	2.8
	Male	Persons	-	-	-	-	421
		%	-	-	-	-	2.7
	Female	Persons	-	-	-	-	60
		%	-	-	-	-	4.1
Number of employees voluntarily resigning and turnover rate[*1*2]		Persons	187	220	217	205	313
		%	1.2	1.3	1.3	1.2	1.8
	Male	Persons	166	200	186	179	275
		%	1.1	1.3	1.2	1.1	1.8
	Female	Persons	21	20	31	26	38
		%	2.0	1.6	2.1	1.7	2.6
29 and younger		Persons	78	111	116	109	162
		%	2.3	2.9	3.1	3.1	4.3
	Male	Persons	68	101	104	99	146
		%	2.1	2.8	3.0	3.0	4.2
	Female	Persons	10	10	12	10	16
		%	5.6	4.4	4.8	3.8	5.9

		Unit	2017	2018	2019	2020	2021
30 to 39		Persons	75	76	77	63	105
		%	1.5	1.5	1.4	1.1	1.9
	Male	Persons	67	70	64	52	89
		%	1.4	1.5	1.4	1.0	1.8
	Female	Persons	8	6	13	11	16
		%	2.7	1.7	3.2	2.6	4.0
40 to 49		Persons	25	16	14	28	29
		%	0.6	0.4	0.3	0.6	0.7
	Male	Persons	22	13	11	25	24
		%	0.6	0.3	0.3	0.6	0.6
	Female	Persons	3	3	3	3	5
		%	0.9	0.7	0.6	0.6	1.1
50 and above		Persons	9	17	10	5	17
		%	0.3	0.5	0.3	0.1	0.5
	Male	Persons	9	16	7	3	16
		%	0.3	0.6	0.2	0.1	0.5
	Female	Persons	0	1	3	2	1
		%	0.0	0.4	1.1	0.5	0.3

*1 Age of resigning employees is shown as of April 1 of each fiscal year.
*2 The turnover rate for employees who voluntarily resign does not include retirees and executive transfers.

Employee Satisfaction

Engagement Survey

The Kawasaki Group believes that to achieve the Group Vision it is important for employees to engage in their work with a sense of purpose and fulfillment, going beyond the bounds of their prescribed role or division. To this end, we are implementing a variety of reform activities, including the K-Win activities. We use an engagement survey, like those used widely by other global companies, to regularly gather current data on organizational capacity, which we regard as the target of reform activities, and to aid in identifying effective measures for addressing barriers to increasing such capacity.

Employee Satisfaction Survey Results

(FY)

	Unit	2017	2018*1	2019	2020*2	2021*3
Response rate	%	-	94	-	80	83
Satisfaction (Percentage of people who replied "I would like to continue to work here")	%	-	70	-	86	83
Male	%	-	68	-	87	83
Female	%	-	70	-	83	82

*1 Scope: The Kawasaki Group (domestic)
*2 Scope: Kawasaki Heavy Industries, Ltd. (non-consolidated)
*3 Scope: Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors

Employee Stock Ownership Association

The Kawasaki Group operates an employee stock ownership association system established to promote employee welfare (in terms of wealth building) as well as employees' sense of involvement in management. As part of the employee benefit system, the Company matches a certain portion of employee contributions, and the dividends on shares held by employees are used to buy more shares, achieving a compounding effect and enabling employees to build wealth. Furthermore, holding shares of the Company through the ownership association helps employees gain a greater awareness of corporate management, just as for general shareholders. We believe that this will contribute to the enhancement of enterprise value over the long term.

Shares Held by the Employee Stock Ownership Association and Position on the Register of Shareholders

(FY)

	Unit	2017	2018	2019	2020	2021
Shares held by the Employee Stock Ownership Association	Shares	2,980,821	3,286,221	3,790,021	4,501,521	4,934,251
Position on the register of shareholders (by size of shareholding)		9th	7th	6th	4th	4th

Human Resource Development

Our Basic Stance

In order for us to continue our business and grow in the 21st century as a global corporation, 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.
In Kawasaki Group Policy on Human Resource Management too, we declare our commitment to continuously fostering human resources with the mindsets to resolutely challenge change and to follow through on their own initiative. This commitment entails identifying by appropriate means the talents and ambitions of employees and enabling them to realize their ideal careers through work and skill development. Based on the above, Kawasaki conceptualizes the development of human resources as follows:

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

Desirable Employee Attributes

Kawasaki aims to nurture individuals equipped with sophisticated expertise and wide-ranging experience. To this end, we will systematically nurture future leaders, including executive candidates, while strengthening project risk management and developing global human resources. Specifically, we will provide consistent training and strengthening at all levels with the aim of realizing the following six desirable human resource attributes set out in our Kawasaki Group Mission Statement:

- Human resources capable of being active globally
- Human resources capable of solving the challenges of society and customers
- Human resources capable of supporting change and innovation
- Human resources capable of upgrading their expertise
- Human resources capable of displaying overall competence
- Human resources with a constant profit-oriented perspective

Structure

We have in place the Human Capital Development Department within the Human Resources Division. Also, common Group-wide education and training, such as level-specific development for junior employees, top management or other levels and training to foster globally capable human resources, is planned and executed by the Head Office Human Resources Division. In addition, the internal companies each plan and execute education and training related to the particular abilities and skills required in their respective areas of business.

- For details on our internal committees and relevant governance structures, please refer to Human Resource Management.

Human Resource Development Programs

Reinforce the Management and Business Execution Capabilities of Employees (Administrative and technical training)

During their first three years of employment, employees in administrative and technical positions receive a combination of structured OJT based on a mentoring program and a range of training content designed to help young employees develop their capabilities as quickly as possible.
Furthermore, programs designed for training managerial candidates are provided, including the Kawasaki management seminars and Kawasaki executive coaching programs; the senior management course and middle management course, aimed at enhancing the capabilities of mid-level managers and section heads; and the 360 degree evaluation designed to build individuals' awareness of their strengths and areas requiring improvement.
We emphasize the importance of communication to foster skills development in the execution of routine duties. In particular, individuals have quarterly one-on-one meetings with their supervisors and share their goals within their sections using a special sheet, titled the Challenge & Commitment Sheet, which includes the challenges they are taking on and their commitments.

Performance of Major Grade-specific Training Programs Held by Head Office (consolidated domestic; exceptions apply)

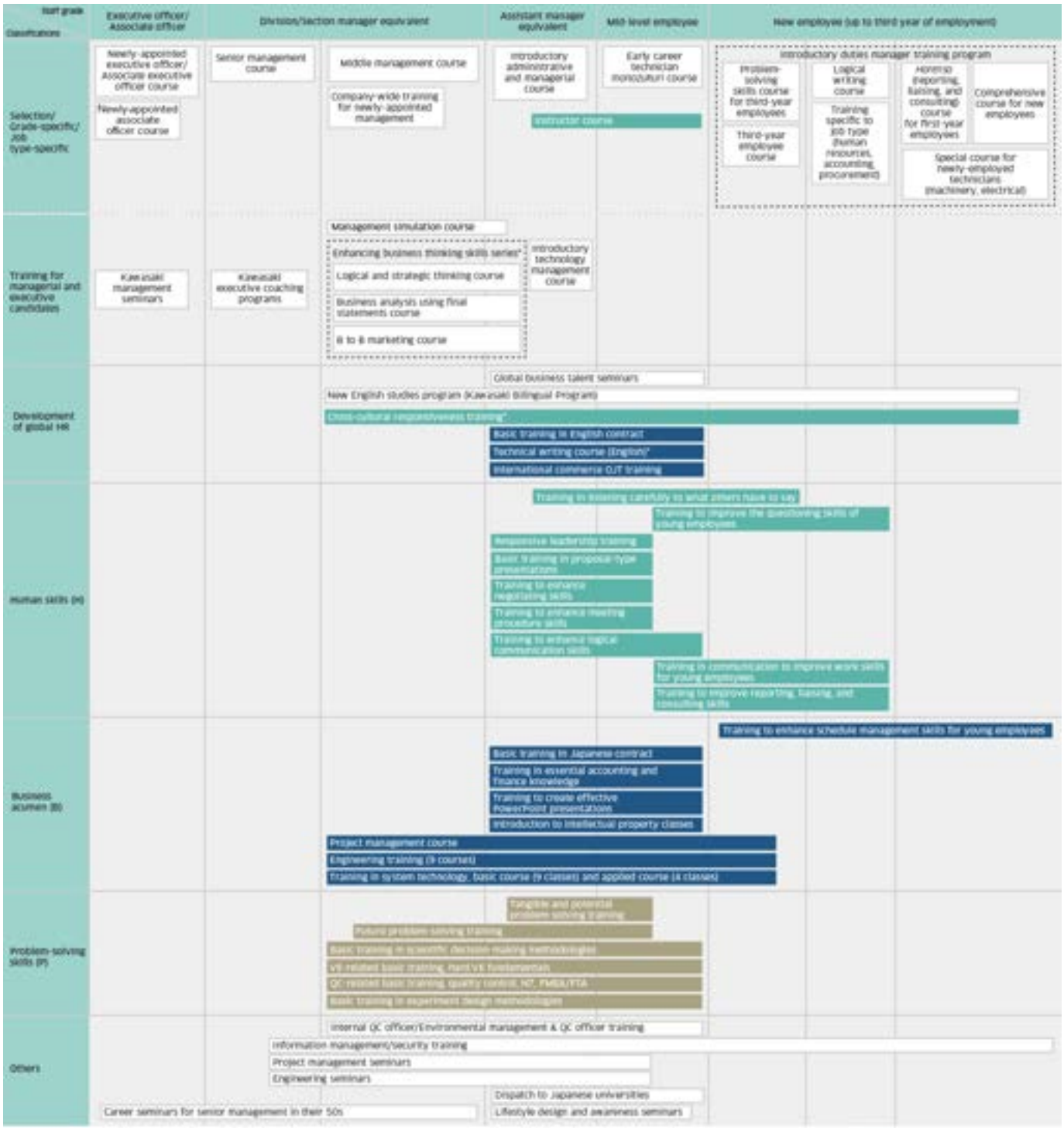
(FY)

		Unit	2017	2018	2019	2020	2021
New employee training	Participants	Persons	325	338	338	344	232
	Total hours	Hours	14,300	14,872	14,872	15,136	10,208
Training for new section managers	Participants	Persons	91	91	125	103	140
	Total hours	Hours	7,280	5,533	7,843	4,944	7,140
Training for new division managers	Participants	Persons	44	50	48	36	39
	Total hours	Hours	2,464	2,464	2,700	1,512	1,521
Kawasaki executive coaching program*1	Participants	Persons	9	9	9	9	30
	Total hours	Hours	1,152	1,152	1,152	1,152	4,080
Kawasaki management seminars	Participants	Persons	51	23	- *2	121	103
	Total hours	Hours	204	81	-	242	206

*1 The participant target for the Kawasaki executive coaching program, which aims to expedite the training of executive candidates, was lowered from division manager equivalent to section manager equivalent in fiscal 2021, with the number taking the classes increasing from 9 to 30 persons.

*2 Cancelled in fiscal 2019 to prevent the spread of COVID-19.

Training Structure for Administrative and Technical Personnel



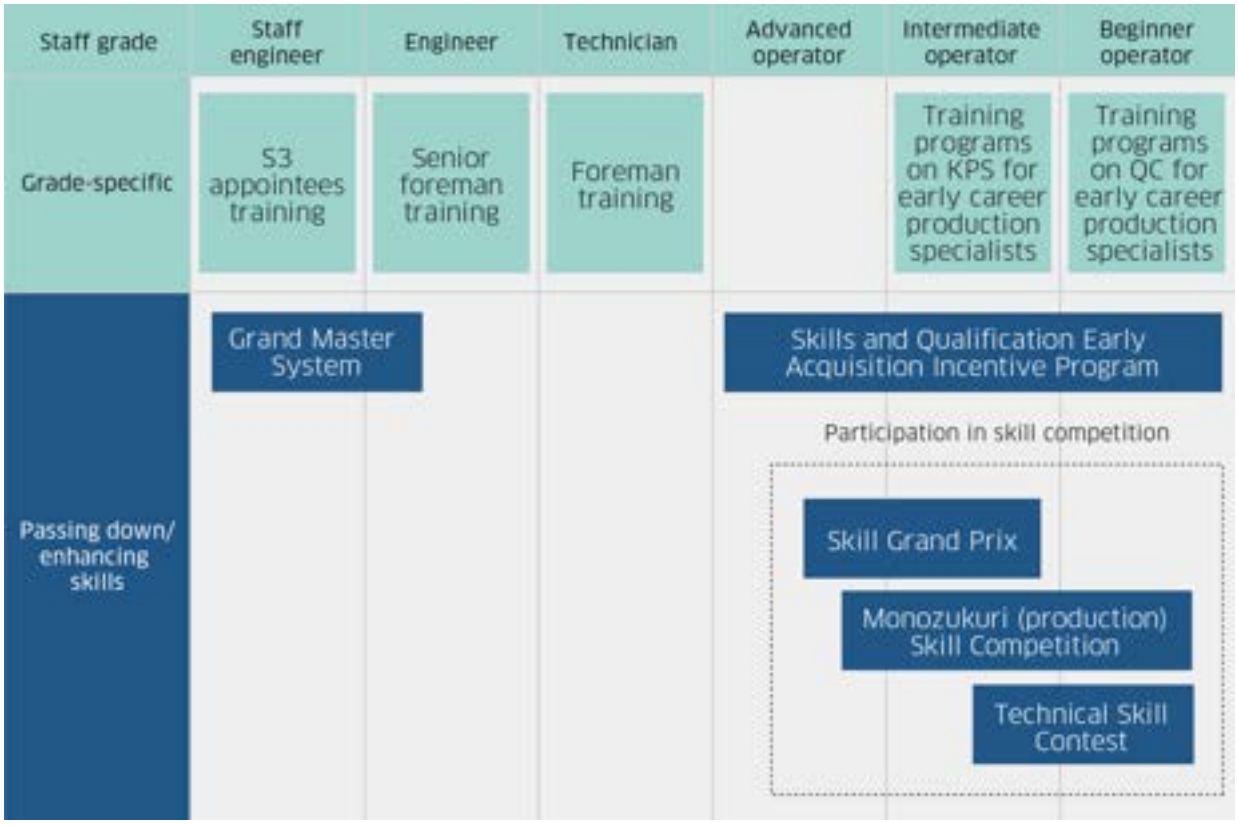
*Cancelled in fiscal 2020

Strengthening On-site Capabilities (Training for production specialists)

In the area of production specialist training, we are promoting the transmission and enhancement of front-line production skills through a variety of programs, including the Skills and Qualification Early Acquisition Incentive Program for younger employees and the Grand Master System, in which production specialists with a high level of special expertise are recognized as grand masters and work to systematically pass down their skills to younger employees. In fiscal 2022, two new grand masters have been recognized, bringing the current total of active grand masters to five.
In addition, we participate actively in outside skills competitions. At the Hyogo Monozukuri (production) Skill Competition held from October to November 2021, Kawasaki employees secured first, second, and third places in the lathe category of the senior workers' skills division and won the Fighting Spirit Prize in the lathe category in the younger workers' skills division. Furthermore, in the Skill Grand Prix held in February 2021, Kawasaki employees received the silver and bronze medals in the lathe category as well as the bronze medal in the machine assembly category.
To reinforce the leadership of production site supervisors, we provide senior foreman training and foreman training. For young employees, we provide basic training programs on KPS* and quality control in which they learn about Kawasaki's production systems.

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

Training Structure for Production Specialists



Note: Only those programs, etc. targeted at all Group companies and hosted by Head Office are included

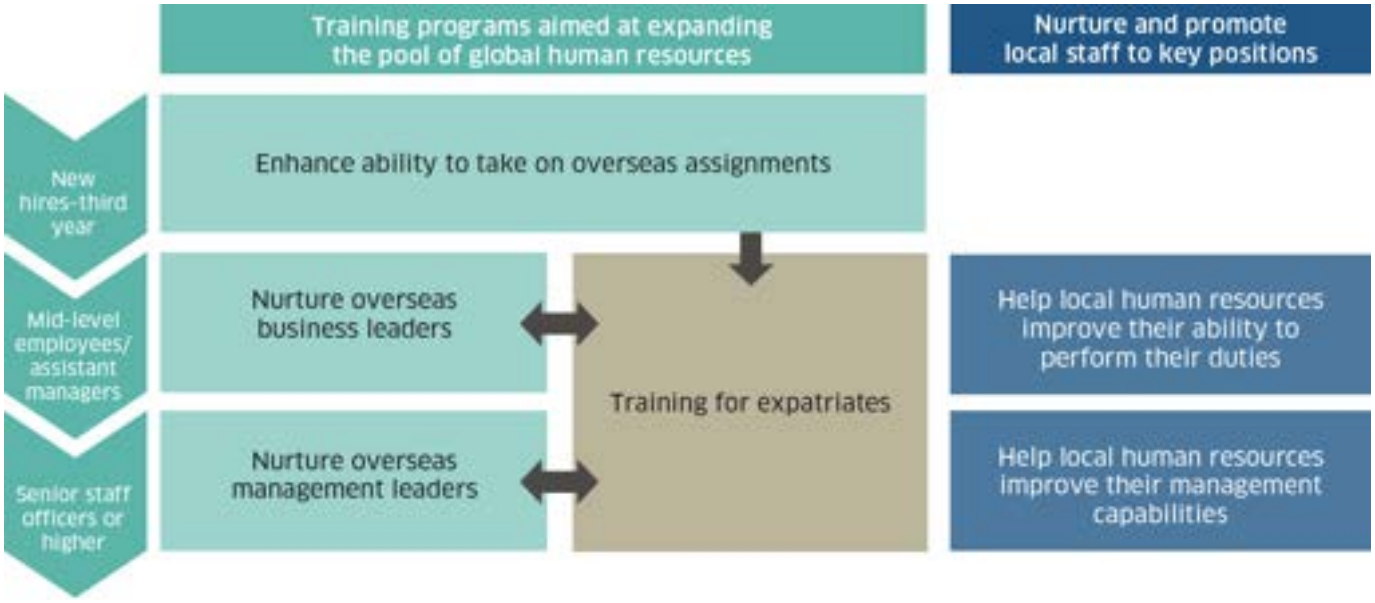
Other Initiatives to Strengthen On-site Capabilities

- Technical Skill Contest
  In recent years, with Japan's baby boomer generation retiring in great numbers, ensuring that their skills are passed down to the next generation has become a pressing issue, and Kawasaki is focusing efforts on education and developing the skills of young employees. Every year, young employees from production sites in and outside Japan gather at the Akashi Works for the Technical Skill Contest to compete against one another using skills they have honed at their work sites. Young technicians from Japan and several other countries take part, demonstrating their skills to the fullest as they compete with and learn from each other. In fiscal 2020 and 2021, the event was cancelled to prevent the spread of COVID-19. Going forward, however, we will continue such efforts to maintain and improve technical skills across the Group.
- Creating Opportunities to Pass down Skills
  Aggressively promoting the transfer of technical skills to enhance production capabilities, the bedrock of our business activities, is essential. To this end, we opened Takumi Juku, a professional trade skills training center at the Harima Works, in 2012, and Manabiya, a manufacturing skills creation center at the Akashi Works, in 2014. Through synergies between existing skills training systems and the creation of opportunities to pass down technical skills, these centers are delivering results in terms of not only transferring skills, but also of acquiring new skills, quickly developing skills and instructors, and enabling employees to teach and improve one another's capabilities.

Development of Global Human Resources

Since 2008, we have been implementing measures for global human resource development aimed at supporting business expansion worldwide. Specifically, we implement the global business talent seminars to instill a mental preparedness to work from a global perspective and learn skills related to overseas business and the global basic skills seminars to instill a systematic understanding of differences in diversifying values. Furthermore, we work to enhance global human resource development, for example, offering an overseas internship system and Asian business training program aimed at globalizing domestic human resources as well as training support for local engineering employees at overseas sites.
In fiscal 2018, we formulated the Kawasaki Bilingual Program, an English training program designed to assist self-motivated study. This represents yet another example of our efforts to develop an environment in which employees with career ambitions are supported by a diverse lineup of English training programs and empowered to pursue their goal of becoming global human resources.

Our Structure for Nurturing Global Human Resources



Performance of Major Global HR Training Programs Held by Head Office (consolidated domestic; exceptions apply)

(FY)

		Unit	2017	2018	2019	2020	2021
Global business talent seminars	Participants	Persons	39	33	16	-	15
	Total hours	Hours	2,964	1,584	872	-	765
Global basic skills seminars	Participants	Persons	61	20	38	-	23
	Total hours	Hours	488	160	304	-	172.5
English-language skills series*1	Participants	Persons	30	15	17	19	12
	Total hours	Hours	648	324	368	161	242
English-language writing series*2	Participants	Persons	32	39	37	-	23
	Total hours	Hours	512	624	956	-	345

Note: Language programs are also provided at each workplace.

*1 English-language skills series: Meeting (reading aloud and practical exercises), presentation, and negotiation training

*2 English-language writing series: Courses on technical writing (to fiscal 2019), business writing, and email writing from the elementary stage

Project Manager Training

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 in fiscal 2016 to secure project managers able to execute such projects. The entire Group is working to enhance its project management capabilities, to this end holding Project Manager Seminars to which we invite individuals from inside and outside the company with previous experience in large-scale projects as lecturers to impart the know-how required to lead projects to success, and the Project Management Course to acquire a systematic knowledge of project management.

Nurturing Management Successors (Kawasaki Executive Coaching Program)

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.

Amounts Invested in Human Resource Development

Education and Training Expenses (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

(FY)

	Unit	2017	2018	2019	2020	2021
Education and training expenses per employee	Yen/FTE*	33,000	35,000	34,000	27,000	27,000
Education and training hours per employee	Hours/FTE*	33	38	41	32	32
Total education and training hours	Hours	-	-	-	-	547,000

* FTE: Full-Time Equivalent

ROI from Human Resources (consolidated global)

(FY)

	Unit	2017	2018	2019	2020	2021
Sales (a)	Millions of yen	1,574,242	1,594,743	1,641,335	1,488,486	1,500,879
Sales expenses (b)	Millions of yen	1,518,317	1,530,720	1,579,272	1,493,792	1,455,074
Employee-related expenses (c)*	Millions of yen	158,070	161,131	161,460	156,707	147,460
ROI from human resources (a-(b-c)) /c		1.35	1.40	1.38	-	1.31

* Salaries, bonuses, and welfare expenses

Diversity

Our Basic Stance

As developed countries, including Japan, face a looming sense of anxiety arising from the lack of labor force due to an ongoing decline in population and a growing number of businesses seeking to expand globally as they confront increasingly intensive international competition, people's views regarding careers and workstyles have become more diverse than ever before. In order for the Kawasaki Group to sustainably improve its enterprise value in such an environment, it will be crucial for every one of our approximate thirty-six thousand employees active throughout the world to fully realize their diverse capabilities regardless of their nationality, gender, age, religion, or disability and for us to create an organization designed to maximize this potential. Based on this recognition, we are proactively implementing various initiatives to promote diversity and inclusion.

Vision for Our Organization

Our diversity initiatives center on "allowing employees to embrace diverse workstyles to help them strike an optimal work-life balance," "promoting the active participation of women," "facilitating the employment of people with disabilities," "extending support for the next generation and those engaging in nursing care," and "promoting the active participation of non-Japanese nationals." Furthermore, in an effort to expand the scope of these initiatives, we aim to create an LGBT-friendly work environment and, to this end, are focusing on pushing ahead with various measures and employee awareness campaigns. In proactively undertaking diversity initiatives, we will foster a corporate culture in which all employees respect one another based on a common understanding that others have different value systems and attributes. Doing so will facilitate the creation of new value and enable us to better accommodate increasingly diverse customer requests, and in turn, help us with the aim of enhancing our corporate competitiveness.
In addition, the Kawasaki Group Code of Conduct makes it clear that we will strive to create a workplace environment that respects diversity among employees and empowers everyone to work energetically.

- The Kawasaki Group Code of Conduct

Structure

Within the Head Office Human Resources Division, we have in place the Diversity and Inclusion Promotive Section, which is tasked with various activities aimed at promoting diversity and inclusion.

- **For details on our internal committees and relevant governance structures, please refer to Human Resource Management.**

Promoting Diversity and Inclusion

Promoting the Employment and Active Participation of Non-Japanese Nationals

Kawasaki launched a regular hiring program for non-Japanese new graduates in fiscal 2012 and continues to recruit from countries around the globe, including Korea, China, Sweden, and India. To improve communication between non-Japanese employees and their supervisors and co-workers, as well as to enable supervisors and co-workers to better understand non-Japanese employees who have different educational, cultural, and other backgrounds, Kawasaki creates and distributes guidebooks for workplaces that non-Japanese employees will be joining and organizes seminars on multicultural understanding for supervisors as well as training programs to help employees from other countries understand the Japanese business environment.

Number of Foreign National Employees (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

(FY)

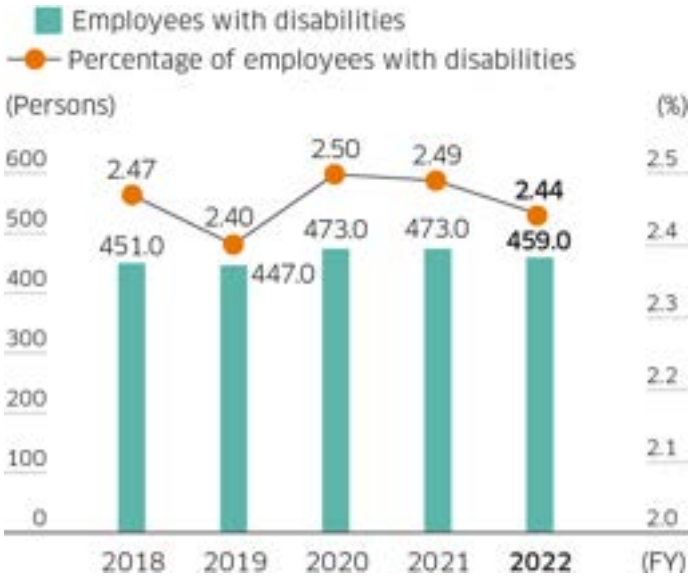
	Unit	2018	2019	2020	2021	2022
Number of foreign national employees*	Persons	35	36	35	36	34

* As of April 1 of each fiscal year. Administrative and technical personnel only.

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, and also works actively to create barrier-free workplaces. We are cultivating an environment where people with disabilities are able to develop their full potential. Kawasaki Heartfelt Service Co., Ltd. was recognized as the ninth Japanese company to receive the Certification of Company Fostering Active Participation of Persons with Disabilities on March 29, 2018 for promoting the active and ongoing employment of persons with disabilities, as well as its progressive efforts toward providing working environments that support their long-term employment.

Employees with Disabilities[*1] [*2] and Percentage of Employees with Disabilities (Kawasaki and Kawasaki Heartfelt Service Co., Ltd.)



*1 As of June 1 of each fiscal year.
*2 People working short hours are calculated as 0.5 persons. One person with a severe disability is counted as two persons.

Employing Seniors

Kawasaki extended its mandatory retirement age well before such changes were mandated by the amended Older Persons' Employment Stabilization Law. Many of our veteran employees remain actively involved in operations where they can use their accumulated experience and pass down their skills. Employees approaching age 55 are invited to participate in a Lifestyle Design Awareness Seminar intended to help them consider their work and lifestyle options going forward.

Promoting the Active Participation of Women

The Company is focused on promoting the active participation of women and has set targets for 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 30–40% and that of career-track technical positions to at least 5–15% among newly hired graduates.
Furthermore, to promote the retention and career success of women, we hold seminars for managers of workplaces to which female employees are assigned for the first time to help them understand how to nurture such employees over the medium to long term. We also host joint seminars with other companies to incorporate insights from external role models on how to help women achieve personal growth. In recognition of these efforts, in 2016 Kawasaki received Eruboshi (2nd level) certification in recognition of outstanding efforts in promoting the active participation of women in the workplace.

- Kawasaki's page in the Ministry of Health, Labour and Welfare's database of companies promoting the active participation of women (Japanese language only)

New Graduate Female Hires for Administrative and Technical Positions* and Percentage of Women among All New Graduate Hires for Administrative and Technical Positions (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

* As of April 1 of each fiscal year.

Number of Women in Managerial Positions[*1] [*2] (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

	Unit	2018	2019	2020	2021	2022
Number of women in managerial positions	Persons	43	49	57	66	79

*1 As of April 1 of each fiscal year.
*2 Section head or above. Figures include staff on external postings and staff on leave.

Supporting Employees Balancing Work with Childcare and Nursing Care

Kawasaki provides support in a number of ways to enable employees to continue working actively while balancing work with childcare and nursing care. Many related systems go beyond national government standards, such as 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; nursing care leave available for up to three years; and a system that lets employees take time off in one-hour units as needed for childcare or family nursing care. In recognition of these systems, in 2010 Kawasaki was certified as a company supporting childcare and awarded the Kurumin Mark.
Other initiatives include the Supplementary Work Day Nursery Service, which provides temporary childcare services within the Company for employees working on days that they would normally have off; the Childcare Rescue System, offering Company-designated baby-sitter services that employees can use when their children are sick or recovering or when they are working overtime or on business trips; a concierge service to help employees find nursery schools; seminars to support employees taking childcare leave who wish to return to work; and career seminars for dual-income married couples. We continue working to enhance such initiatives for employees with children.
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 ratio at which male employees take childcare leave to 30% by 2025 and are proactively working to promote understanding so that our employees with their diverse attributes have diverse work style choices.

Usage of Work-Life Balance Programs (non-consolidated)

(FY)

		Unit	2017	2018	2019	2020	2021
Employees using the childcare leave		Persons	49	59	68	84	86
	Male	Persons	6	7	13	38	53
	Female	Persons	43	52	55	46	33
Employees using the care leave		Persons	4	3	3	5	6
	Male	Persons	2	3	3	3	3
	Female	Persons	2	0	0	2	3
Return rate after childcare leave		%	98	100	100	96	100
Retention rate after childcare leave		%	98	98	96	95	-*

* The retention rate after childcare leave represents the percentage of employees still working one year following their return from childcare leave. No statistics are available for fiscal 2021 because this one-year period has not yet elapsed.

Support Systems (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

Parental leave before and after birth	Maternity/paternity leave	Employees may take leave until a child reaches the age of three. There is no limit on the number of leaves taken.
	Nursery school enrollment concierge	Provides services to help employees taking childcare leave enroll their children in a nursery school.
	Leave to care for sick/injured child	Employees may take five days each year for each child up to the completion of elementary school, regardless of the number of such children. (Legally, companies are only required to provide a total of up to five days per year for one child or 10 days per year for two or more children)
	Accumulated leave*	Employees may use accumulated leave to care for a young child (up to completion of elementary school), care for a sick/injured child, or when morning sickness interferes with job duties.
	Use of flextime system	Employees may work on a flextime basis as necessary when looking after a young child (up to completion of elementary school) or when morning sickness interferes with job duties.
	Limits on out-of-hours work and work on days off	Employees may be exempted from out-of-hours work and work on days off until a child completes elementary school.
	Reduced working hours system to care for young child	Standard working hours can be reduced up to a maximum of three hours a day until a child completes elementary school.

Family nursing care	Nursing care leave	Employees may take leave up to three times for one person requiring nursing care (three years at longest).
	Limits on out-of-hours work and work on days off for nursing care	Employees may be exempted from out-of-hours work and work on days off up to once a year.
	Special leave for family care	Employees may take special leave of five days per family member requiring nursing care, regardless of the number of such family members (Legally, companies are only required to provide five days per year for one family member or 10 days per year for two or more family members)
	Half-days off	Employees may take as many half-days off as necessary, within available annual paid leave, to care for an ailing or elderly family member.
	Accumulated leave*	Employees may use accumulated leave whenever necessary to care for an ailing or elderly family member.
	Use of flextime system	Employees may work on a flextime basis as necessary when looking after an ailing or elderly family member.
	Reduced working hours system for nursing care	Employees may shorten their working hours for at longest two hours a day (up to two times in three years).
Other	Request for reemployment	Employees who resign to care for a child or an ailing/elderly family member may apply to be rehired when a change in their situation allows them to return to work.

* Accumulated leave refers to unused annual paid vacation days that cannot be carried over to the next year but can be taken in such circumstances as personal injury or illness, childcare, caregiving, or nursing.

Work-Life Balance

Work-life balance is the foundation for promoting diversity and inclusion, allowing diverse employees to exercise their strengths. To sustainably increase enterprise value, it is crucial to create highly productive workplaces where diverse employees can creatively use their abilities to the fullest while maintaining a good work-life balance. Within the Kawasaki Group, it is therefore important to create 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, empowered by fulfillment, they can engage with their work at a higher level. By providing diverse workstyle options that enable employees to balance their professional and private lives, we will systematically improve work efficiency.

Encouraging Employees to Take Their Annual Paid Leave

Kawasaki encourages employees to take their annual paid leave to enable them to mentally and physically refresh themselves and to draw a clear line between work and private life by taking their leave in a planned manner.
To this end, Kawasaki implements two programs: the Two Consecutive Holidays and the Anniversary Holiday programs. Under these programs, employees designate a total of three paid leave days at the beginning of the fiscal year and can take these days off without fail.
Additionally, based on the labor agreement, three annual paid leave days that the Company designates are taken by most employees in August. The Company combines this midsummer break with other Company holidays and a national holiday to create a span of nine consecutive days off.
Furthermore, the labor union and management have agreed to designate one day per week as an on-time exit day since fiscal 2006. The designation of this on-time exit day helps employees work efficiently and improve their work-life balance.

Annual Paid Leave Usage (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors)

(FY)

	Unit	2017	2018	2019	2020	2021
Number of used paid leaves*	Days / person	15.4	15.8	15.9	15.9	16.6
Paid leave usage rate	%	70.0	71.8	72.3	72.3	75.4
Total annual work hours	Hours / person	2,065	2,047	2,035	1,953	1,997
Total annual overtime hours	Hours / person	303.8	303.6	295.2	206.4	261.4

* 22 days given per year.

Other Initiatives

Diversity Symbol

Kawasaki has adopted a diversity symbol. This symbol imagines Kawasaki as a tree made up of a great number of diverse individuals. For this tree to grow healthily, its leaves and fruit must become more colorful and rich. We who work at Kawasaki see value in expressing our diverse colors—our unique personalities and skills—and seek to do so together within Kawasaki to grow as individuals and as a company. This is the message conveyed by the diversity symbol.

The Kawasaki Diversity Symbol

Diversity and Inclusion Promotion Website

We have set up a diversity promotion website on the Company intranet. This website offers an overview of diversity at the Kawasaki Group alongside workplace examples and information about systems related to facilitating a healthy work-life balance.

LGBT-related Efforts

Aiming to create an LGBT-friendly workplace, we are striving to raise employee awareness by sending out messages from the president, holding in-house seminars, issuing an LGBT handbook to be used in employee education, distributing the "Kawasaki LGBT ALLY Mark" to help employees express their support of LGBT individuals, and participating in relevant external events.
Moreover, we formulated the "Kawasaki Declaration of Action in Support of LGBT," which provides employee conduct guidelines, clarifying Kawasaki's basic stance and action principles to be observed by all employees.
In addition, Kawasaki Heavy Industries introduced rules on the registration of same-sex partners in fiscal 2020. Based on these rules, employees who have same-sex partners and meet prescribed conditions are now deemed legally married and treated as such. In this way, we are endeavoring to develop a structure to advocate for equal rights for LGBT individuals both at their workplaces and in their private lives.
As for our external evaluation, in 2021, for the fourth consecutive year, Kawasaki was awarded the highest rating of Gold in the Pride Index 2021, which reflects the level of effort on behalf of LGBT and other sexual minorities as recognized by the voluntary organization work with Pride.

Kawasaki LGBT Ally mark

External Collaboration

To accelerate social shifts related to diversity and work-life balance, we proactively look beyond the framework of the Company to encourage employees to participate in outside seminars and advance activities together with other organizations and companies. One example is a work-life balance and diversity promotion study project being jointly implemented by the Chuo University Graduate School of Strategic Management and private companies. This project broadly promotes the concept of healthy work-life balance in society through surveys and research. Kawasaki has taken part in the project since 2013, serving as a model company by implementing such internal measures as work-life balance training for managers. We are also a member of the Diversity Western–Japan Study Group. In this group, diversity officers at companies in the Kansai region meet to share ideas and good examples of diversity in action and advocate for diversity-related measures within their companies and to the government.

Topic

Enhancing On-site Nursery Facilities

Kawasaki Motors Enterprise (Thailand) Co., Ltd. opened an on-site nursery in April 2010. The nursery provides care for employees' children between the ages of one and four. Each year, the nursery cares for the children of about 30 employees on a daily basis. Several other children are also registered at the nursery, so that their families can utilize it when necessary. The nursery is generally open from 7:30 to 17:15 to coincide with regular working hours, but, if requested by more than a certain number of employees, it is also made available during overtime hours or on holidays.
The opening of the nursery means that parents can continue working with complete peace of mind, having left their children to be cared for nearby. From the employer's viewpoint, this helps avoid the loss of skilled human resources due to childbirth or childcare responsibilities, promoting a stable and committed workforce. The opening of the nursery has thus proved to be mutually beneficial to both employees and the company.
In Japan, meanwhile, Kawasaki provides workplace nursery facilities on days that employees have to work but would normally have off.

The nursery of Kawasaki Motors Enterprise (Thailand) Co., Ltd.

Employee Breakdown

Number of Employees (Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors) *1

(FY)

			Unit	2017	2018	2019	2020	2021
Number of employees			Persons	16,423	16,899	17,218	17,396	17,162
		Male	Persons	15,303	15,533	15,748	15,876	15,688
			%	93.2	91.9	91.5	91.3	91.4
		Female	Persons	1,120	1,366	1,470	1,520	1,474
			%	6.8	8.1	8.5	8.7	8.6
	Managerial staff		Persons	3,473	3,593	3,681	3,732	3,664
		Male	Persons	3,445	3,549	3,630	3,680	3,600
		Female	Persons	28	44	51	52	64
	General employees		Persons	12,950	13,306	13,537	13,664	13,498
		Male	Persons	11,858	11,984	12,118	12,196	12,088
		Female	Persons	1,092	1,322	1,419	1,468	1,410
	Average age		Years old	38.4	39.3	39.4	39.7	40.1
		Male	Years old	38.3	39.2	39.3	39.6	40.0
		Female	Years old	39.9	40.9	40.9	41.1	41.7
By age*2	29 and younger		Persons	3,870	3,826	3,703	3,529	3,737
			%	23.6	22.6	21.5	20.3	21.7
		Male	Persons	3,655	3,595	3,451	3,268	3,467
		Female	Persons	215	231	252	261	270
	30 to 39		Persons	4,960	5,225	5,437	5,504	5,427
			%	30.2	30.9	31.6	31.6	31.6
		Male	Persons	4,645	4,849	5,027	5,084	5,025
		Female	Persons	315	376	410	420	402
	40 to 49		Persons	4,198	4,329	4,368	4,456	4,395
			%	25.6	25.6	25.4	25.6	25.6
		Male	Persons	3,814	3,849	3,887	3,989	3,941
		Female	Persons	384	480	481	467	454
	50 to 59		Persons	2,452	2,812	3,123	3,367	3,229
			%	14.9	16.6	18.1	19.4	18.8
		Male	Persons	2,285	2,582	2,850	3,048	2,919
		Female	Persons	167	230	273	319	310
	60 and above		Persons	943	707	587	540	374
			%	5.7	4.2	3.4	3.1	2.1
		Male	Persons	903	658	533	487	336
		Female	Persons	40	49	54	53	38

			Unit	2017	2018	2019	2020	2021
By position	Director, Audit & Supervisory Board Member*3		Persons	17	17	16	13	13
		Male	Persons	15	15	14	11	11
			%	88.2	88.2	87.5	84.6	84.6
		Female	Persons	2	2	2	2	2
			%	11.8	11.8	12.5	15.4	15.4
	Executive officer and above		Persons	24	24	25	26	30
		Male	Persons	24	24	25	25	29
			%	100	100	100	96.2	96.7
		Female	Persons	0	0	0	1	1
			%	0	0	0	3.8	3.3
	Senior manager equivalent*4		Persons	869	917	987	1,071	746
		Male	Persons	862	910	979	1,064	739
			%	99.2	99.2	99.2	99.3	99.1
		Female	Persons	7	7	8	7	7
			%	0.8	0.8	0.8	0.7	0.9
	Manager equivalent		Persons	2,456	2,461	2,470	2,527	2,918
		Male	Persons	2,435	2,427	2,431	2,482	2,861
			%	99.1	98.6	98.4	98.2	98.0
		Female	Persons	21	34	39	45	57
			%	0.9	1.4	1.6	1.8	2.0
	Assistant manager equivalent		Persons	1,873	2,147	2,074	2,203	2,403
		Male	Persons	1,769	2,034	1,952	2,068	2,254
			%	94.4	94.7	94.1	93.9	93.8
		Female	Persons	104	113	122	135	149
			%	5.6	5.3	5.9	6.1	6.2

*1 Number of employees as of the fiscal year-end (includes temporary employees).

*2 Percentage figures will not necessarily add up to 100% as they are rounded up to the first decimal point.

*3 On June 25 2020, Kawasaki transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

The above numbers of Directors for fiscal 2019 and earlier include the number of Audit & Supervisory Board Members.

*4 Senior manager equivalent includes positions up to associate officer.

Number of Employees (consolidated global) *

(FY)

		Unit	2017	2018	2019	2020	2021
Total employees		Persons	35,805	35,691	36,332	36,691	36,587
	Domestic group	Persons	26,747	26,171	26,616	26,901	26,596
		%	74.7	73.3	73.3	73.3	72.7
	Overseas group	Persons	9,058	9,520	9,716	9,790	9,991
		%	25.3	26.7	26.7	26.7	27.3
By region	Japan	Persons	26,747	26,171	26,616	26,901	26,596
		%	74.7	73.3	73.3	73.3	72.7
	Europe	Persons	704	750	734	702	757
		%	2.0	2.1	2.0	1.9	2.1
	Americas	Persons	3,557	3,639	3,921	4,015	4,194
		%	9.9	10.2	10.8	10.9	11.5
	Asia	Persons	4,758	5,092	5,023	5,033	5,001
		%	13.3	14.3	13.8	13.7	13.7
	Australia	Persons	39	39	38	40	39
		%	0.1	0.1	0.1	0.1	0.1

* Number of employees as of fiscal year-end.

Remuneration

Average Annual Remuneration (non-consolidated)

(FY)

		Unit	2017	2018	2019	2020	2021
All employees		Millions of yen	7.1	7.1	7.2	7.0	6.8
	Male	Millions of yen	7.2	7.2	7.3	7.1	7.0
	Female	Millions of yen	5.2	5.2	5.3	5.2	4.7
Average for managerial staff (basic pay only)		Millions of yen	7.6	7.6	7.6	7.7	7.9
	Male	Millions of yen	7.6	7.6	7.6	7.7	7.9
	Female	Millions of yen	7.2	7.0	7.1	7.0	6.9
Average for managerial staff (basic pay plus bonuses, etc)		Millions of yen	11.4	11.3	11.4	11.1	10.6
	Male	Millions of yen	11.4	11.4	11.4	11.1	10.6
	Female	Millions of yen	10.7	10.2	10.5	9.9	9.2
Average for general employees (basic pay only)		Millions of yen	4.5	4.5	4.6	4.4	4.5
	Male	Millions of yen	4.5	4.6	4.6	4.5	4.7
	Female	Millions of yen	3.7	3.7	3.8	3.8	3.5

Occupational Safety, Hygiene, and Health

Management Approach

Our Basic Stance

In line with its tenets of maintaining respect for individuals and putting health first, the Kawasaki Group is committed to creating a workplace culture that places the utmost priority on safety and health. Accordingly, the Group will not only comply with laws and regulations related to occupational safety, hygiene and health but also give even more careful consideration to maintaining safe, hygienic and healthy workplace settings for all those working at its facilities. Under this policy, the Group will thus create a safe and comfortable workplace environment in which every worker can stay mentally and physically healthy, to this end promoting close collaboration involving its management, all people working in our Group , labor unions and health insurance associations (if any), and other stakeholders to maintain and improve occupational safety, hygiene and health, with the aim of solidifying a foundation supporting its Group Mission, "Kawasaki, working as one for the good of the planet."

Policy on a Management Approach Prioritizing Occupational Safety, Hygiene and Health

1. Safety: Provision of a Safe and Secure Labor Environment
    - We will strive to reduce workplace dangers, including the risk of exposure to harmful substances, to prevent occupational accidents and health problems.
    - We will develop a proper occupational safety and health management system and constantly operate a PDCA cycle to improve the level of management.
    - We will promote the creation of a workplace culture that embraces open-minded communication and is supported by safety-oriented disciplines.
2. Hygiene: Prevention of Occupational Illness and Mental Health Issues
    - We will carry out the thoroughgoing management of working environments, work procedures and worker health to prevent the occurrence of occupational illness.
    - We will implement mental healthcare for employees and strive to reduce work-related stress, with the aim of preventing mental health issues.
    - We will also prevent other health problems through the appropriate management of labor hours, provision of face-to-face interviews to offer guidance and the implementation of precautionary measures based on feedback from such interview.

3. Health: Promotion of Health and Realization of a Fulfilling Life

- We will proactively implement health-oriented management measures along with assisting individual employees in their autonomous efforts to improve their health, with the aim of promoting across-the-board initiatives to build up mental and physical health.
- We will provide employees with periodic health checkups to ensure the early detection and proper treatment of diseases in addition to utilizing checkup results to maintain and improve employee health.
- We will encourage employees to utilize various systems that enable them to switch workstyles and/or take leave in order to support their pursuit of a harmonious work-life balance.

Scope of Policy Application

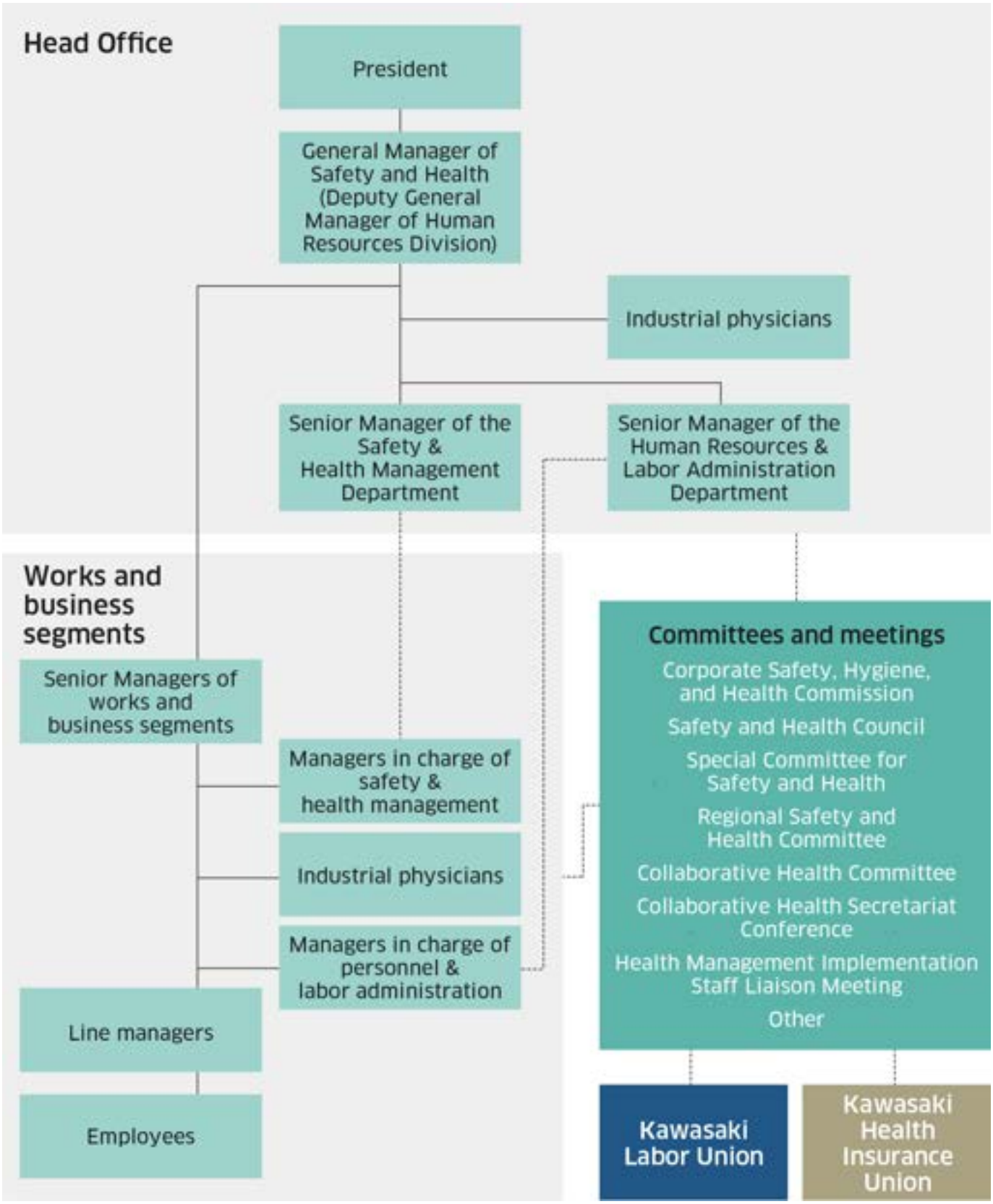
The Kawasaki Group and staff seconded from partners under the Group’s management

- Kawasaki Group Policy on a Management Approach Prioritizing Occupational Safety, Hygiene and Health

Structure

Kawasaki has defined a set of Safety and Health Management Rules under which it has established safety and health structures both Company-wide and at individual works. We actively implement measures in a planned manner to ensure the safety and health of our employees and staff seconded from partners, improve their health and create comfortable working environments. Specifically, our safety and health activities are carried out at different works under the supervision and management of Managers of Safety and Health based on Company-wide measures defined by the General Manager of Safety and Health. When an accident occurs, it is reported to the General Manager of Safety and Health and the labor union, and legally required filings and other such procedures are handled in accordance with corporate regulations and rules.

Occupational Safety, Hygiene, and Health Management Structure



Responsible Officers

Company-wide: Osamu Gouroku, Deputy General Manager of Human Resources Division (General Manager of Safety and Health)
Each works: Managers of Safety and Health

Responsible Executive Organ and/or Committee

- Corporate consultative body: Corporate Safety, Hygiene, and Health Commission
  Attended by the General Manager of Safety and Health and site Managers of Safety and Health, the commission meets every December to reflect on the year and discuss targets and other safety, hygiene, and health matters for the following year.
- Consultative body with the labor union: Special Committee for Safety and Health, and Safety and Health Council
  The Special Committee for Safety and Health is attended by the Senior Manager of the Head Office's Safety & Health Management Department, staff responsible for safety and health, and members of the management and safety executive committees of the labor union headquarters and branches. The Safety and Health Council is attended by the General Manager of Safety and Health and the Managers of Safety and Health (for the Head Office and works) from the Company and the Central Executive Committee members (for the Headquarters and branches) from the labor union.
- Consultative body at works: Regional Safety and Health Committee
  Based on labor agreements, this committee is attended by the operating sites' safety and health managers and staff as well as management and safety executive committee members from the labor union branches.

- **For details on the functions of the Special Committee for Safety and Health, the Safety and Health Council, and the Regional Safety and Health Committee, please refer to Labor Discussions.**

Safety Management

Our Safety Management Activities

Occupational Safety and Health Management Systems

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. In our risk assessment efforts, we constantly strive to enhance our ability to identify and reduce risks. Workplace risk assessments are regularly reviewed based on the business characteristics of the respective internal companies. We also review risks when operations or procedures are first introduced, when they are altered, and upon restart after a pause. The safety and health management systems at all of our business sites are at an OSHMS third-party certified level (Sites with third-party certification: Kobe Works shipyard, Sakaide Works shipyard [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]). Business sites with third-party certification undergo regular inspections by third-party certification bodies. Uncertified sites undergo internal audits once a year in principle, administrated by the Head Office.

KSKY Campaign

Kawasaki’s KSKY Campaign and awareness-building efforts are key aspects of its occupational accident prevention efforts. The letters comprising this acronym stand for Japanese words that describe the different elements of the campaign: K (kihon), creating a disciplined workplace that observes the basic safety rules; S (shisa koshou), making sure to identify and call out to confirm breaks and other crucial points in each work operation; and KY (kiken yochi), working to further improve danger prediction abilities. The purpose of the campaign is to encourage employees to take a more active role in safety measures and thereby create a workplace in which all can openly caution one another about potential issues.

Safety Awards

Corporate regulations provide for safety awards. Production divisions receive awards for amassing long accident-free records, while business sites receive awards for having accident-free years. In fiscal 2021 year-long accident-free operations were achieved by the Nagoya Works, Harima Works of Kawasaki Railcar Manufacturing Co., Ltd., and Kakogawa Works of Kawasaki Motors, Ltd.

Initiatives to Prevent Harm Caused by Radiation

Based on relevant laws, Kawasaki prevents harm caused by radiation by carefully controlling the use of radioactive isotopes; radiation-generating equipment and its handling during sales; and work in locations contaminated by the scattering of radioactive isotopes. In addition, to ensure operational safety in operations that involve radiation, we have established regulations for preventing harm caused by radiation. Any occurrence of an accident resulting in harm caused by radiation is reported to the General Manager of Safety and Health and the labor union, and legally required filings and disclosure to the public and media outlets are handled in accordance with specified procedures.

Education on and Awareness of Occupational Safety and Health

Based on our Safety and Health Education Standards, in addition to education and training required by law, we carry out other necessary safety and health education programs, including grade-specific training for different staff grades; operation-specific training given after a change in operational content or for employees engaged in specific duties; general education, which includes health education and hazard prediction training; and training for on-site employees seconded from partners working under Kawasaki Management on, for example, plant construction sites. Moreover, we also use the corporate safety education facility, referred to as the "safety dojo," to promote safety awareness, impart knowledge, and refine risk sensitivity in order to further develop human resources who are capable of acting safely. To prevent accidents caused by unsafe practices and to build safety awareness, we implement a range of safety and health education programs, including simulated scenarios to help employees experience hazards in the workplace first hand.

Safety Dojo Participants

(FY)

	Unit	2017*1	2018*2	2019*3	2020*3	2021*3
Safety Dojo participants	Persons	2,778	2,668	1,581	671	511

*1 Scope: Kawasaki Heavy Industries, Ltd. (non-consolidated)
*2 Scope: The Kawasaki Group (domestic); exceptions apply
*3 Scope: The Kawasaki Group (domestic)

Status of Labor Accidents and Work-related Illnesses

(Jan.-Dec.)

		Unit	2017	2018	2019	2020	2021
Number of labor accidents		Number of incidents	57	90	104	77	87
	Under Kawasaki's overall supervision*1	Number of incidents	57	48	69	48	58
	Domestic group*2	Number of incidents	-	42	35	29	29
Number of fatalities in the course of duty		Persons	0	0	1	0	1
	Under Kawasaki's overall supervision*1	Persons	0	0	0	0	1
	Employees	Persons	0	0	0	0	1
	Internal transfer staff*3	Persons	0	0	0	0	0
	Domestic group*2	Persons	-	0	1	0	0
Frequency rate of lost-time injuries (frequency rate)	Under Kawasaki's overall supervision*1		0.29	0.42	0.37	0.34	0.31
	Employees		0.30	0.21	0.24	0.21	0.12
	Internal transfer staff*3		0.24	1.04	0.77	0.74	0.93
	(Reference) Industry average*4		1.66	1.83	1.80	1.95	2.09
	(Reference) Manufacturing industry average*4		1.02	1.20	1.20	1.21	1.31

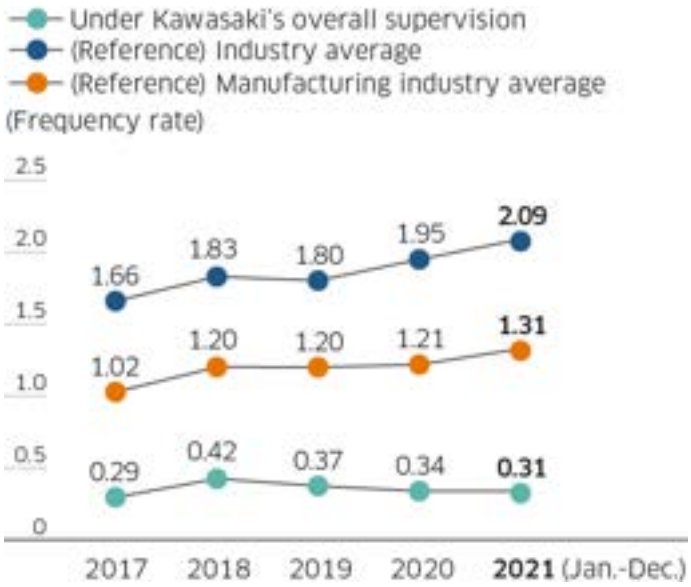
*1 Kawasaki Heavy Industries, Kawasaki Railcar Manufacturing, and Kawasaki Motors

*2 Kawasaki and key domestic consolidated subsidiaries

*3 Internal transfer staff under overall supervision of Kawasaki (temporary staff, and contract staff in shipbuilding and construction)

*4 Data source: Ministry of Health, Labor and Welfare, Labor Accident Trend Survey 2021

Frequency Rate of Lost-time Injuries (under Kawasaki's overall supervision)



Sanitation Management

Our Sanitation Management Activities

Preventive Measures against Occupational Illnesses

To prevent occupational illnesses, we carry out occupational health training when employees are hired, when they change operations, and when they are assigned to dangerous or hazardous work. Furthermore, in accordance with relevant laws, we carry out special health checkups and provide thorough health guidance for those identified as having potential health problems while measuring work environments and advancing work environment improvements. In light of the growing use of IT in the workplace and the increasing diversity of operations involving IT devices, we monitor the health of employees using such devices and provide guidance in accordance with guidelines set by the government.

Checkups for Employees Working Long Hours

To prevent health problems that can be caused by overworking, we have set stricter standards than those mandated by law, requiring employees who have worked 45 hours or longer of overtime in each of two consecutive months or 60 hours or longer in one month to undergo checkups for long-hour workers as well as checks for cumulative fatigue. Based on the results of these examinations and such factors as the number of overtime hours worked, employees are interviewed by an industrial physician and necessary measures put in place.
Furthermore, as measures to counter long working hours, we respond by properly conducting attendance and labor affairs management.

Mental Health Measures

As a mental health care initiative, we have compiled Guidelines on Mental Health Care Measures. In response to the rise in the number of people with mental health problems in recent years, we revised these guidelines in 2022 and now promote countermeasures centering on four types of mental health care from primary to tertiary prevention. Each business site offers level-specific mental health education by age group, at the time of promotion, and so on to ensure that employees have regular access to such education, which is important in terms of self-care. Each year approximately 10% of all employees receive this mental health education. We also conduct annual stress checks, assist self-care by employees themselves, and provide interview guidance and other follow-up for those found to have high levels of stress. As line-of-command care, we conduct group analysis at the time of stress checks. Based on the results of this analysis, industrial physicians hold individual workplace interviews with supervisors at workplaces with high health risks, and training is provided to supervisors at each business site. Furthermore, as care by industrial health staff at business sites, we aim to intervene and respond quickly when an employee develops a mental health issue, and industrial physicians, human resource and labor affairs departments, industrial health staff, and the employee’s supervisor provide coordinated support when that employee returns to work. In addition, as care by external organizations, we offer an external consultation hotline so that employees can easily seek advice relating to mental health and other issues and strengthen our response by means of contracts with professional mental health doctors.

Health Management of Employees on Overseas Assignment

Kawasaki's corporate regulations lay out health management standards for employees on long-term overseas business travel or stationed overseas. For such employees, we carry out health checkups before, during, and after their return from overseas assignment, and their eligibility for overseas assignment is decided based on the results of such checkups and interviews with industrial physicians. Amid the COVID-19 pandemic too, the human resource and industrial health departments cooperate in checking conditions at destinations and conducting health management. In addition, when dispatching employees overseas, Kawasaki covers the cost of and implements vaccinations as necessary for the specific destinations so as to prevent employees on overseas assignment from contracting such infectious diseases as malaria and tuberculosis. We also provide support so that employees can seek necessary medical care with confidence should they become unwell while overseas.

Sanitation Management (non-consolidated)

(Jan.-Dec.)

		Unit	2017	2018	2019	2020	2021
Sick leave rate (case basis)*1			5.1	5.6	5.7	4.8	4.6
Mental health-related sick leave frequency (case basis)*2			0.22	0.22	0.35	0.43	0.50
	Mental health issues (Situational/Acute)	Cases	42	42	67	84	99
	Other psychological disorders	Cases	1	3	5	7	7
Absence rate (day basis)*3	Leave due to mental health issues*4		2.4	2.3	3.8	4.6	5.0
	Overall sick leave		4.9	4.8	7.0	7.5	7.8

*1 Calculated as the total number of cases of sick leave per year / total number of workers employed per year × 1,000.

*2 In 2019, per an amendment to corporate regulations, the period that an employee may be absent before being placed on leave was shortened by three months, causing the figure for 2019 to appear larger.

*3 The absence rate is calculated based on days missed. Specifically, it is the number of employees absent per 1,000 employees per work day, calculated as the total number of days of leave taken / total man-days of work × 1,000.

*4 Included in total sick leave

Health Management

Our Health Management Activities

Kawasaki sees the health of its employees as one of its key management resources. As such, Kawasaki provides extensive support to help individual employees live a healthy lifestyle in a self-directed manner, and aims to help employees enjoy healthy and rich lifestyles by promoting healthy activities.

Implementation of Physical Checkups and Lifestyle Disease Countermeasures

To manage employee health, Kawasaki provides regular health checkups for all employees, including those on assignment overseas, aiming for 100% of employees to receive such checkups. After the checkups, we encourage employees flagged as having potential issues to undergo secondary examinations and provide thorough health guidance.
Furthermore, in coordination with the health insurance union, we proactively provide designated health guidance to employees with metabolic syndrome, with a Group-wide implementation rate of over 60%.

Infectious Disease Prevention

Kawasaki provides influenza vaccines during work hours at little cost to the employees who elect to receive them.
In addition, to prevent the spread of COVID-19, we are conducting awareness raising with regard to such topics as hand washing, cough etiquette, ventilation, and avoiding the three Cs (closed spaces, crowded places, and close- contact settings). In accordance with government policy, we have also stipulated various guidelines toward preventing infection and the spread of infection, which we have endeavored to instill in employees. Since July 2021 we have implemented companywide workplace vaccinations against COVID-19. About 22,000 employees, including employees of related companies and business partners in Japan, have been vaccinated in this way, and the initiative has contributed toward the prevention of group infection within companies and local community activities. A third round of workplace vaccinations has been implemented companywide.

Second-hand Smoke Preventive Measures

In response to the April 2020 amendment to the Health Promotion Act, Kawasaki is implementing measures to prevent second-hand smoke exposure, for example, eliminating indoor smoking areas and setting up dedicated smoking rooms based on the government's guidelines for preventing second-hand smoke exposure in the workplace. In addition, to support employees who smoke and want to quit, we have set up a program to subsidize their efforts to do so. The smoking rate at Kawasaki (non-consolidated) has been falling; in 2020, it stood at 24.5%, down from 31% in 2013, the first year that we collected data. Together with second-hand smoke preventive measures, we will continue working to reduce the employee smoking rate.

Health Maintenance and Improvement Measures

In the Kawasaki Group measures to improve the health of employees are discussed and planned in the Collaborative Health Committee, which comprises representatives of the company, health insurance union, and labor union. Each business site and related company compiles a health report based on employee health-related data administered by the health insurance union and company so that this 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 2021 the Kawasaki Health Challenge, an existing event, was renewed, with this data being used to place the spotlight on food, exercise, and smoking habits, which had become identified as particular issues in the Group as a whole.
In addition, in fiscal 2022, in conjunction with the health insurance union, we are scheduled to tackle the issue of gynecological cancer screening in view of the fact that although many young people suffer such cancer, the screening rate is low.

Health Education Classes

As part of our companywide Total Health Promotion activities, we identify the health issues faced by business sites from their health reports and in response to these issues hold dietary improvement seminars, exercise seminars, and other events aimed at the prevention of lifestyle-related diseases together with the health insurance union. We also hold seminars for female employees and antismoking seminars, thereby supporting employees' mental and physical health improvement.

Outstanding Health & Productivity Management Organization

In the Health & Productivity Management Outstanding Organizations Recognition Program, which commends large corporations, SMEs, and other organizations practicing especially outstanding health management, Kawasaki was certified as an Outstanding Health & Productivity Management Organization 2022 in the large enterprise category. This scheme is implemented jointly by the Ministry of Economy, Trade, and Industry and Nippon Kenko Kaigi. Certified enterprises are expected to play the role of top runners in disseminating the idea of health management among group companies, business partners, local related companies, customers, the families of employees, and others. Kawasaki will continue to actively implement various measures, such as support for the health improvement of employees, to promote the maintenance and enhancement of employee health.

Health Education Participants (non-consolidated)

(FY)

	Unit	2017*1	2018*1	2019*1	2020*2	2021*2
Mental health education	Persons	1,323	2,048	2,206	2,047	2,673
Level-specific education (for new hires, etc.)	Persons	1,051	906	765	1,978	1,941
Other health education (antismoking seminars, etc.)	Persons	622	2,352	1,728	1,569	1,517

*1 Scope: Kawasaki Heavy Industries, Ltd. (non-consolidated)
*2 Scope: The Kawasaki Group (domestic); exceptions apply

Actions for Preventing Lifestyle Diseases (consolidated domestic; exceptions apply)

(FY)

	Unit	2017	2018	2019	2020	2021
Percentage taking designated checkups	%	92.8	96.2	96.7	95.7	95.1
Percentage taking designated health guidance	%	62.7	62.5	66.7	66.7	60.0

Health Management (non-consolidated)

(FY)

	Unit	2017	2018	2019	2020	2021
Percentage taking regular physical checkups	%	99.0	99.0	99.6	99.8	98.4

Labor Discussions

Status of Labor-Management Consultations on Occupational Safety, Hygiene, and Health Issues (Status of the Safety and Health Committee, etc.)

Kawasaki has concluded a labor agreement with the labor union and holds Safety and Health Council meetings at least once a year to discuss policy for occupational safety, hygiene, and health activities, priority initiatives, and activity plans; The Special Committee for Safety and Health meets at least twice a year to follow up on the state of implementation and make revisions, and Regional Safety and Health Committee meets monthly at all domestic sites to deliberate on measures for preventing hazards and health impediments and discuss the causes and measures for preventing the recurrence of labor accidents at each site.

Social Contribution Activities

Management Approach

Our Basic Stance

As a company that engages in a broad range of businesses domestically and overseas, the Kawasaki Group believes that as a member of communities, we have a responsibility for making active contributions to the communities in which we operate.
Additionally, in the context of the SDGs adopted by the UN in 2015, expectations for corporations are high with respect to realizing sustainable societies.
Based on the Kawasaki Group Social Contribution Activities Policy, we are committed to pushing forward with our social contribution activities that leverage our human resources, technologies, and capital and are highly synergistic with our business activities.

The Kawasaki Group Social Contribution Activities Policy

The Kawasaki Group implements social contribution activities in various fields based on the Group Mission, "Kawasaki, working as one for the good of the planet." We take advantage of our strengths and the capabilities of our employees for such activities. The key areas of our social contribution activities are as below.

1. The Kawasaki Group, as a corporate citizen, constructs good relationships with local communities and contributes to their development.
2. The Kawasaki Group supports the next generation who lead the future technology.
3. The Kawasaki Group preserves the environment and achieves sustainable society.

Applicable SDGs & Targets			Kawasaki's Approach & KPIs
	4.1	By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes	・Handcraft and experiment courses for elementary and junior high school students ・Operation of Kawasaki Good Times World ・Operation of Kawasaki Robostage ・Participation in education events and programs KPI: The number of participants in handcraft and experiment courses and online educational events
	15.2	By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	・Reforestation(in Hyogo and Kochi) KPI: Achievements of Forest Conservation Activities (area, the number of planted trees)
	17.17	Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships	・Operation of Kawasaki Good Times World ・Official Sponsor for Vissel KOBE (a J. League Division 1 soccer club) ・Support of "Hien"exhibiton at Kakamigahara Air and Space Museum ・Support of community sports activity (ex. hockey) ・Participation in or sponsorship for local events ・Kawasaki Good Times Foundation KPI: ・The amount of spending for "local communities" ・The number of visitors to Kawasaki Good Times World

Scope of Policy Application

The Kawasaki Group

Structure

- For details on related structures and responsible officers, please refer to Sustainability Promotion System under Sustainability Framework.

Key Areas in Our Social Contribution Activities

1. Contribution to Local Communities

We carry out activities for supporting sports and community exchange events, mostly in regions where we have offices or works. In Okinawa, many of our employees have taken part in coral reef regeneration activities as volunteers.
Our aim through these activities is to contribute to the sustenance and development of local communities along with improving our presence in these communities.

- Contribution to local communities

2. Support for the Next Generation

As a company that specializes in technological development and its widespread application, employees of the Kawasaki Group develop science education programs and hold handicraft and experiment courses for elementary and junior high school students as well as online classes.

By carrying out these science education programs on a regular basis, we contribute to building children’s interest in science. Moreover, these activities help improve employees’ communication abilities and motivation while improving the Group’s brand reputation.

- Support for the Next Generation
- Kawasaki Good Times World
- Kawasaki Robostage

3. Realization of a Society Coexisting with Nature

Striving to create a society that coexists with nature, the Kawasaki Group engages in forest conservation activities in the three prefectures of Hyogo, Kochi, and Tokyo. This also helps to build environmental awareness among our employees and promote personal exchange with our communities.

These activities facilitate higher environmental awareness among our employees and improve our reputation as an environmentally sensitive company. The amount of CO2 absorbed through these forestation activities is also calculated and disclosed.

- Forest Conservation Activities

Social Contribution Activities Performance Data

Social Contribution Activities by Type (totals for Kawasaki and Kawasaki Good Times Foundation in the United States)

(FY)

	Unit	2017	2018	2019	2020	2021
Donations and philanthropy	%	47.34	34.86	36.29	37.69	31.96
Investments (ongoing partnerships with NGOs, etc.)	%	32.62	45.71	46.47	43.72	50.34
Advertising and marketing (support funding, campaigns, etc.)	%	20.03	19.42	17.24	18.59	17.70
Total	%	100	100	100	100	100

Note: Because the above figures are rounded to the second decimal place, the percentage figures may not add up to exactly 100%.

Social Contribution Activities Expenditure (totals for Kawasaki and Kawasaki Good Times Foundation in the United States)

(FY)

		Unit	2017	2018	2019	2020	2021
Total		Millions of yen	670	653	712	679	661
Breakdown by category	Vitalization of industry and economy	Millions of yen	100	178	205	199	217
	Communities	Millions of yen	266	154	198	184	204
	Education	Millions of yen	173	216	214	215	148
	Culture and sports	Millions of yen	73	59	59	57	55
	Welfare and humanitarian aid (including disaster relief)	Millions of yen	38	22	7	6	4
	Others (including environmental safety and disaster prevention)	Millions of yen	20	24	28	18	33
Expenditure type	Provision of funds	Millions of yen	191	155	146	160	111
	Provision of goods	Millions of yen	234	236	238	194	226
	Employee volunteer activities	Millions of yen	245	262	328	326	324
	Indirect management costs	Millions of yen	0	0	0	0	0
Percentage of ordinary profit		%	1.55	1.73	1.76	-	2.21

Note: 1. The above figures include expenses for donations, support funding, in-kind contributions, and requests for support from third-party organizations as well as the cost of labor of employees assigned to third-party organizations (the portion incurred by Kawasaki). They do not include internal cost of labor of employees or expenses associated with the use of facilities.
2. Because the Company recorded an ordinary loss in fiscal 2020, the percentage of ordinary profit could not be calculated.

Effects of Our Social Contribution Activities (output, outcome, and impact)

We quantify the performance of main activities in the key areas of our social contribution activities as KPI to make further improvements to the effectiveness of these activities.

KPI/Performance of Our Social Contribution Activities (consolidated domestic)

(FY)

		Unit	2017	2018	2019	2020	2021
Social contribution expenses for communities		Millions of yen	266	154	198	184	204
Kawasaki Good Times World visitors		Thousands of people	247	227	198	77	93
Handicraft experiment courses	Participants	Persons	435	519	463	0	0
	Events held	Number of times	24	25	21	0	0
Online educational event participants		Persons	-	-	-	663	406

(FY2021)

Forest conservation activities		**Taka, Hyogo**	**Ono, Hyogo**	**Machida, Tokyo**	**Niyodogawa, Kochi**
Participants	Persons	23	114	26	0
Activities per year	Number of activities	1	2	1	0
Area	ha	6.8	10.0	10.14	70.0
CO_2absorption amount	t-CO_2	0.26	-	-	36.0
Tree planting	Trees	-	-	-	-

Contribution to local communities

The Kawasaki Group, as a corporate citizen, constructs a good relationship with local communities and contributes to their continuation and development.

The efforts for development of the local communities

Participation in Team Tyura Sango at Okinawa Office

Since 2015, we have participated in the activities of Team Tyura Sango, which are aimed at "developing the spirit of appreciation for the beautiful ocean" by contributing to the regeneration of coral reef ecosystems through the planting of coral seedlings in Onna-son, Okinawa Prefecture. Many of our employees have also participated as volunteers in open planting activities. These Team Tyura Sango activities were awarded the Grand Prize at the Third Annual Good Life Award, sponsored by the Ministry of the Environment in December 2015.

Participants in the planting

Trying to plant while diving!

Received the Grand Prize at the Third Annual Good Life Award

Support for VISSEL KOBE and INAC Kobe Leonessa

Kawasaki has been supporting the J1 soccer league "VISSEL KOBE" as an official sponsor since the team was established in 1995, and the Nadeshiko League 1 women's soccer club "INAC Kobe Leonessa" as a wear sponsor since 2019.
We will contribute to the society and community through sports, including the sound development of young people and the promotion of the soccer through the academies and soccer schools promoted by both clubs.

©Vissel Kobe

Kawasaki Good Times Foundation —Operating Social Contribution Fund in U.S.

The Kawasaki Group includes business and operating sites in the United States for motorcycles, rolling stock, industrial robots, precision machinery, and other products. Independently and sometimes jointly, these locations are involved in activities and programs rooted in American society.
One of the activities is the Kawasaki Good Times Foundation, which was established in 1993. Every year, a portion of profits from all the business and operating sites in the United States are put into a fund. Fund management and administration is handled by the U.S. subsidiary, Kawasaki Heavy Industries (U.S.A.), Inc., which makes donations to institutes for the arts and culture, such as the Metropolitan Museum of Art in New York, as well as charitable works and also to support educational, medical, and scientific activities as well as disaster relief efforts.

Scholarship program in the United States

With the intention of helping deserving local students attend college, Kawasaki Motors Manufacturing Corp., U.S.A (KMM) has established a close relationship with Northwest Missouri State University. In 2016 the "Kawasaki Powering Dreams Scholarship" was established, providing up to $10,000 a year to offset students' costs.
In 2018 the Kawasaki Kids program was established to further support dependents of KMM employees who attend Northwest Missouri State University. The "Powering Your Potential Scholarship" was launched, bestowing 10 to 15 financial awards annual.

Interaction Opportunities with the Local Community at Akashi Works

Since 2011, we have held regional exchange meetings and invite students of elementary and junior high schools near the Akashi Works and their parents in every year. Today it becomes very popular event as more than 100 people participate every time. Activities include an introduction to Kawasaki Heavy Industries, explanations about the products made at the Akashi Works, a bus tour of the facility, and the opportunity to have lunch in the cafeteria. These activities allow visitors to get a better understanding of our operations.

Conclusion of disaster prevention agreement with local communities

We have signed disaster prevention agreements with local communities where our facilities locate.
Through providing our facilities and products, we take a social responsibility as a member of the local community.

Major agreements with local communities

Works	Local communities	Year	Contents
Gifu Works	Gifu Prefecture	1987	supporting transportation of people and emergency materials when natural disaster occurs
		2009	lending land of Gifu Works as a parking lot for emergency aircrafts and providing fuel facilities when natural disaster occurs
	Kakamigahara City, Gifu Prefecture	1997	providing our land as a base to transport emergency materials when natural disaster occurs
Akashi Works	Akashi City, Hyogo Prefecture	2013	supporting to transport emergency materials
			lending land of Akashi Works which helps peple to evacuate from Tsunami when natural disaster occurs

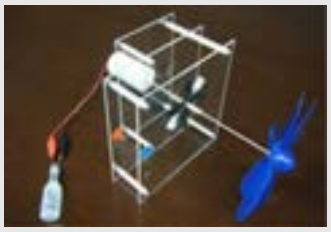
Support for the Next Generation

The Kawasaki Group supports the next generation who lead the future technology.

Handicraft and experiment courses

Our original programs

We have developed our original programs for the activity to support and nurture the next generation. Our young employees from each business unit have taken part in the development of the programs and tried to create contents which children can learn the scientific knowledge related to our products while having fun.

Make Your Own Helicopter!	Make Your Own Crane!	Make Your Own Power Plant!	Make Your Own Motorcycle!
			
Scientific Keywords ・Lift Force ・Airfoil ・Tail Rotor	Scientific Keywords ・Pascal's Theorem	Scientific Keywords ・Convert "Power" around us to Electricity	Scientific Keywords ・Weight ・Center of Gravity, Balance

Make Your Own Train!	Make Your Own Ship!	Make Your Own Jet Engine!
Scientific Keywords ・Frictional Force ・Circumference, Lean of wheel	Scientific Keywords ・Buoyancy ・Weight, volume	Scientific Keywords ・Driving Force

Winner of the “2015 Education Support Project Grand Prix”

On December 19, 2015, this program won the Grand Prix Prize (along with the Gold Prize) at the “2015 Education Support Project Grand Prix,” organized by Leave a Nest Co., Ltd.

Activities to support and nurture the next generation in the Tohoku region

We have held handicraft and experiment courses for elementary school children in Minami-sanrikucho,Miyagi prefecture since 2012 as a support for the growth of the next generation as well as a part of the reconstruction support in the Tohoku region.
In total, 145 students of four elementary schools participated in our program in 2019.

Support for education

Contribution to the TOBITATE! (Leap for Tomorrow) Study Abroad Initiative

We have donated to the TOBITATE! (Leap for Tomorrow) Study Abroad Initiative, which is a public and private project sponsored by the Ministry of Education, Culture, Sports, Science and Technology. The aim of this project is to support young Japanese who want to study abroad and foster human resources with a globalized outlook who will succeed in tomorrow’s world.

Kawasaki Good Times World

In May 2006, we opened Kawasaki Good Times World, our corporate museum. The goal of this museum is to allow as many people as possible to experience the wonders of technology and the importance of craftsmanship. We also established this facility in order to deepen communication with members of the community. Starting with our history of over 120 years and accurately showing changes through the eras, we introduce our representative products for the land, sea and air that have contributed to the development of society with our leading-edge technologies.

カワサキワールド
Kawasaki Good Times World

Kawasaki Coloring Book !

Let’s enjoy coloring!

Download (in "Kawasaki Good Times World" site)
https://www.khi.co.jp/kawasakiworld/english/coloring/index.html

【Sample】

Volume 1
Helicopter & Ship

Volume 1
Motorcycle & Train

Kawasaki Robostage

In 2016, we opened the robot showroom Kawasaki Robostage in Odaiba, Tokyo so that visitors can watch, touch and experience the Kawasaki's state-of-the-art robotics technologies and knowledges.
Setting a main concept of human-robot coexistence and collaboration, the facility continues to display the latest robots.

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ESG Data

Governance

(Fiscal Years ended March 31)

	Item	2017	2018	2019	2020	2021	2022
Coporate Governance	**Board Meeting**						
	Total number of directors	12	12	11	13	13	12
	Directors	12	12	11	8	8	7
	Directors serve as Audit & Supervisory Committee members*	-	-	-	5	5	5
	Executive	9	8	7	4	3	3
	Non-executive	3	41	41	9	10	9
	Outside	2	3	3	6	6	6
	Woman	0	1	1	2	2	2
	Non-Japanese national	0	1	1	1	1	1
	Total number of auditors*	5	5	5	-	-	-
	Outside	3	3	3	-	-	-
	Woman	1	1	1	-	-	-
	Number of meetings	15	17	17	14	13	-
	Attendance rate of directors	99.4%	99.0%	99.0%	100%	100%	-
	Attendance rate of outside directors	100%	100%	96.1%	100%	100%	-
	Attendance rate of auditors*	98.6%	100%	100%	100%	100%	-
	Attendance rate of outside auditors*	97.7%	100%	100%	100%	100%	-
	Audit and Supervisory Board Meetings*						
	Number of Auditor meetings	17	17	17	5	-	-
	Attendance rate of Auditors	100%	100%	100%	100%	-	-
	Attendance rate of Outside Auditors	100%	100%	100%	100%	-	-
	Number of Audit & Supervisory Board Meetings	-	-	-	13	17	-
	Attendance rate of Audit & Supervisory Board Meetings	-	-	-	100%	100%	-
	Attendance rate of outside auditors	-	-	-	100%	100%	-

	Item	2017	2018	2019	2020	2021	2022
Compliance	Number of compliance violations	0	0	0	0	1	-
	Number of anti-brivery violations	0	0	0	0	0	-
	Total number of reports and consultations (within domestic group)	27	29	47	39	55	-
	Total number of reports and consultations regarding harassment	-	5	6	15	9	-
	Number of employees underwent Compliance education through e-learning	-	-	-	-	17,393	-
	Total amount of political contribution (to the National Political Association) (Million JPY)	3	3	3	3	3	-
	Total expenditures to industry organizations (Million JPY)	68	68	68	68	68	-
R&D	R&D Expense (Billion JPY)	45.4	48.7	52.6	44.9	47.0	-

* Kawasaki transitioned to a company with an audit & supervisory committee pursuant to a resolution passed at the 197th General Meeting of Shareholders on June 25, 2020.

	Position	Name	FY	Total amount of remuneration	Basic remuneration	Performance-based remuneration	Stock purchase fund	Performance-linked stock compensation
The director whose total amount of remuneration exceeds 100 million JPY (Million JPY)	Representative Director	Yasuhiko Hashimoto	2021	106	62	22	2	19

Environment

(Fiscal Years ended March 31)

	Item	Unit	2017	2018	2019	2020	2021	2022
CO_2 emission	**Consolidated basis**							
	Scope1	t	175,879	162,200	168,956	139,502	134,855	-
	Scope2	t	326,131	311,331	289,848	255,039	267,171	-
	Total amount of Scope1 and Scope2	t	502,010	473,531	458,804	394,541	402,026	-
	Non-consolidated basis, including KRC*1 and KMC*2							
	Scope3							
	1. Purchased goods and services	t	6,032,900	6,048,816	1,940,483	1,464,830	2,393,525	-
	2. Capital goods	t	276,424	292,730	238,045	128,255	180,202	-
	3. Fuel- and energy-related activities not included under scope 1 or scope 2	t	38,622	37,236	37,378	34,798	31,298	-
	4. Upstream transportation and distribution	t	7,765	7,958	7,832	8,536	7,824	-
	5. Waste generated in operations	t	19,064	12,033	12,102	10,760	7,577	-
	6. Business travel	t	14,403	14,892	13,474	5,152	6,661	-
	7. Employee commutiong	t	6,428	6,607	6,770	6,885	6,781	-
	8. Upstream leased assets	t	0	0	0	0	0	-
	9. Downstream transportation and distribution	t	416	454	448	393	806	-
	10. Processing of sold products	t	Excluded*3	Excluded*3	Excluded*3	Excluded*3	Excluded*3	-
	Use of sold products*5	t	86,795,641	126,823,222	118,850,385	121,810,449	21,870,760	-
	12. End of life treatment of sold products	t	Excluded*3	Excluded*3	Excluded*3	Excluded*3	Excluded*3	-
	13. Downstream leased assets	t	Excluded*4	Excluded*4	Excluded*4	Excluded*4	Excluded*4	-
	14. Franchises	t	Excluded*4	Excluded*4	Excluded*4	Excluded*4	Excluded*4	-
	15. Investments	t	174,133	172,744	173,461	145,638	158,308	-
	Total amount of Scope3	t	93,365,796	133,416,692	121,280,378	123,615,696	24,663,742	-

*1 Kawasaki Railcar Manufacturing Co., Ltd
*2 Kawasaki Motors, Ltd.
*3 Excluded from calculation target because Kawasaki is unable to confirm reference data at this time.
*4 Excluded from calculation because it is outside of the scope of our business.
*5 To more accurately determine emissions in Scope 3, Category 11, the calculation method was revised in fiscal 2021. Previously, calculations for products manufactured as parts incorporated into finished products such as hydraulic machinery were performed using the CO2 emissions for finished products such as construction machinery, but as of fiscal 2021, the calculations are performed by taking into consideration to the degree of contribution to finished products, the weight ratios, and other factors.
Total Scope 3 emissions in fiscal 2020 calculated according to the new method were 31.531 million tons (of which Category 11 accounted for 29.726 million tons).

Third-Party Verification of Greenhouse Gas Emissions

(Fiscal Years ended March 31)

	Item	Unit	2017	2018	2019	2020	2021	2022
INPUT	**Non-consolidated basis, including KRC*1 and KMC*2**							
	Total energy (heat conversion)	TJ	6,400	6,291	6,348	5,820	5,776	-
	Purchased electricity	MWh	387,537	407,004	407,548	371,833	404,672	-
	Fuel	TJ	2,452	2,319	2,346	2,198	1,741	-
	Renewable energy	MWh	1,643	1,557	1,526	1,637	2,405	-
	Main materials (steel)	10,000t	14	11	11	11	11	-
	Water	1,000m^3	6,160	6,500	5,983	5,633	5,629	-
OUTPUT (Air)	CO_2 emissions from energy sources	t	327,877	300,788	285,123	248,604	243,718	-
	SOx	t	3	2	4	6	1	-
	NOx	t	165	168	129	120	103	-
	Soot and dust	t	4	6	6	5	4	-
OUTPUT (Water)	Wastewater	1,000m^3	4,554	4,593	4,497	4,445	3,282	-
	COD	t	7	6	7	5	5	-
	Nitrogen	t	26	21	24	17	19	-
	Phosphorus	t	Under 1	Under 1	Under 1	Under 1	Under 1	-
OUTPUT (Waste)	Total generated	t	51,476	52,464	50,181	44,578	42,772	-
	Recycled	t	50,240	51,262	48,933	43,487	41,796	-
	Others (incinerated/landfill)	t	1,237	1,202	1,247	1,091	976	-
OUTPUT (Others)	CO_2 emissions during transport	t	4,026	4,234	4,081	4,385	3,517	-

Environmental Data by Business Site

Fiscal 2021

	Item	Unit	Gifu Works	Nagoya Works 1	Kobe Works	Hyogo Works	Nishi-Kobe Works
INPUT	Total energy (heat conversion)	TJ	1,361	274	384	219	996
	Purchased electricity	MWh	75,118	26,608	23,461	17,913	90,984
	Fuel	TJ	612	9	150	40	89
	Renewable energy	MWh	0	759	24	19	439
	Water	1,000m^3	3,946	40	166	61	201
OUTPUT (Air)	CO_2 emissions from energy sources	t	61,996	10,674	16,490	7,617	36,504
	SOx	t	Under 1	Under 1	Under 1	0	Under 1
	NOx	t	21	Under 1	71	Under 1	Under 1
	Soot and dust	t	Under 1	Under 1	Under 1	Under 1	Under 1
OUTPUT (Water)	Wastewater	1,000m^3	2,063	10	141	48	105
	COD	t	4	Under 1	Under 1	Under 1	Under 1
	Nitrogen	t	16	Under 1	Under 1	Under 1	1
	Phosphorus	t	Under 1	Under 1	Under 1	Under 1	Under 1
OUTPUT (Waste)	Total generated	t	2,889	327	4,516	4,286	6,741
	Recycled	t	2,888	327	4,516	4,283	6,741
	Others (incinerated/landfill)	t	1	0	0	3	0

Fiscal 2021

	Item	Unit	Seishin Works	Akashi Works	Kakogawa Works	Harima Works	Sakaide Works
INPUT	Total energy (heat conversion)	TJ	304	1,651	127	135	278
	Purchased electricity	MWh	24,911	99,044	6,229	10,331	25,819
	Fuel	TJ	56	663	65	32	21
	Renewable energy	MWh	869	291	0	4	0
	Water	1,000m^3	90	688	14	64	358
OUTPUT (Air)	CO_2 emissions from energy sources	t	11,585	70,720	5,507	4,852	16,026
	SOx	t	-	0	0	0	0
	NOx	t	1	8	0	Under 1	0
	Soot and dust	t	-	2	-	Under 1	0
OUTPUT (Water)	Wastewater	1,000m^3	55	488	6	21	343
	COD	t	-	-	Under 1	Under 1	Under 1
	Nitrogen	t	Under 1	-	Under 1	Under 1	Under 1
	Phosphorus	t	Under 1	-	Under 1	Under 1	Under 1
OUTPUT (Waste)	Total generated	t	956	8,123	2,210	3,015	9,710
	Recycled	t	956	8,123	2,207	3,015	8,741
	Others (incinerated/landfill)	t	0	0	3	0	969

Environmental Data of Group Companies

Totals for Domestic Group Companies

(Fiscal Years ended March 31)

Item	Unit	2017	2018	2019	2020	2021	2022
CO_2 Emissions	1,000t	36.00	35.58	35.11	32.55	32.63	-
Waste Generated	1,000t	6.22	5.30	5.59	5.07	4.28	-
Water Consumption	1,000m^3	493.63	437.49	345.11	266.89	351.95	-

Totals for Overseas Group Companies

(Fiscal Years ended March 31)

Item	Unit	2017	2018	2019	2020	2021	2022
CO_2 Emissions	1,000t	138.12	137.15	138.34	113.39	125.68	-
Waste Generated	1,000t	31.74	21.35	17.71	12.87	12.42	-
Water Consumption	1,000m^3	805.08	732.94	743.86	639.20	742.99	-

Regional Data

CO_2 Emissions by Region (Kawasaki and Group Companies)

(Fiscal Years ended March 31)

Region	Unit	2017	2018	2019	2020	2021	2022
Japan	1,000t	363.88	336.37	320.24	281.17	276.35	-
North America	1,000t	79.29	80.43	76.2	50.92	64.55	-
Europe	1,000t	2.12	2.18	2.03	2.06	3.03	-
South America	1,000t	0.14	0.14	0.13	0.13	0.15	-
Asia-Pacific	1,000t	56.57	54.41	59.97	60.28	57.95	-
Total	1,000t	502.00	473.53	458.57	394.56	402.03	-

Society

(Fiscal Years ended March 31)

	Item	2017	2018	2019	2020	2021	2022
Personnel/ Diversity	**Consolidated basis**						
	Total number of employees	35,805	35,691	36,332	36,691	36,587	-
	Total number of employees of group companies in Japan	26,747	26,171	26,616	26,901	26,596	-
	Total number of employees of overseas group companies	9,058	9,520	9,716	9,790	9,991	-
	Non-consolidated basis, including KRC*1 and KMC*2						
	Total Number of employees	16,423	16,899	17,218	17,396	17,162	-
	Female	1,120	1,366	1,470	1,520	1,474	-
		6.8%	8.1%	8.5%	8.7%	8.6%	-
	Foreign national employees for career-track position (as of April)	34	35	36	35	36	34
	Average age of employees	38.4	39.3	39.4	39.7	40.1	-
	Male	38.3	39.2	39.3	39.6	40.0	-
	Female	39.9	40.9	40.9	41.1	41.7	-
	Average years employed	13.5	13.6	13.4	13.7	14.2	-
	Male	13.5	13.7	13.7	14.0	14.5	-
	Female	13.5	12.3	10.0	10.3	10.8	-
	Total turnover rate	-	2.1%	2.3%	1.8%	2.8%	-
	Voluntary turnover rate	1.2%	1.3%	1.3%	1.2%	1.8%	-
	Total number of directors and Executive officers	24	24	25	26	30	-
	Female	0	0	0	1	1	-
		0.0%	0.0%	0.0%	3.8%	3.3%	-
	Total number of employees in senior manager and above position	869	917	987	1,071	746	-
	Female	7	7	8	7	7	-
		0.8%	0.8%	0.8%	0.7%	0.9%	-
	Total number of employees in section manager position	2,456	2,461	2,470	2,527	2,918	-
	Female	21	34	39	45	57	-
		0.9%	1.4%	1.6%	1.8%	2.0%	-
	Total number of employees in assistant manager position	1,873	2,147	2,074	2,203	2,403	-
	Female	104	113	122	135	149	-
		5.6%	5.3%	5.9%	6.1%	6.2%	-
	Total number of newly hired employees (as of April)	538	538	562	555	357	370
	Male	495	492	507	498	323	333
	Female	43	46	55	57	34	37
		8.0%	8.6%	9.8%	10.3%	9.5%	10.0%

	Item	2017	2018	2019	2020	2021	2022
	-Male employees for administrative and technical position	287	291	290	296	200	214
	-Female employees for administrative and technical position	38	41	48	48	31	32
		11.7%	12.3%	14.2%	14.0%	13.4%	13.0%
	-Male employees for production specialist position	208	201	217	202	123	119
	-Female employees for production specialist position	5	5	7	9	3	5
		2.3%	2.4%	3.1%	4.3%	2.4%	4.0%
	Total number of Mid-Career recruit	251	417	296	167	95	-
	Rate of Mid-Career hires to all new hires	31.8%	43.7%	34.5%	23.1%	21.0%	-
	Employment rate of people with disabilities (As of June)*3	2.26%	2.47%	2.40%	2.50%	2.49%	2.44%
	Non-consolidated basis						
	Number of labor union members	12,823	12,949	13,294	13,459	10,087	-
		76.9%	79.2%	79.2%	78.7%	76.8%	-
	Average annual remuneration(Million JPY)	7.1	7.1	7.2	7.0	6.8	-

*1 Kawasaki Railcar Manufacturing Co., Ltd

*2 Kawasaki Motors, Ltd.

*3 Total of Kawasaki and Kawasaki Heartfelt Service Co. Ltd.

Work-life Balance	**Non-consolidated basis, including KRC*1 and KMC*2**						
	Number of used paid leaves (days/person)	15.4	15.8	15.9	15.9	16.6	-
	Paid leave usage rate	70.0%	71.8%	72.3%	72.3%	75.4%	-
	Total annual work hours (hours/person)	2,065	2,047	2,035	1,953	1,997	-
	Total annual overtime hours (hours/person)	303.8	303.6	295.2	206.4	261.4	-
	Non-consolidated basis						
	Total number of employees using child care leave	49	59	68	84	86	-
	Male	6	7	13	38	53	-
	Female	43	52	55	46	33	-
	Return rate	98%	100%	100%	96%	100%	-
	Total number of employees using care leave	4	3	3	5	6	-
	Male	2	3	3	3	3	-
	Female	2	0	0	2	3	-

Human Resource Development	**Consolidated basis**						
	Employee- related expenses (Million JPY)	158,070	161,131	161,460	156,707	147,460	-
	Non-consolidated basis, including KRCand KMC						
	Education and training expenses per employee (JPY/FTE)	33,000	35,000	34,000	27,000	27,000	-
	Education and training hours per employee (Hours/FTE)	33	38	41	32	32	-

	Item	2017	2018	2019	2020	2021	2022
Occupational Safety and Health	**Non-consolidated basis**						
	Regular medical checkup rate	99.0%	99.0%	99.6%	99.8%	98.4%	-
	Percentage of employees with metabolic syndrome (including pre-metabolic syndrome)	29.5%	27.6%	27.5%	30.4%	-	-
	Percentage of high-stress workplaces	6.3%	5.8%	5.9%	6.1%	-	-
Working with Suppliers	**Consolidated basis**						
	Number of companies responding to CSR Procurement surveys						
	Domectic suppliers	-	-	480	-	395	-
	Overseas suppliers	-	65	-	37	-	-
Social Contribution Activities	Social Contribution Activities by Type (%)						
	Donations and philanthropy	47.34	34.86	36.29	37.69	31.96	-
	Investments (ongoing partnership with NGOs, etc.)	32.62	45.71	46.47	43.72	50.34	-
	Advertising and marketing	20.03	19.42	17.24	18.59	17.70	-
	Social Contribution Activities Expenditure (Million JPY)*						
	Provision of funds	191	155	146	160	111	-
	Provision of goods	234	236	238	194	226	-
	Employee volunteer activities	245	262	328	326	324	-
	Indirect management costs	0	0	0	0	0	-

* Because the above figures are rounded to the second decimal place, the percentage figures may not add up to exactly 100%.

ISO Certification Status

Certification Status of Quality Management【Domestic(non-consolidated basis, including KRC*1 and KMC*2】

Business segment		Date of Acquisition	Reference	Certification Bodies
Aerospace Systems Company	Aerospace Business Division	Sep. 1996	JIS Q 9100*3	BSK*4
	Aero Engine Business Division	Dec. 1994	JIS Q 9100	BSK
Kawasaki Railcar Manufacturing Co., Ltd		Aug. 1994		DNV*5
Energy Solution & Marine Engineering Company	Energy Solution Business Division	Jun. 1993		DNV
	Plant Engineering Business Division			
	Marine Machinery Business Division			
	Ship & Offshore Structure Business Division	Apr. 1993	general merchant ship, offshore structures and AUV business	DNV
Precision Machinery & Robot Company	Precision Machinery Business Division	Oct. 1994		DNV
	Robot Business Division	Oct. 1994		DNV
Kawasaki Motors, Ltd		Oct. 1994		DNV

*1 KRC : Kawasaki Railcar Manufacturing Co., Ltd
*2 KMC : Kawasaki Motors, Ltd.
*3 JIS Q 9100 : Management system standards for ensuring the safety and improving reliability of products and services in the aerospace and defense industries
*4 BSK : Defense Structure Improvement Foundation
*5 DNV : Det Norske Veritas AS（Norway）

Certification Status of Quality Management【Overseas Production Sites(Group Companies)】

	Business	Company	Acquisition (Y/N)
1	Energy Solution & Marine Engineering	Dalian Cosco KHI Ship Engineering Co., Ltd.	Y
2	Energy Solution & Marine Engineering	Nantong Cosco KHI Ship Engineering Co., Ltd.	Y
3	Energy Solution & Marine Engineering	Wuhan Kawasaki Marine Machinery Co., Ltd.	Y
4	Energy Solution & Marine Engineering	Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.	Y
5	Energy Solution & Marine Engineering	Anhui Conch Kawasaki Equipment Manufacturing Co., LTD.	Y
6	Kawasaki Motors, Ltd	Changzhou Kawasaki and Kwang Yang Engine Co., Ltd.	Y
7	Kawasaki Motors, Ltd	India Kawasaki Motors Pvt. Ltd.	N
8	Kawasaki Motors, Ltd	Kawasaki Motors (Phils.) Corporation	N
9	Kawasaki Motors, Ltd	Kawasaki Motors Enterprises (Thailand) Co., Ltd.	Y
10	Kawasaki Motors, Ltd	PT. Kawasaki Motor Indonesia	N
11	Precision Machinery	Flutek, Ltd.	Y
12	Precision Machinery	Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd.	Y
13	Precision Machinery	Kawasaki Precision Machinery (Suzhou) Ltd	Y
	Robotics		Y
14	Precision Machinery	Wipro Kawasaki Precision Machinery Private Limited	Y
15	Kawasaki Railcar Manufacturing Co., Ltd	Kawasaki Motors Manufacturing Corp., USA	Y
	Aerospace Systems		Y
	Motorcycle & Engine		Y
16	Kawasaki Railcar Manufacturing Co., Ltd	Kawasaki Rail Car, Inc.	Y
17	Kawasaki Motors, Ltd	Kawasaki Motores do Brasil Ltda.	N
18	Precision Machinery	Kawasaki Precision Machinery (UK) Ltd.	Y

Environmental Management Systems【Domestic (Kawasaki and Group Companies)】

Business segment	Certification Bodies*1	EMS level*2	Date of Acquisition
Aerospace Systems Company(Aerospace Business Division)	BSK	1	Feb. 2002
KGM Co., Ltd.		1	Feb. 2002
NIPPI Corporation		1	Dec. 2006
NIPPI Skill Corporation		1	Dec. 2012
Aerospace Systems Company (Aero Engine Business Division)	BSK	1	Mar. 2000
Kawaju Akashi Engineering Co., Ltd.		1	Mar. 2000
Energy Solution & Marine Engineering Company (Plant Engineering Business Division)	DNV	1	Nov. 1999
Kawaju Facilitech Co., Ltd.		2	Jul. 2013
EarthTechnica Co., Ltd.		1	Sep. 2000
Energy Solution & Marine Engineering Company (Energy Solution Business Division) (Marine Machinery Business Division)	NK	1	Dec. 2000
Kawasaki Thermal Engineering Co., Ltd.		1	Apr. 2002
Energy Solution & Marine Engineering Company (Ship & Offshore Structure Business Division)	DNV	1	Aug. 2000
Kawasaki Marine Engineering Co., Ltd.		3	Apr. 2013
Precision Machinery & Robot Company (Precision Machinery Business Division)	DNV	1	Feb. 1998
Kawasaki Hydromechanics Corporation		1	Jun. 2007
Precision Machinery & Robot Company (Robot Business Division)	DNV	1	Mar. 2011
Kawasaki Railcar Manufacturing Co., Ltd	DNV	1	Feb. 2002
Alna Yusoki-Yohin Co., Ltd.		2	Nov. 2017
Kawasaki Rolling Stock Component Co., Ltd.		1	Feb. 2002
NICHIJO CORPORATION		2	Jun. 2009
Kawasaki Motors, Ltd	DNV	1	Feb. 2000
Technica Corp.		3	Mar. 2012
Union Precision Die Co., Ltd.		1	Jul. 2006
Shin Nippon Wheel Industries Co.,Ltd		1	Sep. 2014

*1 BSK: Defense Structure Improvement Foundation; DNV: Det Norske Veritas AS（Norway）

*2 Level 1: ISO 14001 registration Level 2: Simplified EMS certification Level 3: Self-declaration of EMS establishment

Environmental Management Systems【Overseas (Group Companies)】

Oversight organization	Company	Location	EMS level*1	Date of Acquisition
Energy Solution & Marine Engineering Company(Marine Machinery Business Division)	Wuhan Kawasaki Marine Machinery Co., Ltd.	China (PRC)	1	Jun. 2009
Precision Machinery & Robot Company (Precision Machinery Business Division)	Kawasaki Precision Machinery (Suzhou) Ltd.	China (PRC)	1	Jan. 2008
	Kawasaki Precision Machinery (UK) Ltd.	UK	1	Nov. 2001
	Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd.	China (PRC)	1	Nov. 2012
	Wipro Kawasaki Precision Machinery Private limited	India	1	Dec. 2019
	Flutek, Ltd.	South Korea	1	Nov. 2006
Kawasaki Railcar Manufacturing Co., Ltd	Kawasaki Rail Car, Inc.	U.S.A.	3	Jul. 2015
Kawasaki Motors, Ltd	PT. Kawasaki Motor Indonesia	Indonesia	3	Jan. 2012
	Kawasaki Componants da Amazonia Ltda	Brazil	3	Jun. 2013
	Kawasaki Motores do Brasil Ltda	Brazil	3	Jun. 2013
	Kawasaki Motors (Phils.) Corporation	Philippines	3	Jan. 2012
	Kawasaki Motors Manufacturing Corp., U.S.A. (MRV)	U.S.A.	1	Nov. 2008
	Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Thailand	1	Dec. 2011

*1 Level 1: ISO 14001 registration Level 2: Simplified EMS certification Level 3: Self-declaration of EMS establishment

Evaluation by Society

Kawasaki vigorously embraces activities for sustainable society. The activities have been widely recognized, and we have been evaluated by various external bodies as shown below. (As of December, 2022)

ESG Indices

Dow Jones Sustainability Asia Pacific Index

Jointly compiled by S&P Dow Jones Indices and RobecoSAM, DJSI is a leading SI index which assesses and selects leading sustainability-driven companies in terms of economic, environmental, and social criteria, and serves as one of the most important indices for investors who take the corporate social responsibility (CSR) initiatives of each company into consideration.
The DJSI Asia Pacific has specifically designed for companies in the developed Asia Pacific markets.

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

Sustainability Yearbook
Member 2022
S&P Global

FTSE4Good Index Series

Created by the global index provider FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company), the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

FTSE4Good

FTSE Blossom Japan Index

The FTSE Blossom Japan Index is designed to measure the performance of Japanese companies that demonstrate strong Environmental, Social and Governance (ESG) practices. The index is constructed so that industry weights align with the Japanese equity market and uses the globally established FTSE4Good Index Inclusion Rules which are drawn from existing international standards including the UN Sustainable Development Goals.

FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index, developed by global index provider FTSE Russell, is designed to measure the performance of Japanese companies that have relatively strong Environmental, Social, Governance (ESG) practices in individual sectors. The index is designed so that sector weights align with the Japanese equity market. In addition, this index supports the transition to a low-carbon economy by selecting companies with particularly high GHG emissions as constituent stocks only if they have achieved a reduction in GHG emissions based on the TPI Management Quality Score. The FTSE Blossom Japan Sector Relative Index is used by Japan's Government Pension Investment Fund (GPIF) as a benchmark for passive ESG investment management.

MSCI Japan Empowering Women (WIN) Select Index

The MSCI Japan Empowering Women (WIN) Select Index, which is part of the MSCI environmental, social and governance (ESG) indexes, aims to represent the performance of companies that are leading within their GICS® sector in terms of promoting and maintaining gender diversity, while also meeting certain quality factor criteria.

THE INCLUSION OF Kawasaki Heavy Industries, Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Kawasaki Heavy Industries, Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient is designed to measure the performance of companies in the Tokyo Stock Price Index (TOPIX), (the "underlying index"), while overweighting or underweighting those companies that have lower or higher levels of carbon emissions per unit of revenue.

Sompo Sustainability Index

The Sompo Sustainability Index is an investment index that draws on environment (E)-related corporate research conducted by SOMPO Risk Management Inc. and social (S)- and governance (G)-related corporate research conducted by IntegreX Inc. to generate composite ESG scores. The index comprises companies with above-average ESG performance, as determined through composite scoring.

ECPI World ESG Equity Index
ECPI Global Developed ESG Best in Class Index

ECPI Group provides investment and sustainability advisory services with its offices in Milan, Italy and Luxembourg. ECPI Index family represents one of the widest ESG offer on the market covering main asset classes, geographies and investment themes.
ECPI World ESG Equity Index is a broad benchmark representative of developed market companies that satisfy ECPI ESG criteria.
ECPI Global Developed ESG Best in Class Index represents global developed market companies selected on the basis of their ESG performance as measured by ECPI ESG ratings and scores (Best-in-Class approach).

For more information, please visit here .

Recognitions of Kawasaki's Sustainability Initiatives

CDP

Kawasaki received A score in the CDP Climate Change 2022 assessment.
CDP an environmental non-profit organization that runs the global disclosure system for companies, cities and governments. The charity measures and evaluates their environmental initiatives, including goal setting, risk management and disclosures.
The assessment process is aligned with TCFD recommendations on climate-related financial disclosures task force and well known as a global standard of environmental action evaluation.

The Act on Promotion of Women's Participation and Advancement in the Workplace

In May 2016, Kawasaki received "Eruboshi (Grade 2)" certification as an outstanding company for promoting women's participation in the workplace. The Eruboshi system is based on the Act on Promotion of Women's Participation and Advancement in the Workplace, which went into full effect on April 1, 2016. Of companies that draw up and submit general employer action plans under the Act, only those subsequently judged to meet certain standards and provide excellent conditions to encourage women to be more active in the workplace, are eligible for certification by the Minister of Health, Labour and Welfare under the Eruboshi system. Kawasaki is the first company in Hyogo Prefecture to acquire certification.

The Act on Advancement of Measures to Support Raising Next-Generation Children

We have a number of systems to support raising the next generation and nursing care, in order to enable our employees to continue working actively while balancing work with childcare and nursing care. The Hyogo Labour Bureau certified us as a company supporting childcare, and awarded us the "Kurumin Mark" in 2010. The Kurumin Mark is a certification logo presented by the Ministry of Health, Labour and Welfare to companies that have achieved targets stated in the business action plans formulated by each company in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children and have met certain criteria. The logo indicates such companies are childcare-supportive employers.

Performance Index for LGBT Initiatives “PRIDE Index 2022”

In 2022, Kawasaki, Kawasaki Railcar Manufacturing Co., Ltd., and Kawasaki Motors, Ltd. received the top rating of “gold” on “PRIDE Index”, a performance index certified by a Japanese voluntary organization “work with Pride”, which evaluates companies’ initiatives related to sexual minority such as LGBT. In Pride Index, for achievement of creating the workplace where LGBT individuals are able to work actively, companies are evaluated from 5 viewpoints: Policy, Representation, Inspiration, Development and Engagement / Empowerment.

Participation in International Initiatives

United Nations Global Compact

Kawasaki signed the United Nations Global Compact ("UNGC") initiative proposed by the United Nations and was registered as a participating company in January, 2020. We have also joined the Global Compact Network Japan, the compact's local network in Japan.

The UNGC is a voluntary initiative for companies and organizations to act as good members of society and participate in creating a global framework for sustainable growth by taking responsible and creative leadership.

In conducting their business operations, UNGC signatory companies and organizations are required to support the initiative's ten principles in the four fields of human rights, labour, the environment, and anti-corruption.

With our signing of the UNGC, we commit ourselves to promoting the ten principles in the four fields and continue our activities towards the realization of a sustainable society.

【The Ten Principles of the United Nations Global Compact】

Human Rights	Principle1 :	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle2 :	make sure that they are not complicit in human rights abuses.
Labour	Principle3 :	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle4 :	the elimination of all forms of forced and compulsory labour;
	Principle5 :	the effective abolition of child labour;
	Principle6 :	the elimination of discrimination in respect of employment and occupation.
Environment	Principle7 :	Businesses should support a precautionary approach to environmental challenges;
	Principle8 :	undertake initiatives to promote greater environmental responsibility; and
	Principle9 :	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle10 :	Businesses should work against corruption in all its forms, including extortion and bribery.

- United Nations Global Compact
- Kawasaki's CoP on the UN GC Website

TCFD (Task Force on Climate-related Financial Disclosures)

Kawasaki signed the statement of support for the TCFD recommendations in September, 2019.

TCFD (Task Force on Climate-related Financial Disclosures) is a task force established by the Financial Stability Board, an international organization that includes central banks and financial regulators in major countries.

Institutional investors and financial institutions who are investing in ESG emphasize that it is critical for companies to be aware of the risks and opportunities of climate change and incorporate them into their management strategies. They propose approaches to the appropriate disclosure of information regarding the risks and opportunities of climate change, which companies voluntarily disclose.

We will communicate more clearly the Company's efforts to realize a sustainable society to our stakeholders, and work to further enhance information disclosure.

Kawasaki signs Neptune Declaration on Seafarer Wellbeing and Crew Change

January 27, 2021

Kawasaki has signed "The Neptune Declaration on Seafarer Wellbeing and Crew Change" which recognizes that we have a shared responsibility to ensure that the current crew change crisis is resolved as soon as possible and to use the learnings from the crisis as an opportunity to build a more resilient maritime supply chain.

Please check the following link for further details.

- The-Neptune-Declaration-on-Seafarer-Wellbeing-and-Crew-Change.pdf (globalmaritimeforum.org)

GRI Standards Index

GRI Standards Index

※ This index is made for our visitors so that they can easily find the linkage between our CSR activities/corporate information and items of GRI Sustainability Reporting Standards.

Universal Standards 102: General Disclosure / 103: Management Approach

102: General Disclosures		Reference
1.Organizational Profile		
102-1	Name of the organization	Company Profile
102-2	Activities, brands, products, and services	Products History
102-3	Location of headquarters	Company Profile
102-4	Location of operations	Global Network
102-5	Ownership and legal form	Company Profile
102-6	Markets served	Global Network Division Profile
102-7	Scale of the organization	Company Profile Global Network Consolidated Statement of Income Consolidated Balance Sheets Kawasaki Report-Stock Information
102-8	Information on employees and other workers	Diversity
102-9	Supply chain	Working with Suppliers
102-10	Significant changes to the organization and its supply chain	-
102-11	Precautionary Principle or approach	Risk Management Business Risks Materiality Kawasaki's Approach to the SDGs Product Liability/Safety Kawasaki Environmental Report-Heightened Awareness as an Environmentally Friendly Brand-Product Assessment Disclosure in Line with the Recommendations of the Task Force on Climate-related Financial Disclosures (Scenario Analysis)
102-12	External initiatives	Participation in International Initiatives
102-13	Membership of associations	-
2.Strategy		
102-14	Statement from senior decision-maker	Message from President and CEO Kawasaki Report-Message from the President
102-15	Key impacts, risks, and opportunities	Kawasaki Report-Message from the President Kawasaki Report-Approach to Sustainable Value Creation Risk Management Business Risks Materiality Kawasaki's Approach to the SDGs Kawasaki Report-Business Portfolio Disclosure in Line with the Recommendations of the Task Force on Climate-related Financial Disclosures (Scenario Analysis)

102: General Disclosures		Reference
3.Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Kawasaki Group Mission Statement Policies, Guidelines and Statements
102-17	Mechanisms for advice and concerns about ethics	Compliance and Anti-corruption Measures Business and Human Rights
4.Governance		
102-18	Governance structure	Corporate Governance Kawasaki Report-Corporate Governance
102-19	Delegating authority	Kawasaki Report-Corporate Governance Sustainability Framework Compliance and Anti-corruption Measures Environmental Management Promotion Structure Risk Management
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance Sustainability Framework Compliance and Anti-corruption Measures Environmental Management Promotion Structure Risk Management
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement
102-22	Composition of the highest governance body and its committees	Corporate Governance
102-23	Chair of the highest governance body	Corporate Governance Kawasaki Report-Corporate Officers
102-24	Nominating and selecting the highest governance body	Corporate Governance
102-25	Conflicts of interest	Corporate Governance Annual Security Report (Japanese language only) Corporate Governance Report
102-26	Role of highest governance body in setting purpose, values, and strategy	Kawasaki Report-Roundtable Discussion with the Chairman and Outside Directors Corporate Governance Sustainability Framework Compliance and Anti-corruption Measures Environmental Management Promotion Structure Risk Management
102-27	Collective knowledge of highest governance body	Materiality Kawasaki Report-Roundtable Discussion with the Chairman and Outside Directors
102-28	Evaluating the highest governance body's performance	Corporate Governance
102-29	Identifying and managing economic, environmental, and social impacts	Corporate Governance Sustainability Framework Materiality Compliance and Anti-corruption Measures Risk Management Environmental Management Promotion Structure
102-30	Effectiveness of risk management processes	Risk Management
102-31	Review of economic, environmental, and social topics	Corporate Governance Sustainability Framework Compliance and Anti-corruption Measures Risk Management
102-32	Highest governance body's role in sustainability reporting	Corporate Governance Sustainability Framework Compliance and Anti-corruption Measures Risk Management
102-33	Communicating critical concerns	Compliance and Anti-corruption Measures
102-34	Nature and total number of critical concerns	Compliance and Anti-corruption Measures

102: General Disclosures		Reference
102-35	Remuneration policies	Corporate Governance
102-36	Process for determining remuneration	Corporate Governance
102-37	Stakeholders' involvement in remuneration	Corporate Governance
102-38	Annual total compensation ratio	-
102-39	Percentage increase in annual total compensation ratio	-
5.Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement
102-41	Collective bargaining agreements	Business and Human Rights
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement Materiality
6.Reporting Practice		
102-45	Entities included in the consolidated financial statements	Kawasaki Report-Major Subsidiaries and Associates Kawasaki Report-Editorial Policy Environmental Management Promotion Structure
102-46	Defining report content and topic boundaries	Kawasaki Report-Editorial Policy
102-47	List of material topics	Materiality
102-48	Restatements of information	-
102-49	Changes in reporting	-
102-50	Reporting period	Kawasaki Report-Editorial Policy Approach to Information Disclosure
102-51	Date of most recent report	Kawasaki Report-Editorial Policy
102-52	Reporting cycle	Kawasaki Report-Editorial Policy Approach to Information Disclosure
102-53	Contact point for questions regarding the report	Contact
102-54	Claims of reporting in accordance with the GRI Standards	-
102-55	GRI content index	GRI Standards Index
102-56	External assurance	FY2021 Third-Party Verification of Greenhouse Gas Emissions
103: Management Approach		**Reference**
103-1	Explanation of the material topic and its Boundary	Materiality
103-2	The management approach and its components	Materiality Sustainability Framework Corporate Governance Compliance and Anti-corruption Measures Risk Management Research and Development Working with Suppliers Product Liability/Safety Human Resource Management Diversity Human Resource Development Occupational Safety, Hygiene, and Health Business and Human Rights Social Contribution Activities Environmental Management Promotion Structure
103-3	Evaluation of the management approach	Materiality Stakeholder Engagement

200: Economic		Reference
201: Economic Performance		
201-1	Direct economic value generated and distributed	Stakeholder Engagement
201-2	Financial implications and other risks and opportunities due to climate change	Disclosure in Line with the Recommendations of the Task Force on Climate-related Financial Disclosures (Scenario Analysis)
201-3	Defined benefit plan obligations and other retirement plans	Annual Security Report (Japanese language only)
201-4	Financial assistance received from government	-
202: Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-
202-2	Proportion of senior management hired from the local community	-
203: Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	Products Kawasaki's Response to the COVID-19 Pandemic Social Contribution Activities
203-2	Significant indirect economic impacts	Kawasaki Report-Approach to Sustainable Value Creation
204: Procurement Practices		
204-1	Proportion of spending on local suppliers	-
205: Anti-corruption		
205-1	Operations assessed for risks related to corruption	-
205-2	Communication and training about anti-corruption policies and procedures	Compliance and Anti-corruption Measures
205-3	Confirmed incidents of corruption and actions taken	Compliance and Anti-corruption Measures
206: Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance and Anti-corruption Measures
207: Tax		
207-1	Approach to tax	Compliance and Anti-corruption Measures Tax Transparency Kawasaki Group Policy on Tax Affairs
207-2	Tax governance, control, and risk management	Compliance and Anti-corruption Measures Tax Transparency Kawasaki Group Policy on Tax Affairs
207-3	Stakeholder engagement and management of concerns related to tax	Tax Transparency
207-4	Country-by-country reporting	-
300: Environmental		**Reference**
301: Materials		
301-1	Materials used by weight or volume	ESG Data-Environment
301-2	Recycled input materials used	-
301-3	Reclaimed products and their packaging materials	-
302: Energy		
302-1	Energy consumption within the organization	ESG Data-Environment

300: Environmental		Reference
302-2	Energy consumption outside of the organization	-
302-3	Energy intensity	-
302-4	Reduction of energy consumption	ESG Data-Environment
302-5	Reductions in energy requirements of products and services	CO_2 FREE (Realization of a Carbon-neutral, Low-carbon Society)
303: Water and Effluents		
303-1	Interactions with water as a shared resource	-
303-2	Management of water discharge-related impacts	-
303-3	Water withdrawal	ESG Data-Environment
303-4	Water discharge	ESG Data-Environment
303-5	Water consumption	ESG Data-Environment
304: Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
304-2	Significant impacts of activities, products, and services on biodiversity	-
304-3	Habitats protected or restored	Harm FREE (Realization of a Society Coexisting with Nature)
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-
305: Emissions		
305-1	Direct (Scope 1) GHG emissions	CO_2 FREE (Realization of a Carbon-neutral, Low-carbon Society)
305-2	Energy indirect (Scope 2) GHG emissions	CO_2 FREE (Realization of a Carbon-neutral, Low-carbon Society)
305-3	Other indirect (Scope 3) GHG emissions	CO_2 FREE (Realization of a Carbon-neutral, Low-carbon Society)
305-4	GHG emissions intensity	CO_2 FREE (Realization of a Carbon-neutral, Low-carbon Society)
305-5	Reduction of GHG emissions	CO_2 FREE (Realization of a Carbon-neutral, Low-carbon Society)
305-6	Emissions of ozone-depleting substances (ODS)	-
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	ESG Data-Environment
306: Waste		
306-1	Waste generation and significant waste-related impacts	-
306-2	Management of significant waste-related impacts	-
306-3	Waste generated	ESG Data-Environment
306-4	Waste diverted from disposal	ESG Data-Environment
306-5	Waste directed to disposal	ESG Data-Environment
307: Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Environmental Risk Management & Compliance with Laws and Regulations
308: Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	Working with Suppliers
308-2	Negative environmental impacts in the supply chain and actions taken	-

400: Social		Reference
401: Employment		
401-1	New employee hires and employee turnover	Human Resource Management
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Resource Management
401-3	Parental leave	Diversity
402: Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	Business and Human Rights
403: Occupational Health and Safety		
403-1	Occupational health and safety management system	Occupational Safety, Hygiene, and Health
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Safety, Hygiene, and Health Risk Management
403-3	Occupational health services	Occupational Safety, Hygiene, and Health
403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety, Hygiene, and Health Business and Human Rights
403-5	Worker training on occupational health and safety	Occupational Safety, Hygiene, and Health
403-6	Promotion of worker health	Occupational Safety, Hygiene, and Health
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Safety, Hygiene, and Health
403-8	Workers covered by an occupational health and safety management system	Occupational Safety, Hygiene, and Health
403-9	Work-related injuries	Occupational Safety, Hygiene, and Health
403-10	Work-related ill health	Occupational Safety, Hygiene, and Health
404: Training and Education		
404-1	Average hours of training per year per employee	Human Resource Development
404-2	Programs for upgrading employee skills and transition assistance programs	Human Resource Development Diversity
404-3	Percentage of employees receiving regular performance and career development reviews	Human Resource Management
405: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	Corporate Governance Diversity
405-2	Ratio of basic salary and remuneration of women to men	Diversity
406: Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Compliance and Anti-corruption Measures
407: Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-
408: Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	Working with Suppliers Business and Human Rights

400: Social		Reference
409: Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Working with Suppliers Business and Human Rights
410: Security Practices		
410-1	Security personnel trained in human rights policies or procedures	-
411: Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	-
412: Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	Business and Human Rights
412-2	Employee training on human rights policies or procedures	-
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
413: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	Social Contribution Activities
413-2	Operations with significant actual and potential negative impacts on local communities	-
414: Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	-
414-2	Negative social impacts in the supply chain and actions taken	Business and Human Rights
415: Public Policy		
415-1	Political contributions	Compliance and Anti-corruption Measures
416: Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	Product Liability/Safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product Liability/Safety
417: Marketing and Labeling		
417-1	Requirements for product and service information and labeling	-
417-2	Incidents of non-compliance concerning product and service information and labeling	-
417-3	Incidents of non-compliance concerning marketing communications	Product Liability/Safety
418: Customer Privacy		
418-1	Substantiated complaints concerning breeches of customer privacy and losses of customer data	Risk Management Product Liability/Safety
419: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Compliance and Anti-corruption Measures