



# Kawasaki

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# ESG Data Book / 2021

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## Kawasaki Group Mission Statement

Kawasaki formulated the Kawasaki Group Mission Statement as a compass directing the activities of the Kawasaki Group. The statement incorporates the Group's social mission and, to increase the Kawasaki brand value, shared values, the underlying principles of management activities, and guidelines for the daily conduct of each and every member of the organization.

### Group Mission

# Kawasaki, working as one for the good of the planet

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

### Kawasaki Value

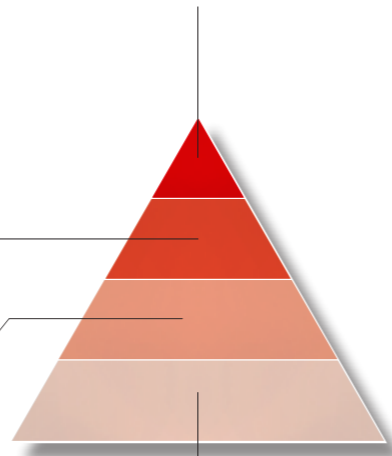
- We respond to our customers' requirements
- We constantly achieve new heights in technology
- We pursue originality and innovation

### The Kawasaki Group Management Principles

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

### The Kawasaki Group Action Guidelines

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



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**M**: Sections marked with this icon include information about the Kawasaki Group's material issues.

### Contact Us

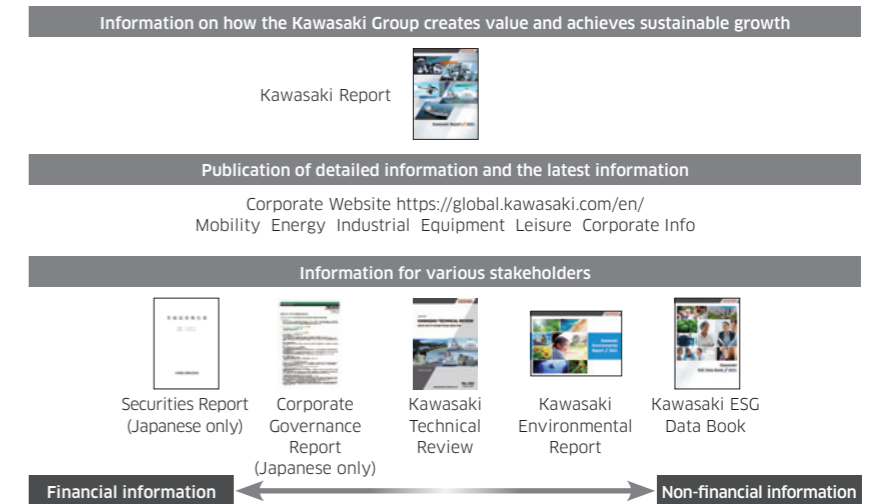
Please make inquiries through the inquiry form on our website  
<https://global.kawasaki.com/en/corp/profile/contact/https://www.khi.co.jp/corporate/contacts/>

## Editorial Policy

### Purpose of the ESG Data Book

The Kawasaki Group has published the *ESG Data Book* annually since fiscal 2018. The *ESG Data Book* primarily provides disclosure of detailed non-financial information related to the Kawasaki Group's environmental (E), social (S) and governance (G) initiatives. The Kawasaki Group positions the *ESG Data Book* as a tool for providing information and communicating with stakeholders. Note that, while the *ESG Data Book* contains environmental data, more detailed information about the Kawasaki Group's environmental initiatives is available in the *Kawasaki Environmental Report*.

### The Kawasaki Group's Information Disclosure



**Kawasaki Report**  
<https://global.kawasaki.com/en/corp/sustainability/report/index.html>

**Kawasaki ESG Data Book**  
<https://global.kawasaki.com/en/corp/sustainability/esgdatabook.html>

**Kawasaki Environmental Report**  
<https://global.kawasaki.com/en/corp/sustainability/environment/report/index.html>

**Securities Report and quarterly reports (Japanese language only)**  
<https://www.khi.co.jp/ir/library/financial.html>

**Corporate Governance Report (Japanese language only)**  
<https://www.khi.co.jp/ir/library/governance.html>

**Kawasaki Technical Review**  
<https://global.kawasaki.com/en/corp/rd/magazine/index.html>

### 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 2020 (April 1, 2020 to March 31, 2021). It also includes information on past activities and activities carried out on or after April 1, 2021, 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**  
<https://global.kawasaki.com/en/corp/sustainability/environment/accounting.html>

### 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
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry

### GRI Standards Comparison Table

<https://global.kawasaki.com/en/corp/sustainability/library/gri.html>

## Sustainability Framework

**Basic Policy on Sustainability**

We believe the Kawasaki Group's highest priority in terms of social responsibility is realizing the Group Mission, "Kawasaki, working as one for the good of the planet." Accordingly, we actively identify global social issues and aim to solve them by providing products and services driven by innovation and the pursuit of synergies within the Group. In addition, to earn and maintain the trust of society, we have made it the Kawasaki Group's basic policy on sustainability activities to promote constructive dialogue with stakeholders and reinforce initiatives in such areas as ensuring fair business practices, preventing corruption, and promoting consideration of the environment and human rights.

Based on this policy, we have identified material issues that define the scope of our sustainability activities and inform Group-wide sustainability management. We will continue sustainability-related efforts based on stakeholder expectations and demands and thereby reinforce our foundation for value creation.

**Medium-term Sustainability Policy, Targets, and Performance**

In fiscal 2017, management defined material issues for the Kawasaki Group to address and reviewed the sustainability activity framework, positioning material issues related to the creation of social value through business as top priorities to be achieved over the long term and all other material issues as sustainability issues that underpin the management foundation.

In fiscal 2021, upon discussion by the Sustainability Committee, the content of the "social value created through our businesses" category was changed to the three focal fields under Group Vision 2030, announced in November 2020. These are "a safe and secure remotely connected society," "near-future mobility," and "energy and environmental solutions." Going forward, we will continue to periodically revise our material issues in light of changes in the business environment and society's expectations. Under the new framework, we have clarified the divisions and individuals responsible for as well as our ideals and key performance indicators for key items related to the creation of social value through business and environmental, societal and governance (ESG) issues. We monitor accomplishments related to these key items every year. We implement a plan-do-check-act (PDCA) cycle while working to enhance our sustainability activities.

For details, please refer to [Material Issues](#) (page 9).

**Sustainability Promotion System**

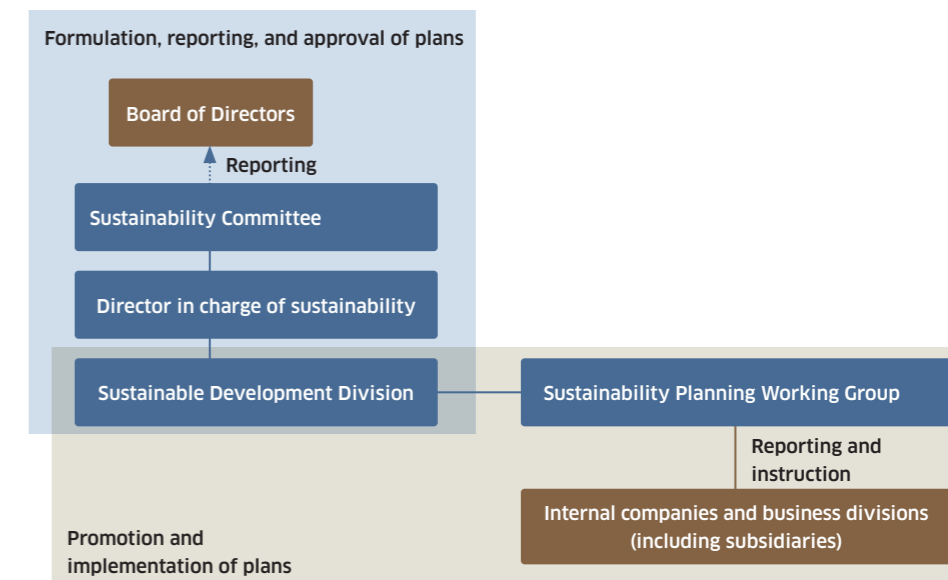
The Sustainability Committee is charged with deliberating and determining Group-wide sustainability policy and matters concerning the material issues.

Specifically, the Committee deliberates and discusses the following matters.

1. Measures that simultaneously enhance social, environmental, and Group sustainability and that increase the Group's enterprise value as well as the execution of said measures and achievement of their aims
2. Measures to understand, reduce, and eliminate negative social and environmental impacts of the Group's business activities as well as the execution of said measures and achievement of their aims

With the president of Kawasaki as the chair, the committee is composed of Directors, internal company presidents, the Director in charge of sustainability and Head Office division general managers. The attendance of Outside Directors is requested so that the committee can glean the benefits of their external expertise and opinions, and reflect them in its decision-making process. Also, Audit & Supervisory Committee Members 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 2020, it met three times.

**Sustainability Promotion System****Responsible Officers**

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

Katsuya Yamamoto, Representative Director, Vice President and Senior Executive Officer (in charge of sustainability)

**Sustainability Education and Awareness Building throughout the Company**

Utilizing a variety of tools, such as educational seminars and its Company 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 seminars and training for such groups as new employees; newly appointed assistant managers, managerial staff, associate officers, and executive officers; persons in charge of overseas businesses; and mid-career hires.

In fiscal 2020, we conducted training via e-learning about the Sustainable Development Goals (SDGs) and business and human rights for human resources departments. 16,084 employees received the training on the SDGs, while 191 received the training on business and human rights.

In addition, to ensure that all Group employees are fully informed with regard to sustainability, we regularly provide sustainability-related information via our Japanese-language Group newsletter *Kawasaki* and our Group-wide English- and Chinese-language newsletter *Kawasaki On The Move!*

**Participation in Third-Party Initiatives and Organizations****Participation in Third-Party Organizations**

The following is a list of organizations and advisory institutions in Japan where Kawasaki representatives hold official positions (as of September 1, 2021).

- Shipbuilders' Association of Japan, vice-chairman
- Society of Japanese Aerospace Companies, chairperson
- Japan Aircraft Development Corporation, chairman (representative director) and councilor
- Japan Robot Association, director
- Japan Association of Rolling Stock Industries, chairman and director
- Japan Overseas Railway System Association, chairman and director
- Japan Machinery Federation, general director
- JAPAN COAL FRONTIER ORGANIZATION, vice chairperson
- Japan Association for Trade with Russia & NIS, vice president
- New Industry Research Organization, chairman, president and advisor
- Kansai Economic Federation, vice chairman

Kawasaki representatives also hold membership positions in the Japan Business Federation (Keidanren), Japan Automobile Manufacturers Association and Japan Electrical Manufacturers Association.

**Participation in International Initiatives**

**● United Nations Global Compact**

Kawasaki has signed the United Nations Global Compact and participated in related activities since January 2020. In addition, we take part in the Global Compact Network Japan, the local network in Japan.

As a signatory company to the United Nations Global Compact, Kawasaki supports the Compact's 10 principles in the four areas of human rights, labor, environment, and anti-corruption and is advancing initiatives accordingly.



**● Task Force on Climate-related Financial Disclosures**

In September 2019, Kawasaki officially endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Going forward, we will strive to communicate our initiatives aimed at realizing a sustainable society to stakeholders while further enhancing disclosure.



**● The Neptune Declaration on Seafarer Wellbeing and Crew Change**

In January 2021, Kawasaki 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, triggered by the COVID-19 pandemic, is resolved as soon as possible. This declaration, drafted by the Global Maritime Forum, has been signed by over 300 companies involved in maritime value chains.

**WEB** Participation in International Initiatives  
<https://global.kawasaki.com/en/corp/sustainability/initiatives.html>

**UN Global Compact**  
<https://www.unglobalcompact.org/>

**Global Compact Network Japan (Japanese language only)**  
<https://www.ungcjin.org/>

**Task Force on Climate-related Financial Disclosures**  
<https://www.fsb-tcfid.org/>

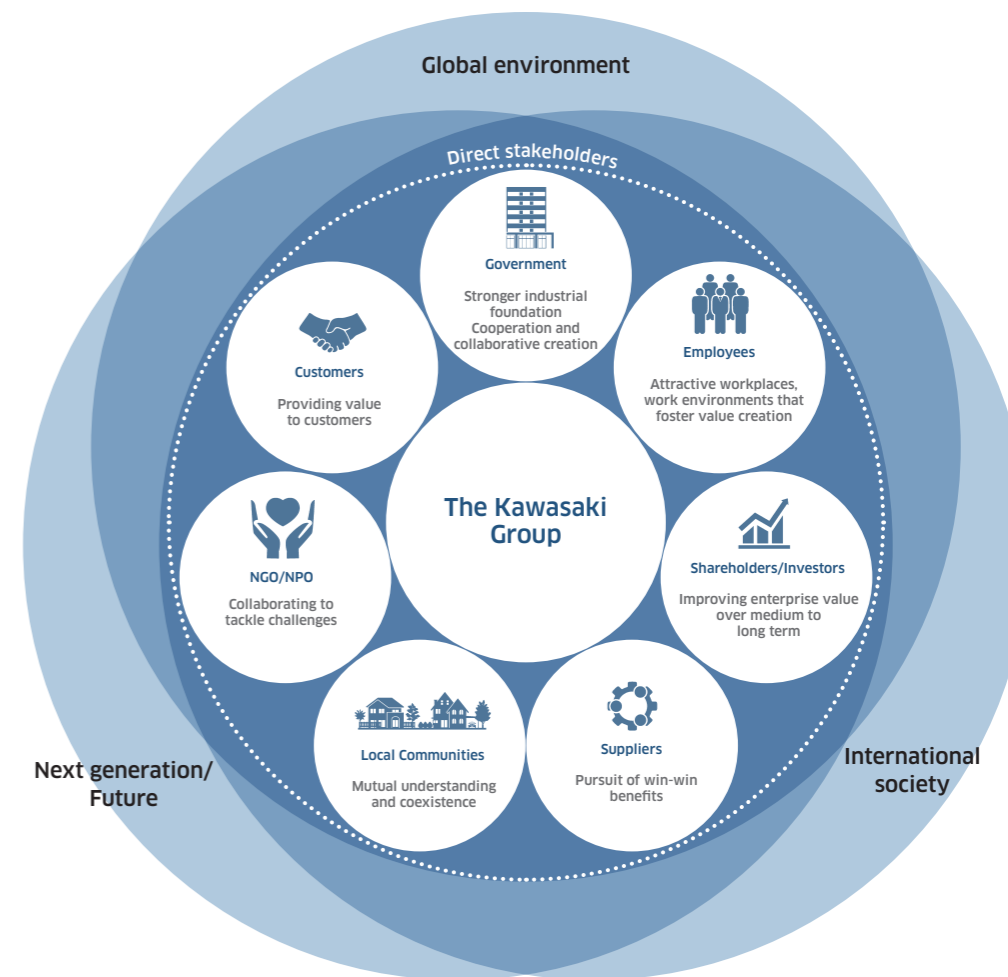
**The Neptune Declaration on Seafarer Wellbeing and Crew Change**  
<https://www.globalmaritimeforum.org/neptune-declaration>

**Stakeholder Engagement**

**State of Stakeholder Engagement**

**The Kawasaki Group Stakeholders**

The Kawasaki Group actively acknowledges the expectations and requests of stakeholders and aims to create social value by meeting those expectations and requests through its business activities while working to raise enterprise value. Through stakeholder dialogue, we strive to enhance information disclosure and deepen communication and thus strengthen bonds of mutual trust.



**Communication with Stakeholders**

The Kawasaki Group works to gain a good understanding of and make improvements to issues by communicating with stakeholders through a variety of means in its daily business activities. Furthermore, in addition to day-to-day dialogues, we promote communication with experts and international institutions—positioning the views that these individuals and entities offer as representative of society at large—and reflect these exchanges in our activities.

**Communication with Customers**

Through our day-to-day sales activities, we carry out ongoing communication with our customers regarding their demands and desires. We have also set up customer inquiry contact points for different product types and sales formats, and we conduct annual customer satisfaction surveys.

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. It has also set up customer contact points to respond to inquiries about products. In the event of a vehicle recall, the relevant information is quickly posted on the company's website.

In addition, to support customers' enjoyment of motorcycling, Kawasaki Motors, Ltd. operates the motorcycle user social group Motorcycle 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.

<b>Expectations and Demands for the Kawasaki Group</b>	Creation of products and services that meet customer expectations and address issues they face; response to customer complaints and inquiries; appropriate disclosure of product and service information
<b>Response to Expectations and Demands</b>	For details, please refer to Customer Relationship Management <a href="#">↗</a> (page 68).

#### Communication with Shareholders and Investors

The Kawasaki Group works to ensure fair, timely and appropriate disclosure based on its Disclosure Policy (published on the corporate website) and actively communicates with shareholders and investors through a broad range of IR activities in Japan and overseas.

Furthermore, through proactive communication with shareholders and investors, we aim to foster understanding of the Group's principles, corporate policy, business strategy, and ESG initiatives to secure greater trust.

- Fiscal 2020 Communication Activities  
IR meetings with institutional investors: 281
- Participants in Factory Tours for Shareholders  
In fiscal 2020, tours were cancelled due to the COVID-19 pandemic.

<b>Expectations and Demands for the Kawasaki Group</b>	Timely and appropriate information disclosure; reflection of shareholder and investor perspectives in management
<b>Response to Expectations and Demands</b>	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.

**WEB** Investors  
<https://global.kawasaki.com/en/corp/ir/index.html>  
Disclosure Policy  
[https://global.kawasaki.com/en/corp/ir/policies/disclosure\\_policy.html](https://global.kawasaki.com/en/corp/ir/policies/disclosure_policy.html)

#### 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.

<b>Expectations and Demands for the Kawasaki Group</b>	Solid partnerships with our suppliers based on relationships of mutual trust; enhancement of supply chain risk management and enterprise value through CSR procurement
<b>Response to Expectations and Demands</b>	For details, please refer to Working with Suppliers <a href="#">↗</a> (page 61).

#### Communication with Employees

The Kawasaki Group issues the monthly Group newsletter *Kawasaki* in Japanese and the English and Chinese language Group newsletter *Kawasaki On The Move!* to provide information on our corporate activities and performance in an easy to understand format. We also provide a broad range of information and updates via our Company intranet. Furthermore, we hold grade-specific training programs where participants learn about our corporate systems and setup, management policy, business strategy, and other knowledge necessary to complete their duties.

With regard to employee career advancement, 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 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. In fiscal 2020, we revised the methodology of our survey and redubbed it the employee engagement survey, which we used to survey employees of the domestic Group.

<b>Expectations and Demands for the Kawasaki Group</b>	Employee-friendly workplaces; effective use of human resources; appropriate treatment of human resources; promotion of occupational safety and health
<b>Response to Expectations and Demands</b>	For details, please refer to Diversity <a href="#">↗</a> (page 73), Securing and Retaining Human Resources <a href="#">↗</a> (page 85), and Occupational Safety and Health <a href="#">↗</a> (page 93).

#### Communication with NGOs and NPOs

In addition to disclosing information, we engage in dialogue as needed when being assessed or surveyed by international environmental, social, and governance (ESG) assessment organizations or international non-government organizations (NGOs), such as Transparency International. Based on the results of such assessments and surveys, we work to improve disclosure and revise initiatives.

Furthermore, we work with local non-profit organizations (NPOs) as part of our social contribution activities.

<b>Expectations and Demands for the Kawasaki Group</b>	Incorporation of a broad range of social opinions; contribution to society through not-for-profit activities.
<b>Response to Expectations and Demands</b>	For details, please refer to Social Contribution Activities <a href="#">↗</a> (page 109), and Third-party Evaluations <a href="#">↗</a> (page 113).

#### Communication with Local Communities

Personnel at our business sites and the Head Office 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.

<b>Expectations and Demands for the Kawasaki Group</b>	Fulfillment of our responsibilities as a corporate citizen; participation in communities
<b>Response to Expectations and Demands</b>	For details, please refer to Social Contribution Activities <a href="#">↗</a> (page 109).

### 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.

<b>Expectations and Demands for the Kawasaki Group</b>	Compliance with laws and regulations; policy proposals; participation in industry/government/academia projects
<b>Response to Expectations and Demands</b>	For more information about open innovation please refer to Research and Development (page 45).

### Working with Stakeholders

Since 2014, Kawasaki's Fukuoka Office has worked with the Fukuoka City NPO/Volunteer Center "Asumin," mainly to hold annual handicraft and experiment courses for children in Fukuoka City. Kawasaki supports the activities of this organization, which promotes citizen-led community building, and is working with it to contribute to the development of young people in the area.

 **Fukuoka City NPO/Volunteer Center 'Asumin'** (Japanese language only)  
<https://www.fnvc.jp/>

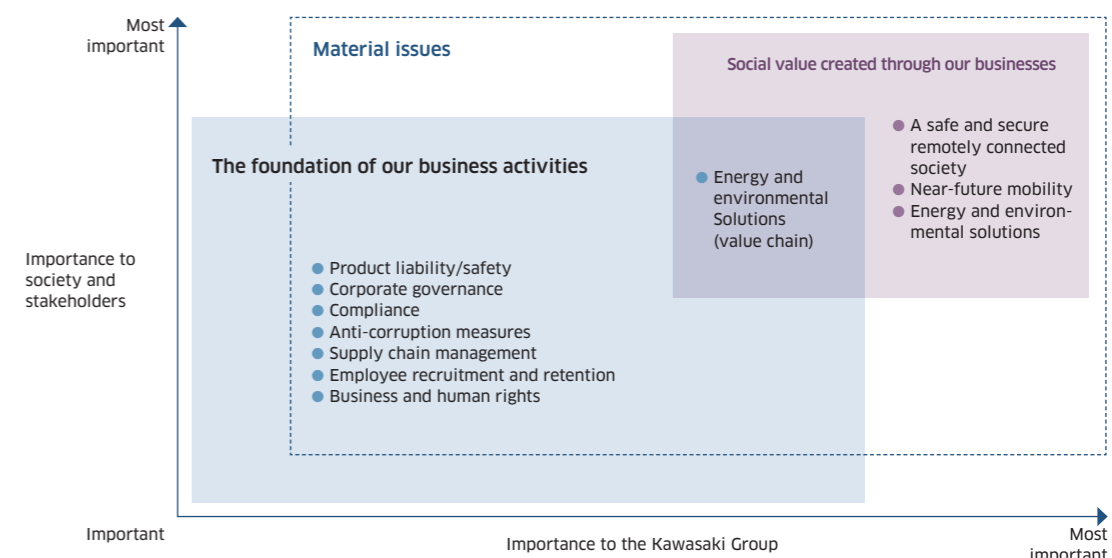
## Material Issues M

### Material Issues

The Kawasaki Group evaluated the connections between social issues and our business activities as well as the importance (impact) of specific issues to our stakeholders and identified material issues—that is, materiality. The material issues thus identified were then grouped into the domains of Business, Governance (G), Environment (E) and Society (S), which we use to manage related initiatives.

In fiscal 2021, upon discussion by the Sustainability Committee, the content of the "social value created through our businesses" category was changed to the three focal fields under Group Vision 2030, announced in November 2020. These are "a safe and secure remotely connected society," "near-future mobility," and "energy and environmental solutions." Going forward, we will continue to periodically revise our material issues in light of changes in the business environment and society's expectations.

### Materiality Matrix of Items Identified



### Sustainability Domains

Business	<ul style="list-style-type: none"> <li>● A safe and secure remotely connected society</li> <li>● Near-future mobility</li> </ul>	<ul style="list-style-type: none"> <li>● Energy and environmental solutions</li> </ul>	
Governance (G)	<ul style="list-style-type: none"> <li>● Corporate governance</li> <li>● Compliance</li> <li>● Anti-corruption measures</li> <li>● Product liability/safety</li> </ul>	<ul style="list-style-type: none"> <li>● Risk management</li> <li>● Crisis management</li> <li>● Export control</li> <li>● Information security</li> </ul>	<ul style="list-style-type: none"> <li>● Political involvement</li> <li>● Research and development</li> </ul>
Environment (E)	<ul style="list-style-type: none"> <li>● Energy and environmental solutions (value chain)</li> </ul>		
Society (S)	<ul style="list-style-type: none"> <li>● Customer relationship management</li> <li>● Business and human rights</li> <li>● Supply chain management</li> <li>● Employee recruitment and retention</li> </ul>	<ul style="list-style-type: none"> <li>● Health and safety</li> <li>● Diversity</li> <li>● Human resource development</li> <li>● Social contribution activities</li> </ul>	

### KPIs for Material Issues

Social value created through our businesses	<ul style="list-style-type: none"> <li>● A safe and secure remotely connected society</li> <li>● Near-future mobility</li> <li>● Energy and environmental solutions</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Value Creation Story in the Three Focal Fields, page 11</li> </ul>
Governance	<ul style="list-style-type: none"> <li>● Product liability/safety</li> <li>● Corporate governance</li> <li>● Compliance</li> <li>● Anti-corruption measures</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Product Liability, page 65</li> <li>⌚ Corporate Governance, page 12</li> <li>⌚ Compliance, page 26</li> <li>⌚ Anti-Corruption under Compliance, page 31</li> </ul>
Environment	<ul style="list-style-type: none"> <li>● Energy and environmental solutions (value chain)</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Environmental Management, page 51</li> </ul>
Society	<ul style="list-style-type: none"> <li>● Supply chain management</li> <li>● Employee recruitment and retention</li> <li>● Business and human rights</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Working with Suppliers, page 61</li> <li>⌚ Securing and Retaining Human Resources, page 85</li> <li>⌚ Business and Human Rights, page 102</li> </ul>

Process for Identifying Materiality

2018	
STEP 1	<b>Step 1: Identify and narrow down sustainability issues</b> We analyzed criteria evaluated by ESG ratings institutions and international sustainability reporting guidelines to identify and then narrow down material issues.
STEP 2	<b>Step 2: Evaluate importance of issues and assign priorities</b> We analyzed the importance of the individual criteria evaluated by ESG ratings institutions to create a provisional order of importance to society and stakeholders. We also held internal workshops to establish a provisional order of importance to the Company. Furthermore, we grouped responses to social issues that were identified under Medium-Term Business Plan 2016 into the category of "social value created through our businesses," which we made our top priority.
STEP 3	<b>Step 3: Interview outside experts and decide the material issues</b> We interviewed outside experts and, based on their comments, revised the importance to society and stakeholders we had assigned to the issues. We also defined the issues in the social value created through our businesses category as top priorities to address over the long-term and the other issues as the foundation of our business activities.
STEP 4	<b>Step 4: Formulate the plan and conduct a review</b> Aiming to comply with the management approach defined under the GRI standards, we designated responsible divisions and officers, policies, and specific numerical targets related to the material issues identified and implemented activities aimed at achieving said targets.
2021	
STEP 1	<b>Step 1: Revision in line with the formulation of Group Vision 2030</b> Upon discussion by the Sustainability Committee, the content of the "social value created through our businesses" category was changed to the three focal fields under Group Vision 2030. We are now advancing revisions to the "foundation of our business activities" category.

Solving Social Issues through Business

Initiatives to Achieve the SDGs




In 2015, the United Nations adopted the Sustainable Development Goals (SDGs), comprising 17 goals for 2030 related to such issues as reducing and eliminating poverty, inequality, and injustice and addressing climate change. The SDGs constitute a specific action plan, requiring the partnership of corporations, governments, and communities around the world to achieve the well-being of humanity and the planet. Companies are asked to contribute by helping solve social issues throughout their business activities.

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 particular, in line with Group Vision 2030, announced in November 2020, we defined the social value created through our businesses as "a safe and secure remotely connected society," "near-future mobility," and "energy and environmental solutions" and positioned maximizing such social value as our greatest priority over the long term. We determined how we would contribute to the successful attainment of the SDGs through careful internal examination of the relationships between the social value we create and the 17 goals and 169 targets of the universal agenda laid out by the SDGs as well as through discussion within the Sustainability Committee, which is chaired by the president. We set non-financial targets to achieve by 2030 for each type of created social value and will regularly disclose the status of progress toward these targets.

 **Kawasaki's Approach to the SDGs**  
<https://global.kawasaki.com/en/corp/sustainability/overview/sdgs.html>

Value Creation Story in the Three Focal Fields 

Focal field and social issues to address	Goal	Targets/Key Performance Indicators (KPIs)	Specific measures
<b>A safe and secure remotely connected society</b>  Social issues to address <ul style="list-style-type: none"> <li>● Declining working population in developed countries</li> <li>● Increase in diverse work styles, including remote work</li> <li>● Shortage of doctors, increasing burden, healthcare disparities</li> <li>● Decrease in movement of people</li> <li>● Pandemic countermeasures</li> </ul>	<b>New value creation using remote technology</b>  Create a society that is rich, safe, and secure for all with remote technology  	<b>Targets for 2030</b> <ul style="list-style-type: none"> <li>● Eliminate 5% of Japan's approximately 2,000,000-person shortage in healthcare and welfare workers (market estimated at over ¥1 trillion)</li> <li>● Eliminate 5% of Japan's approximately 4,000,000-person shortage in manufacturing and service industry workers (market estimated at over ¥2 trillion)</li> </ul> <b>KPIs</b> <ul style="list-style-type: none"> <li>(a) Remote platform active users</li> <li>(b) Sales of robotic assisted surgery systems</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Infectious disease testing system</b> Joint PCR testing research with universities, PCR testing service at airports for departing passengers on international flights, expanding domestic use from monitoring to screening (social implementation)</li> <li>● Demonstration of telesurgery performed at a distance of 30 km using <b>robotic assisted surgery systems</b> (animal testing), world's first <b>telesurgery demonstration</b> using commercial 5G networks</li> <li>● Adoption of nursing care robots in hospitals</li> <li>● Market introduction of personal care products that use remotely connected technologies</li> <li>● Development and implementation of robots for warehouses and stores</li> <li>● Practical application of humanoid robots</li> <li>● On-site work using remotely controlled robots at plants (proof of concept demonstration begun in fiscal 2021)</li> <li>● Deliver medical service helicopters</li> <li>● Deliver standby generator sets</li> </ul>
<b>Near-future mobility</b>  Social issues to address <ul style="list-style-type: none"> <li>● Responding to changes in the movement of people and freight (e-commerce development, urban traffic congestion, spread of the sharing economy, growing demand for personal mobility)</li> </ul>	<b>Transforming the movement of people and freight</b>  Create a society where people and freight move safely, quickly, and efficiently using new forms of mobility  	<b>Targets for 2030</b> <ul style="list-style-type: none"> <li>● Eliminate 20% of Japan's approximately 200,000-person shortage in logistics workers</li> <li>● <b>Commercialize new mobility</b> <ul style="list-style-type: none"> <li>● Delivery robots</li> <li>● VTOL drones (vertical take-off and landing aircraft)</li> <li>● Autonomous four-wheelers</li> <li>● Supply chain optimization services, etc.</li> </ul> </li> <li>● Autonomous marine transport (<i>Marine Collaboration Project</i>)</li> <li>● Take part in super city projects</li> </ul> <b>KPIs</b> <ul style="list-style-type: none"> <li>(a) Sales of VTOL drones</li> <li>(b) Sales of delivery robots</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Logistics chain optimization</b> <b>Phase 1</b> ● Autonomous transportation and loading equipment (autonomy that extends to the last mile) <b>Phase 2</b> ● Supply chains (create seamless connections: improve efficiency, including for reloading systems)</li> <li>● Overseas expansion by 2030</li> <li>● <b>New mobility</b> <ul style="list-style-type: none"> <li>● Commercialize delivery robots and autonomous four-wheelers by 2025</li> <li>● Full-scale operation of VTOL and integrated transport service business by 2030</li> </ul> </li> <li>● <b>Realize super cities</b> <ul style="list-style-type: none"> <li>● Coordinate with municipalities to take part in super city projects (total optimization of urban transportation, including the movement of people)</li> <li>● Build overarching management systems for the movement of people and freight (local MaaS). Organically link these with other Group businesses.</li> <li>● Build cooperative relationships with logistics companies and software companies</li> </ul> </li> </ul>
<b>Energy and environmental solutions</b>  Social issues to address <ul style="list-style-type: none"> <li>● Global warming</li> <li>● Decarbonization</li> <li>● Energy problems</li> </ul>	<b>Working toward the stable generation of clean energy</b>  Quickly achieve a stably powered, carbon-neutral society at low cost  	<b>Targets for 2030</b> <ul style="list-style-type: none"> <li>● <b>Hydrogen supply from Kawasaki solutions: 225,000 t/year (when commercialized)</b></li> <li>● <b>CO<sub>2</sub> reduction from Kawasaki's hydrogen energy solutions: 1.6 million t/year (theoretical value)</b></li> </ul> <b>KPIs</b> <ul style="list-style-type: none"> <li>(a) Hydrogen supplied by Kawasaki solutions</li> <li>(b) CO<sub>2</sub> reductions from Kawasaki's hydrogen energy solutions</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Form a hydrogen consortium</b> <ul style="list-style-type: none"> <li>● Technological development</li> <li>● Establish technologies for larger scale, leveraging NEDO-subsidized projects and partnerships</li> </ul> </li> <li>● <b>Increase transport volume</b> (Two or more carriers in 2030; 80 or more carriers in 2050)                             <ul style="list-style-type: none"> <li>● Develop hydrogen-fueled rolling</li> <li>● Mass production of hybrid and electric motorcycles and off-road four-wheelers</li> <li>● Deliver hybrid and electric marine propulsion systems</li> </ul> </li> <li>● Pilot-scale energy-saving CO<sub>2</sub> separation and capture system</li> <li>● Begin pilot-scale demonstration testing (Kansai Electric Power Company)</li> </ul>

 **Kawasaki's Approach to the SDGs**  
<https://global.kawasaki.com/en/corp/sustainability/overview/sdgs.html>

### Corporate Governance Policy

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.

### Focus Activities and Medium-term Targets

The Kawasaki Group continues its various efforts to establish a corporate governance system suitable for the Kawasaki Group. Specifically, we identify issues that need to be addressed to further strengthen the corporate governance system based on annual Board of Directors efficacy evaluations and the advice of external experts. After sharing these issues and measures to address them among all the Directors, we implement said measures.

#### ● Goal for Fiscal 2019–2021

- Constantly assess governance systems using such sources as Board of Directors efficacy evaluations currently being carried out and the insights of external experts.

### Progress, Results, and Challenges

#### ● Goals for Fiscal 2020

- Receive approval to transition to a company with an Audit & Supervisory Committee at the June 2020 General Meeting of Shareholders.
- More actively discuss such topics as management strategy and future vision at the Board of Directors.
- Formulate and disclose Corporate Governance Guidelines.

#### ● Fiscal 2020 Results

- Completed the transition to a company with an Audit & Supervisory Committee.
- Reinforced the oversight function of the Board of Directors.
  - Changed the composition of the Board of Directors (eliminated concurrent posts of Directors as officers responsible for specific businesses and increased the ratio of Outside Directors) and delegated business execution authority to executives, separating management oversight and business execution functions.
  - Adopted a system of early risk reporting to the Board of Directors.
- The Board of Directors discussed important management policy, including the following.
  - Reorganization of the business portfolio (spin-offs and internal company integration)
  - Adoption of the new personnel system
  - Formulation of basic Group policies
- Continued consideration of the Corporate Governance Guidelines.

#### ● Goals for Fiscal 2021

- Further enhance the Board of Directors' discussions of important management policy.
  - Discuss important management policy and strategy (sustainability management policy, human resource strategy, corporate transformation, etc.) in light of the amended Corporate Governance Code.
  - Improve the efficiency of Board of Directors' proceedings to secure more time for discussion.
- Enhance succession planning.
  - Define the qualities and other requirements for specific key positions.
  - Formulate successor development plans based on such definitions.
- Enhance Director appointment policy.
  - Define the skills required of Directors.
  - Create a board skills matrix.
- Expand medium- to long-term incentive compensation for Directors.
  - Adopt a new Director compensation system (a stock compensation plan).
- Reinforce dialogue with Outside Directors.
  - Hold regular meetings for discussion between Outside Directors and management.
- Reinforce corporate risk management.
  - Improve the risk management system and revise its operation.

### KPI

#### ● Number of Board of Directors efficacy evaluation items that improved

- Target number: The number of items identified as issues for the fiscal year

### Structure

Kawasaki is a company with an Audit & Supervisory Committee and has voluntarily established a Nomination Advisory Committee and a Compensation Advisory Committee as advisory bodies to the Board of Directors as well as a Management Committee, an Executive Officers Committee, and other governance bodies.

Kawasaki's main deliberative bodies are as follows.

#### ● Board of Directors

The Board of Directors comprises 13 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), 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 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

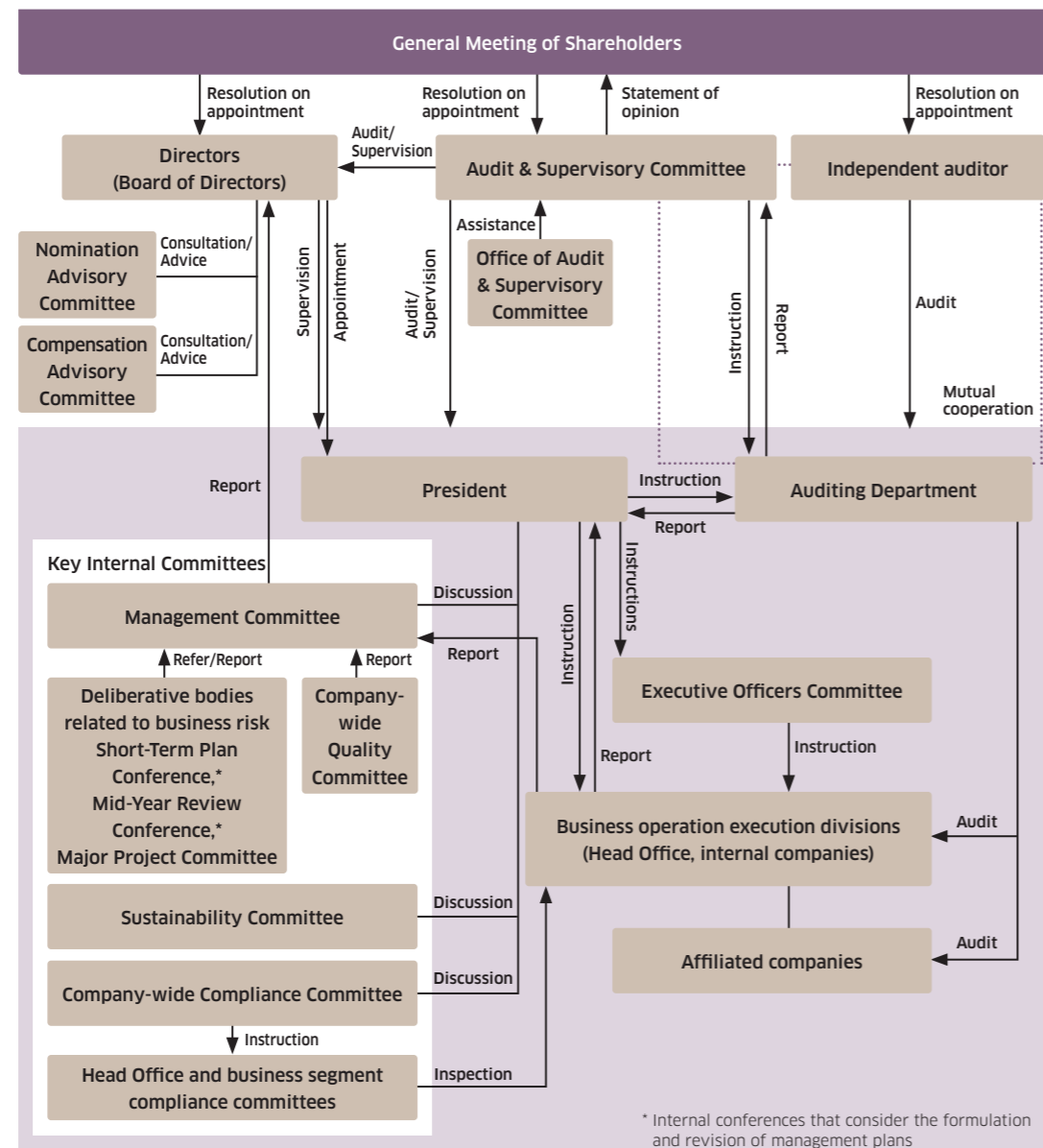
Kawasaki has adopted an executive officer system in order to facilitate response to rapid changes in the business environment. To accelerate decision making, a great deal of authority over business execution decisions is delegated to the executive Directors and executive officers, who are appointed by 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 25, 2021)



Corporate Governance Report (Japanese language only)  
<https://www.khi.co.jp/ir/library/governance.html>

Corporate Governance M  
 Performance Data


Corporate Officers<sup>1</sup>

Name (Age)	Position	Executive	Outside	Independent	Years of Service <sup>2</sup>	Nomination Advisory Committee	Compensation Advisory Committee	Diversity		Board of Directors Meetings Attended <sup>3</sup>	Audit & Supervisory Board Meetings Attended <sup>3</sup>
								Woman	Non-Japanese National		
Yoshinori Kanehana (67)	Chairman of the Board				9					14/14	-
Yasuhiko Hashimoto (64)	Representative Director	✓			3	✓	✓			14/14	-
Sukeyuki Namiki (66)	Representative Director	✓			3					14/14	-
Katsuya Yamamoto (63)	Representative Director	✓			4	✓	✓			14/14	-
Hiroshi Nakatani (61)	Director	✓			1					14/14	-
Yoshiaki Tamura (66)	Outside Director		✓	✓	3	(Presiding officer)	(Presiding officer)			14/14	-
Jenifer Rogers (58)	Outside Director		✓	✓	3			✓	✓	14/14	-
Hideo Tsujimura (67)	Outside Director		✓	✓	1	✓	✓			14/14	-
Katsuyoshi Fukuma (63)	Director Audit & Supervisory Committee Member				1 (5)					14/14	5/5 13/13
Akio Nekoshima (62)	Director Audit & Supervisory Committee Member				1 (3)					14/14	5/5 13/13
Satoru Kohdera (62)	Outside Director Audit & Supervisory Committee Member		✓	✓	1 (4)					14/14	5/5 13/13
Atsuko Ishii (63)	Outside Director Audit & Supervisory Committee Member		✓	✓	1 (4)			✓		14/14	5/5 13/13
Ryoichi Saito (71)	Outside Director Audit & Supervisory Committee Member		✓	✓	1 (2)	✓	✓			14/14	5/5 13/13
<b>Total</b>	<b>Persons</b>	<b>4</b>	<b>6</b>	<b>6</b>				<b>2</b>	<b>1</b>		
	<b>% of total</b>	<b>30.1%</b>	<b>46.2%</b>	<b>46.2%</b>				<b>15.4%</b>	<b>7.7%</b>		

1. As of September 1, 2021.  
 2. 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.  
 3. Figures for fiscal 2020. 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  
<https://global.kawasaki.com/en/corp/profile/executives/index.html>

**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 2020

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 2020

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 <small>Note: The full-time Audit &amp; Supervisory Committee Members participate in the committee as part of their auditing of business execution.</small>
Meeting frequency	Roughly three times a month (33 times in fiscal 2020)

Executive Officers Committee	
Role	Conveys 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 <small>Note: The full-time Audit &amp; Supervisory Committee Members participate in the committee as part of their auditing of business execution.</small>
Meeting frequency	Twice a year (twice in fiscal 2020)

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 <small>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 &amp; Supervisory Committee Members participate in the committee as part of their auditing of business execution.</small>
Meeting frequency	At least twice a year (three times in fiscal 2020)

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 <small>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 &amp; Supervisory Committee Members participate in the committee as part of their auditing of business execution.</small>
Meeting frequency	At least twice a year (twice in fiscal 2020)

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 vice president 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 2020)

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**

Director candidates are decided by resolution of the Board of Directors based on the qualities required of a Director as defined by the Board of Directors through a comprehensive assessment of the knowledge, experience and capabilities that are needed to appropriately carry out the responsibilities required of the positions as well as the performance of the Company and the individual. The professional history and reasons for the nomination of each Director are disclosed in such documents as the notice of general meeting of shareholders. The Director appointment policy and nomination proposals are decided by resolution of the Board of Directors after receiving the results of deliberations by the Nomination Advisory Committee. The presiding officer and a majority of the members of the Nomination Advisory Committee are Outside Directors. Furthermore, Audit & Supervisory Committee Member nomination proposals must be approved by the Audit & Supervisory Committee before resolution by the Board of Directors.

● **Director Appointment Criteria**

**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.

- 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:

- 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.
- 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.
- 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.
- Said Outside Director's former employer is a major shareholder of Kawasaki, holding 10% or more of the issued shares.
- 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**

**Yoshiaki Tamura**

Mr. Tamura has served as Representative Director and Executive Vice President of Asahi Glass Co., Ltd. (now AGC Inc.), Deputy Leader of Overall Business Management, General Manager of Technology General Division, Deputy Leader of AGC Group Improvement Activities, and Executive Vice President, President of Glass Company, and in other important positions. Since 2018, as an Outside Director of the Company, he has provided helpful opinions and advice on important management decisions based on his abundant management experience and deep insight into manufacturing cultivated in those positions 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.

**Jenifer Rogers**

Ms. Rogers has served as an in-house lawyer and counsel at a 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.

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

**Satoru Kohdera**

Mr. Kohdera 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, Vice President of the Japan Federation of Bar Associations, and in other important positions. Since 2017, as an Outside Audit & Supervisory Board Member of the Company, he has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value based on his abundant experience as an attorney and deep insight into legal affairs. 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.

**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. Since 2017, as an Outside Audit & Supervisory Board Member of the Company, Ms. Ishii 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. Since 2019, as an Outside Audit & Supervisory Board Member of the Company, 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.

**The Effectiveness of the Board of Directors**

**Board of Directors Meeting Attendance Rates (Includes Extraordinary Meetings)**

	(FY)	2016	2017	2018	2019	2020
<b>Board meetings held</b>	Number of times	14	15	17	17	14
Attendance rate of all Directors	%	99.4	99.4	99.0	99.0	100
Attendance rate of Outside Directors	%	100	100	100	96.1	100
Attendance rate of all Audit & Supervisory Board Members	%	100	98.6	100	100	100
Attendance rate of all Outside Audit & Supervisory Board Members	%	100	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**

<b>Directors' terms of office</b>	Directors not serving as Audit & Supervisory Committee Members	1 year
	Directors serving as Audit & Supervisory Committee Members	2 years
<b>Average years in office (as of June 25, 2021)</b>	Directors not serving as Audit & Supervisory Committee Members	3.4 years
	Directors serving as Audit & Supervisory Committee Members	1 year (3.6 years)*
<b>Criteria regarding restrictions on concurrent service as Director</b>	If a Kawasaki Director is to concurrently serve as an officer at other listed companies, the number of companies at which the officer may concurrently serve in addition to Kawasaki is restricted to three.	

\* Includes years in office as Audit & Supervisory Board Members when Kawasaki was a company with an Audit & Supervisory Board.

**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 major items covered by the survey are listed below. Respondents give their ratings for each of these based on a four grade rating system and are invited to freely comment on each item.

To ensure consistency, the majority of questions are similar to those asked in preceding evaluations, but surveyed items are partially updated in light of governance issues the Company is confronting and changes in the external environment. For the fiscal 2020 survey, we added questions related to the fiscal 2020 transition to a company with an Audit & Supervisory Committee.

**● Items surveyed**

- Roles and responsibilities of the Board of Directors
- Composition of the Board of Directors
- Roles and qualities of the Directors
- Operation of the Board of Directors

**● Evaluation results**

The analysis of the survey results found that the Board of Directors' operations were evaluated highly overall. Specifically, a significant improvement was confirmed as a result of implementing various initiatives undertaken in conjunction with the transition to the new organizational form to address the following issues identified in the previous year.

For details on specific initiatives, please refer to [Initiatives to Address Issues Identified in the Course of Preceding Evaluations](#) (page 21).

- Clarifying the division of roles between the Board of Directors and Management Committee
- Revising the Director compensation system (enhancement of medium- to long-term incentives)
- Enhancing the content of explanations offered to the Board of Directors with regard to risks
- Quickly reporting information about risks to the Board of Directors

However, the fiscal 2020 survey also identified items still requiring improvement as well as new items, and we will continue implementing initiatives aimed at improvement.

For details on the issues identified and initiatives aimed at improvement, please refer to [Initiatives to Further Improve Effectiveness](#) (page 21).

After discussing the above analysis results, the Board of Directors came to the following conclusion: While room for improvement remains, the Board of Directors is currently implementing measures to address relevant issues, and its operations are deemed to be effective.

**● Initiatives to Further Improve Effectiveness**

Based on the fiscal 2020 evaluation results and the Board of Directors' discussion, we have designated the following main issues to address. We will continue to advance initiatives to further enhance the effectiveness of the Board of Directors going forward.

1. Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies  
The Board of Directors engages in the periodic discussion of important management policies and strategies (e.g. sustainability management policies, human resource strategies, corporate transformation) in light of the recent revision of the Corporate Governance Code.
2. Clarifying 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. Through the preparation of a skills matrix, the Board of Directors also endeavors to ensure that its members, collectively, possess all the necessary skills.
3. Upgrading leadership succession plans  
The Board of Directors and the Nomination Advisory Committee deliberate on requirements for future leadership successors, such as desirable traits of those in key positions, including the CEO and internal company presidents, thereby pushing ahead with the preparation of successor training plans.
4. Strengthening supervision over the development of internal control systems and risk management structures  
The Board of Directors receives periodic reporting on the status of the development and operation of risk management structures in addition to monitoring the results of evaluations regarding the development and operation of internal control systems as part of its efforts to strengthen its supervisory functions.

**● Initiatives to Address Issues Identified in the Course of Preceding Evaluations**

We are advancing the following initiatives to address issues identified in preceding efficacy evaluations.

1. Clarifying the division of roles between the Board of Directors and Management Committee  
Along with overlaps between agenda items discussed by the Board of Directors and the Management Committee, the delegation of authority from the former to the latter has been considered an issue that must be addressed. In response, the Board of Directors delegated its authority over decisions on specific projects and other matters to executive bodies, including the Management Committee, in conjunction with the June 2020 transition to a company with an Audit & Supervisory Committee. In this way, the Board of Directors strove to resolve the aforementioned overlaps. At the same time, it was decided that matters deemed particularly important must be discussed by the Board of Directors, which is charged with supervising the execution of business, after sufficient deliberation by the Management Committee. As such, efforts are under way to strengthen the Company's governance structure.
2. Revising the Director compensation system (enhancement of medium- to long-term incentives)  
To realize Group Vision 2030, "Trustworthy Solutions for the Future," established in November 2020, the compensation system for Directors (excluding Audit & Supervisory Committee Members and Outside Directors) was revised in accordance with basic policies.

For details about basic policy and the post-revision compensation system, please refer to [Director Compensation](#) (page 23).

3. Enhancing the content of explanations offered to the Board of Directors with regard to risks  
Descriptions of risk analysis in handout materials used at Board of Directors meetings have been considered insufficient. To resolve this issue, a new process was instituted, mandating that projects to be discussed by the Board of Directors must undergo sufficient verification in terms of risk identification and risk countermeasures. Following this verification, these projects must be deliberated by the Management Committee before being addressed by the Board of Directors which, in turn, receives briefings on risk verification results, examines conclusions reached by the Management Committee, and gives final approval.

#### 4. Quickly reporting information about risks to the Board of Directors

With the objective of ensuring the early detection of signs of changes in the business environment, a framework has been developed to ensure that, among factors that could exert a profound impact on the Company's management plans and operating results, matters deemed particularly important are swiftly reported to the Board of Directors. By doing so, the Company is endeavoring to strengthen monitoring functions provided by the Board of Directors.

### Audit Status

#### 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 Group's execution of general business activities is properly conducted in accordance with laws and internal rules. Furthermore, the Audit & Supervisory Committee and the Auditing Department exchange information regarding their respective audit results and findings. Due to COVID-19 pandemic-related restrictions on overseas travel, audits of overseas subsidiaries scheduled for fiscal 2020 were postponed. We plan to carry out these audits remotely in fiscal 2021.

#### Audits Conducted by the Audit & Supervisory Committee

In accordance with the basic audit policy, audit system, and division of duties decided by the Audit & Supervisory Committee, the Audit & Supervisory Committee Members carry out mainly the following activities.

- Meet with Directors and executive officers (all Audit & Supervisory Committee Members)
- Attend meetings of the Board of Directors (all Audit & Supervisory Committee Members)
- Attend meetings of the Management Committee and other important meetings (full-time Audit & Supervisory Committee Members and, as needed, Outside Directors serving as Audit & Supervisory Committee Members)
- Coordinate with Outside Directors not serving as Audit & Supervisory Committee Members (all Audit & Supervisory Committee Members)
- Conduct operational audits of the Head Office and operating divisions and survey subsidiaries (all Audit & Supervisory Committee Members)
- Coordinate with the full-time Audit & Supervisory Board Members of Group companies (all Audit & Supervisory Committee Members)
- Coordinate with internal audit divisions (all Audit & Supervisory Committee Members)
- Coordinate with the independent auditor (all Audit & Supervisory Committee Members)
- Inspect important documents (full-time Audit & Supervisory Committee Members)

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 Directors serving as Audit & Supervisory Committee Members on a regular basis.

The Outside Directors serving as 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)	2016	2017	2018	2019	2020
<b>Audit &amp; Supervisory Board meetings held</b>	Number of times	17	17	17	17	5
<b>Audit &amp; Supervisory Committee meetings held*</b>		–	–	–	–	13
Audit & Supervisory Board Members' attendance rates	%	100	100	100	100	100
Outside Audit & Supervisory Board Members' attendance rate	%	100	100	100	100	100
Audit & Supervisory Committee Members' attendance rate*	%	–	–	–	–	100
Outside Audit & Supervisory Committee Members' attendance rate*	%	–	–	–	–	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)	2016	2017	2018	2019	2020
<b>Compensation based on audit certification services</b>	Millions of yen	232	231	238	239	253
Kawasaki Heavy Industries Ltd.	Millions of yen	186	185	190	190	205
Consolidated subsidiaries	Millions of yen	46	46	47	48	48
<b>Compensation based on non-audit services</b>	Millions of yen	9	8	74	306	261
Kawasaki Heavy Industries Ltd.	Millions of yen	9	5	71	303	258
Consolidated subsidiaries	Millions of yen	0	2	2	2	2

### Director Compensation

#### 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)

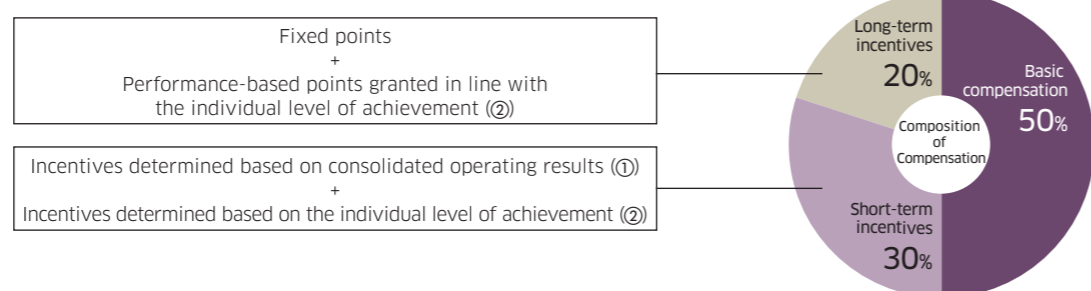
Compensation for Directors consists of basic compensation, short-term incentives, and long-term incentives. Basic compensation and short-term incentives are paid in cash. Long-term incentives are paid in the form of performance-based stock compensation to promote the sharing of benefits and risks between 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.

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

**Composition of Director Compensation**



① **Payment Ratio Based on Profit Attributable to Owners of Parent**

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

② **Process for Determining Level of Achievement of Individual Performance Targets**

**Setting of Targets**

Each Director sets their own targets in terms of addressing short-, medium- and long-term issues, including those associated with business units and operations under their supervision and Company-wide issues. 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 Determining the Level of Target Achievement**

- President: After a face-to-face interview with Outside Directors who serve as members of the Compensation Advisory Committee, the level of achievement is determined via discussion among these Outside Directors.
- Vice President: After a face-to-face interview with Outside Directors who serve as members of the Compensation Advisory Committee, the level of achievement is determined via discussion among these Outside Directors and the president.
- Other Directors: After a face-to-face interview with the president and vice president, who together formulate a draft performance evaluation, the level of achievement is determined by the resolution of the Board of Directors based on the deliberations of the Compensation Advisory Committee.

**Compensation of Outside Directors and Directors Serving as Audit & Supervisory Committee Members**

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.

To ensure their professional independence, compensation for Audit & Supervisory Committee Members consists only of fixed compensation and is not linked with performance. Compensation for these individuals is determined by deliberations among Directors who serve as Audit & Supervisory Committee Members.

**Fiscal 2020 Compensation**

Type of officer	Number of recipients	Total compensation	Total compensation by type		
			Basic compensation	Performance-based compensation	Stock purchase fund
<b>Directors</b> (excluding Audit & Supervisory Committee Members and Outside Directors)	9	Millions of yen 355	288	23	43
<b>Audit &amp; Supervisory Committee Members</b> (excluding Outside Directors)	2	Millions of yen 51	51	–	–
<b>Audit &amp; Supervisory Board Members</b> (excluding Outside Audit & Supervisory Board Members)	2	Millions of yen 16	16	–	–
<b>Outside Officers</b>	7	Millions of yen 79	79	–	–

- Notes: 1. The Company transitioned to a company with an Audit & Supervisory Committee upon a resolution passed at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020 regarding the amendment of its Articles of Incorporation.  
2. Fiscal 2020 compensation was determined based on the former compensation system.  
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.

**Stock Ownership by Top Management**

**Performance-Based Stock Compensation Plan**

As described under Corporate Officer Compensation, above, Kawasaki has adopted a system of performance-based stock compensation as a form of long-term incentive for Directors (excluding Outside Directors and Audit & Supervisory Committee Members).

The system aims to link eligible Directors' compensation more clearly with the Company's financial performance and share price and have eligible Directors share the benefits and risks of share price movements with other shareholders, thereby raising Directors' awareness of contributing to improving the Company's medium- to long-term performance and increasing its enterprise value.

Compliance Management Approach

**Material Issues and Our Approach**

The Kawasaki Group Management Principles, part of the Kawasaki Group Mission Statement, extol the corporate virtue of recognizing social responsibility and coexisting harmoniously with the environment, society as a whole, local communities and individuals, and in the Kawasaki Group Action Guidelines, we ask each and every member of the Group to “earn the trust of the community through high ethical standards and the example you set for others.”

We have established the Kawasaki Group Code of Conduct and set ethical standards to be the basis of decisions.

In accordance with the Code, the Kawasaki Group is committed to further strengthening its corporate culture of not tolerating compliance violations.

Furthermore, because a large portion of our business comes from the sale of made-to-order products for such customers as national governments, municipalities, government ministries and publicly run corporations, we put great emphasis on preventing corruption and maintaining fair business practices.

**Focus Activities and Medium-term Targets**

Our aim is to establish comprehensive and effective compliance structures that monitor risks of compliance violations as accurately as possible and address them as needed, and to operate this system on an ongoing basis and update it regularly.

Furthermore, we aim to ensure that all officers and employees understand the seriousness of corruption issues and the need for prevention. We further aim to ensure that a sufficiently effective structure for keeping the Group from becoming involved in corruption in its business activities is in place and updated regularly.

**Goals for Fiscal 2019–2021**

- Zero serious violations and incidents.
- Expand the use of whistle-blowing systems at overseas subsidiaries.
- Carry out the employee compliance awareness survey (in and outside Japan).
- Carry out e-learning on the Code of Conduct (in and outside Japan).

**Progress, Results, and Challenges**

**Goals for Fiscal 2020**

- Zero serious violations and incidents.
- Begin operating internal reporting systems at overseas subsidiaries.
- Amend the *Compliance Guidebook*.
- Hold awareness-building activities on the Code of Conduct in workplaces (in Japan and overseas).
- Hold compliance liaison meetings at overseas sites.
- Implement the employee compliance awareness survey (parent company).

**Fiscal 2020 Results**

- Zero serious violations and incidents.
- Implemented compliance awareness-enhancement activities: established Compliance Month, sent messages from top management, put up posters about reporting systems, and included a special feature page in the Kawasaki Group internal bulletin.
- Began operating internal reporting systems at 10 overseas subsidiaries controlled directly by the Head Office.
- Overhauled the *Compliance Guidebook*.
- Held awareness-building activities on the Code of Conduct in workplaces (for all companies in Japan and overseas).
- Implemented the employee compliance awareness survey (included in the engagement survey)

**Goals for Fiscal 2021**

- Zero serious violations and incidents.
- Expand the coverage of internal reporting systems at overseas subsidiaries.
- Revise and improve Company-wide compliance systems, including those for overseas sites.
- Raise awareness of the Code of Conduct (in Japan and overseas).
- Implement compliance awareness enhancement activities (Compliance Month).
- Implement the employee compliance awareness survey

**KPI**

**Frequency of Serious Compliance Violations per Year**

- Target: Zero serious compliance violations
- Progress

	(FY)	2016	2017	2018	2019	2020
Number of cases		0	0	0	0	0


**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 all 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**

All Kawasaki Group officers and employees

 **The Kawasaki Group Code of Conduct**  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

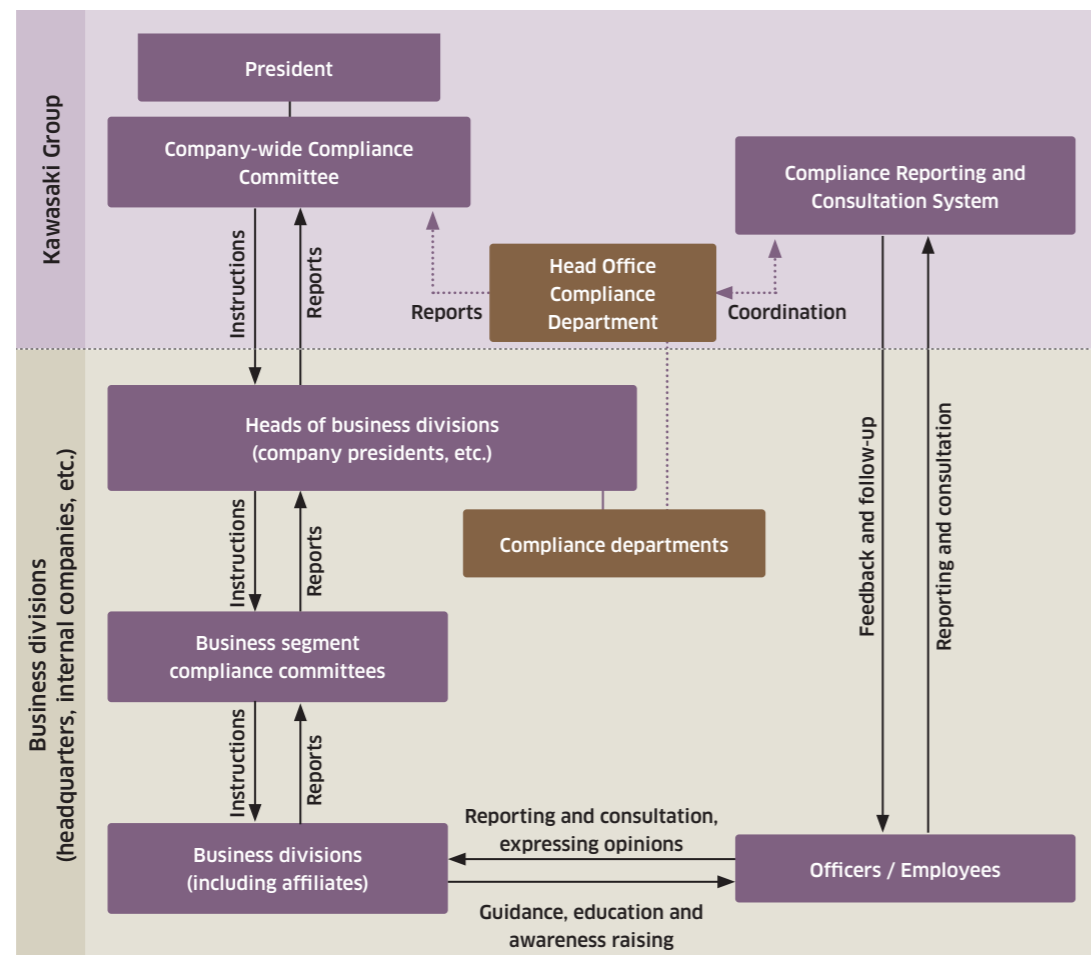
**Structure**

The Company-wide Compliance Committee is chaired by the Kawasaki president. The committee meets at least twice a year (two meetings in fiscal 2020). 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, internal companies and business divisions at least twice a year to promote compliance throughout the Group.

Because of the diversity of the Group’s businesses, some of the compliance activities required in the business divisions are specific to their respective forms of business and may vary from those of other divisions. At the same time, many measures are best implemented across the entire Company in a unified manner.

For this reason, the Kawasaki Group formulates annual Group-wide compliance activity plans that, following the approval of the Company-wide Compliance Committee, it carries out. In addition, the internal companies and business divisions 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, Kawasaki maintains a Company-wide Compliance Committee, comprising the Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of compliance, the general managers of the Head Office divisions, and others, with the President serving as presiding officer. The 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.
- Audits and Third-Party Certification of the Compliance System by Third Parties**  
 The state of compliance is audited by Audit & Supervisory Committee Members and independent auditors.

Compliance M  
Performance Data

State of Affairs Regarding Compliance Efforts to Promote Compliance

Efforts to Promote Compliance

- President's Declaration of Compliance**  
 Soon after taking office, each of our presidents announces the Presidents Declaration of Compliance to Group employees.
- Declaration to Observe Laws and Regulations**  
 Each officer and managerial staff member of the Company, 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 all officers, employees and temporary staff at all 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. It is divided into 20 sub-sections within six sections: "Securing the Trust of Customers and Business Partners," "Matters to Be Observed as a Corporate Citizen," "Data Protection," "Handling Financial Transactions," "The Workplace" and "Responsibilities of Managers." 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 President's Statement on Compliance  
[https://global.kawasaki.com/en/corp/sustainability/bcg\\_eng\\_202008.pdf](https://global.kawasaki.com/en/corp/sustainability/bcg_eng_202008.pdf)

- Kawasaki Group Code of Conduct**  
 In fiscal 2019 and again in fiscal 2020, we took steps to ensure awareness of the Kawasaki Group Code of Conduct and increase compliance awareness. Specifically, we held group readings and discussions of the Code for domestic Group employees and temporary staff within each department. During the period of these activities, 90.9% of targeted employees took part.  
 Furthermore, in fiscal 2020, we also held group readings and discussions of the Code at overseas subsidiaries to raise awareness of the Code. In order to prevent the spread of COVID-19, subsidiaries carried out these activities as conditions in their respective countries allowed. As a result, 74.1% of targeted employees took part.

Employee Awareness Surveys

The Kawasaki Group implements periodic employee awareness surveys to monitor internal compliance violation risks. Surveys aimed at measuring compliance awareness among employees were implemented in fiscal 2011, 2014 and 2018.

Beginning in fiscal 2020, questions about compliance awareness have been made part of the employee engagement survey, using which we continue to monitor awareness. Kawasaki studies the survey results and implements any necessary compliance measures based on its findings. In addition, changes and trends in employee awareness are analyzed and reflected in subsequent initiatives.

In fiscal 2016, we carried out compliance awareness surveys of certain executives and managers at overseas Group companies and made the results available to employees, including those in Japan. These results have also been reflected in subsequent initiatives.

Compliance Awareness Survey Results

	(FY)	2016	2017	2018 <sup>1</sup>	2019	2020 <sup>2</sup>
Survey response rate	%	-	-	93.8	-	80.0
The percentage of respondents who replied that their company was being managed in a compliant manner	%	-	-	78.6	-	77.0

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



**Whistle-Blowing System and Consultation Points**

**Kawasaki and Domestic Consolidated Subsidiaries**

We have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact, so that executives and employees (including contract employees and temporary staff) of the Company and domestic consolidated 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, as the lawyer cannot follow up with the individual, 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 providing information on it via such means as the Company intranet, leaflet inserts in Kawasaki Group Code of Conduct pamphlets, the Compliance Guidebook, and Group newsletters.

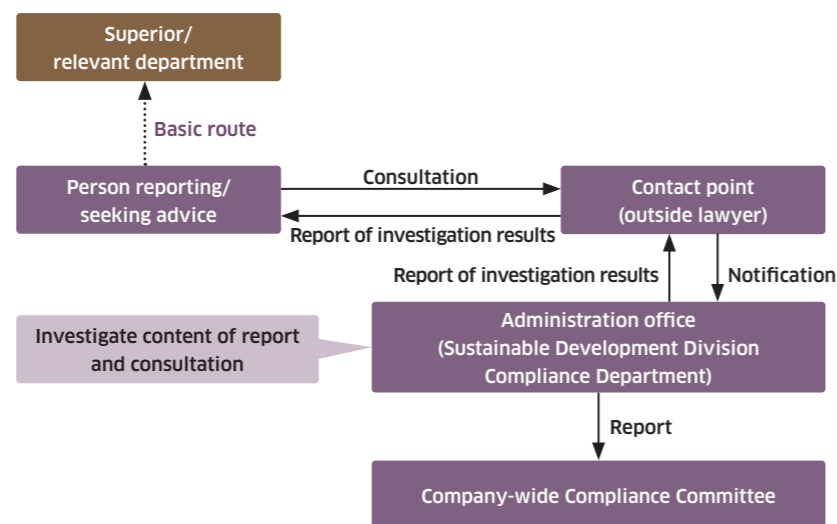
To enhance the efficacy and reliability of this system, we revise it as needed, working to make it easier for employees to use.

**Overseas Consolidated Subsidiaries**

In 2020, we introduced a Global Internal Reporting System for some overseas consolidated subsidiaries. In fiscal 2021, we have further expanded the range of companies this system covers.

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.

**Compliance Reporting and Consultation System Flow Chart (domestic)**



**Number of Reports or Consultations (Domestic Kawasaki Group)**

	(FY)	2016	2017	2018	2019	2020
Number of reports or consultations*		20	27	29	47	39
Abuse of authority		5	7	13	12	15
Labor issues		4	10	5	14	14
Financial fraud		2	1	4	0	1
Sexual harassment		2	3	1	1	1
Threats and harassment		0	1	3	0	0
Bribery and corruption		0	0	0	0	0
Others		7	5	3	20	8

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

**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, the matter is investigated and corrective measures taken as needed.

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

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

**Anti-Corruption**

To prevent corruption, the Kawasaki Group maintains compliance systems, conducts business activities in line with related policies, and provides education for employees.

In fiscal 2019, the Corporate CSR Committee (now the Company-wide Compliance Committee) invited an outside attorney as a guest speaker to give a lecture to corporate officers about the nature of the compliance required of global companies, with a focus on anti-corruption. The chairman of the committee (the President), as well as all the Directors and internal company presidents, attended this lecture, engaging in a question and answer session with the lecturer and deepening their understanding of the compliance risks faced by global companies and the challenges associated with addressing such risks.

**Bribery Prevention**

**Bribery Prevention Policy**

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

1. 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. Bribery Prevention Regulations

We established the Bribery Prevention Regulations in August 2013, 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.

In May 2020, to further reinforce anti-bribery initiatives, we 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.

To help our stakeholders understand the Group's bribery prevention initiatives, we have published the Kawasaki Group Anti-Bribery Policy, which lays out the Group's systems and initiatives to prevent bribery.

**Scope of Policy Application**

All Kawasaki Group officers and employees

**WEB** The Kawasaki Group Code of Conduct  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>  
 The Kawasaki Group Anti-Bribery Policy  
<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/anti-bribery.pdf>

**Focus Activities and Medium-term Targets**

**Goals for Fiscal 2019-2021**

- Zero bribery violations.
- Revise internal rules on entertainment and gifts (Group-wide reinforcement).
- Implement ongoing overseas bribery prevention training (group training and e-learning).

**Progress, Results, and Challenges**

● **Goals for Fiscal 2020**

- Zero bribery violations.
- Establish rules on entertainment and gifts as internal regulations at the Head Office and domestic subsidiaries.
- Implement overseas bribery prevention training (group training and e-learning).

● **Fiscal 2020 Results**

- Zero bribery violations.
- Established rules on entertainment and gifts as internal regulations at the Head Office and domestic subsidiaries.
- Implemented overseas bribery prevention training (e-learning).

● **Goals for Fiscal 2021**

- Zero bribery violations.
- Establish bribery prevention rules at overseas Group companies.
- Implement overseas bribery prevention training (e-learning).

**Anti-Bribery Training for Employees**

We provide overseas bribery prevention training for employees involved in overseas businesses every year. In fiscal 2020, 1,211 employees took part in e-learning for employees in Japan, and 326 took part in e-learning for employees stationed overseas.

We conduct surveys of participants in this e-learning to gauge their understanding of the material. Furthermore, compliance training with a focus 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)	2016	2017	2018	2019	2020
Total political contributions	Millions of yen	3	3	3	3	3

**Expenditures to Industry Organizations**

	(FY)	2016	2017	2018	2019	2020
Total expenditures to industry organizations	Millions of yen	50	50	50	50	50

**Other Expenditures for Donations, Support Funding, etc.**

	(FY)	2016	2017	2018	2019	2020
Total expenditures for donations, support funding, etc.	Millions of yen	255	208	173	145	178


**Compliance with Antimonopoly (Competition) Laws**

**Policy Regarding 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**

All Kawasaki Group officers and employees

 **The Kawasaki Group Code of Conduct**  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

**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 2020, we provided Antimonopoly Act compliance training for the Rolling Stock Company and Precision Machinery Business Division. Furthermore, we carried out overseas antimonopoly (competition) law 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.


**Tax Compliance**

**Tax Policy**

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.

● **Scope of Policy Application**

The Kawasaki Group

 **Kawasaki Group Policy on Tax Affairs**  
<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/tax.pdf>


**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**  
<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/export.pdf>

**Focus Activities and Medium-term Targets**

● **Goals for Fiscal 2019-2021**

Consider implementing export management systems aimed at improving the quality of classification,\* making transaction screening more efficient, and better maintaining export control information and making it more accessible.

\* Classification refers to the process of determining or confirming whether a particular cargo or technology is a specified important cargo requiring export approval.

**Progress, Results, and Challenges**

● **Goals for Fiscal 2020**

- Zero serious legal violations.
- Provide training: Executive training, Group-wide training, level-specific education (newly appointed managerial staff officers and assistant managers), practical training (key departments, key departments of internal companies, staff), training for employees working in overseas businesses, and e-learning

● **Fiscal 2020 Results**

- Zero serious legal violations.
- Provided training: Used streaming video and e-learning to provide executive training for 24 participants, Group-wide training for 302 participants, level-specific education for 575 participants, and training for a total of 5,457 front-line workers

● **Goals for Fiscal 2021**

- Zero serious legal violations.
- Provide training: Executive training, Group-wide training, level-specific education (newly appointed managerial staff officers and assistant managers), practical training (key departments, key departments of internal companies, staff), training for employees working in overseas businesses, e-learning, and online training

**Structure**

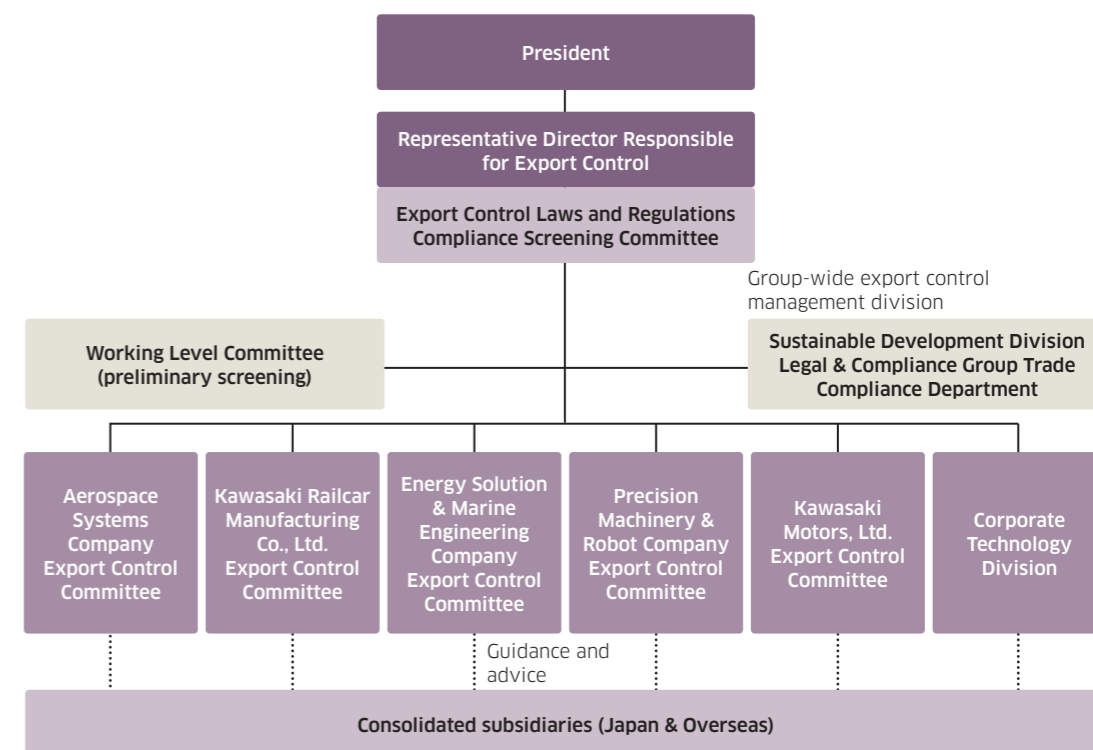
To ensure Group-wide compliance with export control laws and regulations, we have formulated a set of corporate export control regulations for goods and technologies relevant to security maintenance and have put in place an export control system in which a Representative Director acts as Chief Export 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 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 and business divisions. In addition, the Trade Compliance Department was set up within the Legal & Compliance Group of the Head Office Sustainable Development Division to provide secretariat services to the Screening Committee and to coordinate export control at the Group-wide level. We have also established the Working Level Committee, comprising the departments responsible for export control of the internal companies and business divisions, 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 and business division operates an export control committee that screens all the export transactions of the company or division and refers the screening results to the Screening Committee for discussion.

Furthermore, to promote legal compliance, we have set up export control systems at consolidated subsidiaries in and outside Japan that engage in exporting through their respective overseeing internal companies or business divisions.

**Export Control Structure**



● **Responsible Officer**

Sukeyuki Namiki, Representative Director, Vice President and Senior 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.

**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, with more than 5,000 employees participating each year. In fiscal 2020, such e-learning was provided for a total of 5,457 employees. In addition, each internal company and business division 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 and business division.

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, business divisions, and major consolidated subsidiaries in Japan once a year.

Moreover, overseas consolidated 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 or business division to provide appropriate guidance and support on export control.

## Other Important Compliance Risks

### Prevention of Insider Trading

For the purpose of preventing insider trading, Kawasaki has established company regulations titled the Insider Trading Control Rules that it uses to implement and regulate related actions. In addition, 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). Also, the Kawasaki Group Code of Conduct forbids insider trading.

#### ● 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 Group or Group employees that were subject to penalties or administrative monetary penalties.



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

### Elimination of Antisocial Forces

The Company 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 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

According to our survey of the period from 1997 to present, all inappropriate requests and requests for meeting appointments from antisocial forces and other similar organizations have been denied and eliminated during this period, and there have been no violations.



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

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

Certain situations are unique to small-scale operating sites, such as regional 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. Based on such circumstances, 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.

## Risk Management

### Management Approach

#### Material Issues and Our Approach

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.

#### Focus Activities and Medium-term Targets

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 company 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.

#### ● Goal for Fiscal 2019–2021

- Detect risks globally and manage risks appropriately through avoidance, reduction, and transfer.

#### Progress, Results, and Challenges

##### ● Goal for Fiscal 2020

Enhance the globally integrated risk management system to accurately understand material risks that could impact operations and implement rational controls.

##### ● Fiscal 2020 Results

Implemented risk reduction activities for Group-level risks, including climate change risk, cyberattack risk, and large-scale disaster risk.

##### ● Goal for Fiscal 2021

Establish a system for implementing Company-wide monitoring and corrective responses to ensure that risks are being comprehensively and appropriately evaluated and effective countermeasures taken in order to enhance the governance of risk management.

#### Risk Management Policy

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 response headquarters 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 internal rules 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**

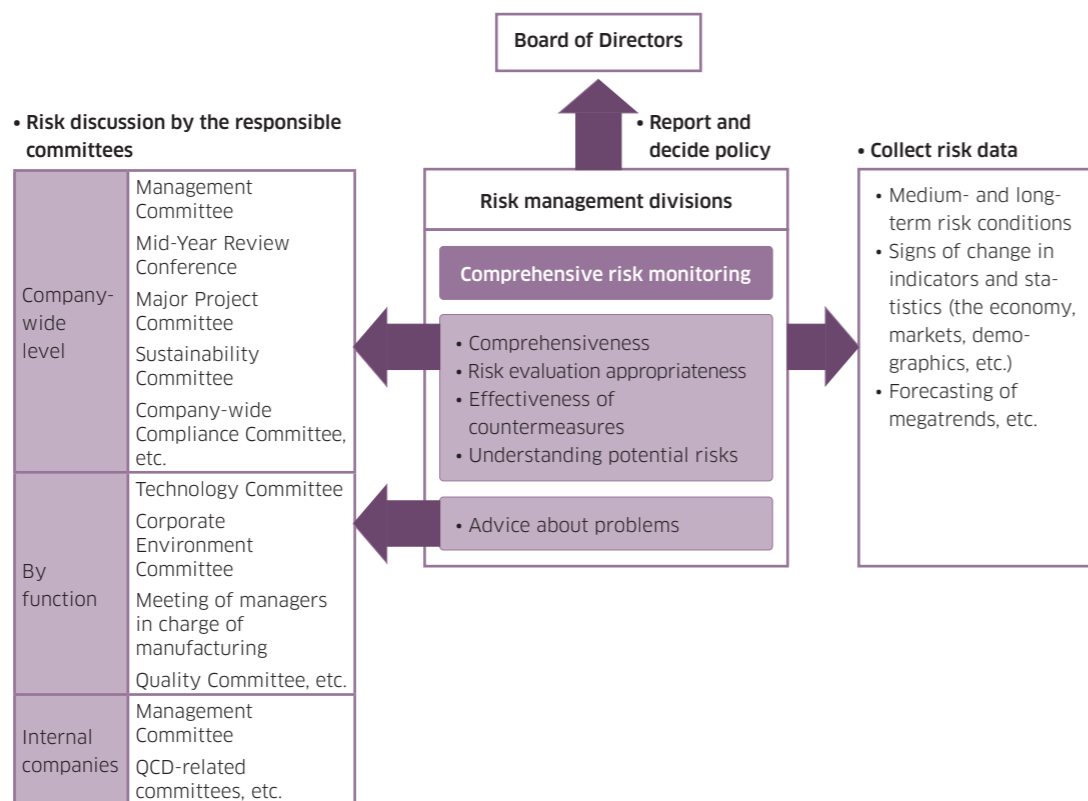
Should a shortfall in risk management or crisis management activities be detected or predicted, the Group will promptly correct said shortfall in order to improve the effectiveness of its risk management activities.

**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. We also have in place a system for reporting important risk management matters to the Board of Directors.

**Risk Management System**



Risk Management  
Performance Data

**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 customized for the Company's environment and circumstances.

● **Risk Factors Currently Covered in the Scope of Risk Management**

**WEB** Within Risk Management: List of Risks Covered  
<https://global.kawasaki.com/en/corp/sustainability/mgmt/management.html>

**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 Risk Management Policy (page 37).

● **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.

**Focus Activities and Medium-term Targets**

● **Goal for Fiscal 2019-2021**

Create appropriate Company-wide crisis management procedures and maintain a crisis management system to facilitate rapid response to and recovery from emergencies that could affect management.

**Progress, Results, and Challenges**

● **Goal for Fiscal 2020**

Drill and revise response procedures and systems based on case studies and quickly handle emergencies and restore business activities through the Countermeasures Command Center.

● **Fiscal 2020 Results**

Maintained appropriate Company-wide crisis management procedures and a crisis management system to facilitate rapid response to and recovery from emergencies that could negatively affect management.

● **Goal for Fiscal 2021**

Drill and revise response procedures and systems based on case studies and quickly handle emergencies and restore business activities through the Countermeasures Command Center.

**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 Regulations, 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 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 Management 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 towards 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 prevailing domestic and international laws and in respect of contractual promises to clients and to protect our businesses from external risks. 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.

**Focus Activities and Medium-term Targets**

● **Goals for Fiscal 2019-2021**

- Have in place a digital information platform that can handle cyber security issues.
- Build a usage platform that balances the utility of evolving cloud services with information security.

Progress, Results, and Challenges

● Goals for Fiscal 2020

- Adopt Tanium endpoint security systems throughout the domestic Group.
- Conduct assessments aimed at responding to China's Cyber Security Law at Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd. (KPM Shanghai) and Kawasaki Robotics (Tianjin) Co., Ltd. (KRCT).
- Begin discussions with Kawasaki Motors Europe N.V. (KME), a potential key site, for establishing a support center in Europe, and continue discussions with Kawasaki Motors Corp., U.S.A. (KMC) regarding the establishment of a support center in North America.
- Introduce asset management tools at sites in China (beginning with KHI (Dalian) Computer Technology Co., Ltd. (KDC), KPM Shanghai, and KRCT) and commence asset management support through KDC.
- Provide information security training to 10,000 individuals.

● Fiscal 2020 Results

- Adopted Tanium endpoint security systems throughout almost 100% of the domestic Group, including internal companies, divisions, and affiliates.
- Completed the adoption of asset management tools at the locations in China that were planned to adopt said tools first.
- Mostly completed the formulation of cyber security reinforcement plans for locations in Europe, Asia, and the United States.
- Began Group-wide cyber security reinforcement project activities and completed the preparation of measure proposals.

● Goals for Fiscal 2021

- Advance the following six initiatives under the cyber security reinforcement project
  1. Adopt endpoint detection and response (EDR) tools for dealing with targeted attacks to reinforce endpoint security monitoring in key domestic business areas. Establish a 24/7 cyber attack detection and response system to provide next-generation security for domestic sites.
  2. Advance planning for the development of production system (facility) security. In fiscal 2021 specifically, develop a basic framework and prepare for pilot installation.
  3. Adopt a security platform for safe and secure cloud service use.
  4. Develop and implement a platform for privileged access management and IT asset and configuration management.
  5. Develop threat monitoring for overseas sites and roll out cyberattack detection measures for high-risk sites.
  6. Conduct simulated targeted attack tests and use the results to ascertain and strengthen current cyber defense capabilities.
- Provide information security training to 20,000 individuals.

● Progress

	(FY)	2016	2017	2018	2019	2020
Information security training participants		-	-	8,394	9,866	17,779

Structure and Management System

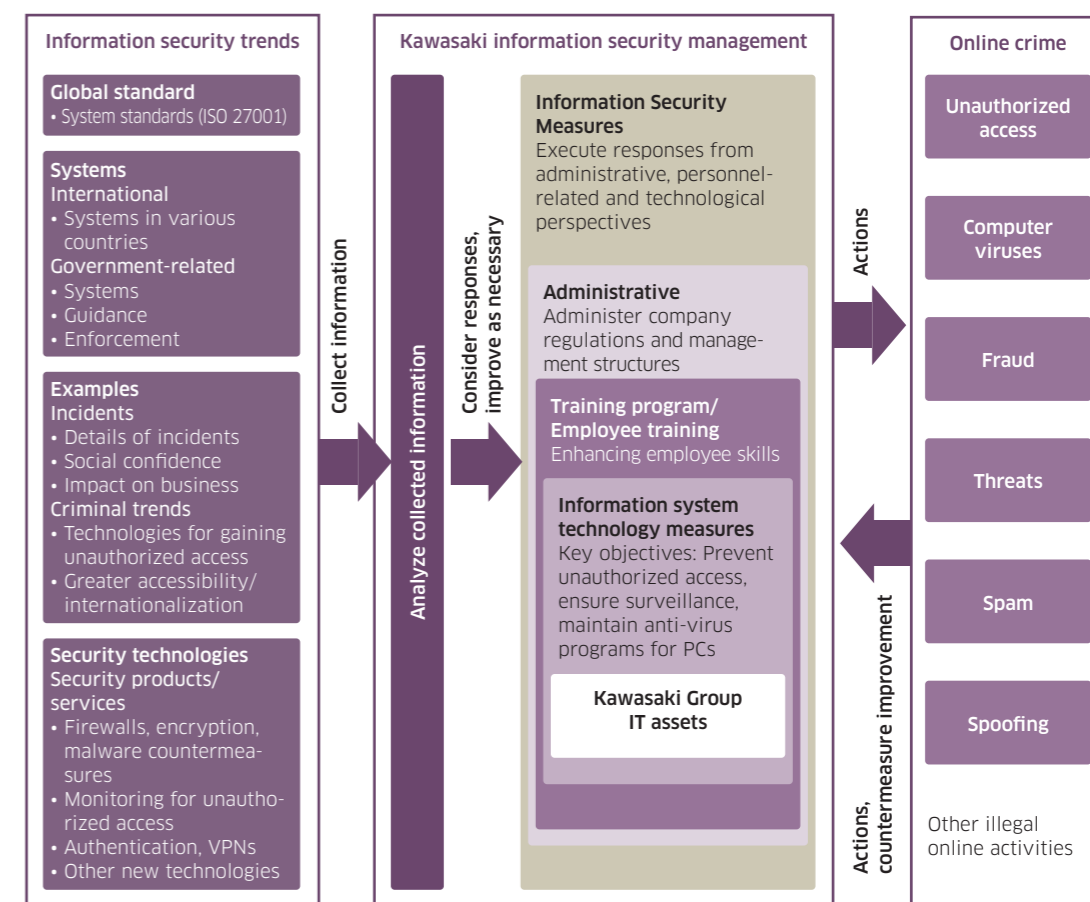
In November 2020, Kawasaki launched the Head Office Cyber Security Group, which forms the core of efforts bringing together the strengths of all internal companies and business divisions to strengthen the Group's cyber security. Each internal company and business division also has an information system 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, 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



Information Security Education and Training

We conduct education and training specifically 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.

Information Security Violations and Actions Taken

Following the discovery of unauthorized access by third parties (announced December 28, 2020), Kawasaki formed a special project team with an external specialist organization to investigate damage and analyze the incident at all business sites in Japan and overseas. The investigation found the possibility of information leakage from certain businesses but ultimately did not confirm any leaks of personal information or related harm.

To prevent recurrences, we have implemented measures to prevent unauthorized access to our authentication infrastructure and are further tightening the monitoring and access control of the communications networks between our bases in Japan and overseas. We are strengthening our processes for quickly detecting unauthorized access, rapidly identifying the scope of damage, and implementing a response. We are also strengthening our organization by increasing the number of personnel involved.

**WEB** Concerning Unauthorized Access to Kawasaki Group (December 28, 2020 Kawasaki news release)  
[https://global.kawasaki.com/news\\_201228-1e\\_1.pdf](https://global.kawasaki.com/news_201228-1e_1.pdf)

Report on the Results of Investigation into Unauthorized Access to Kawasaki Group (July 30, 2020 Kawasaki news release)  
[https://global.kawasaki.com/news\\_210730-1e.pdf](https://global.kawasaki.com/news_210730-1e.pdf)

**Personal Information Protection**

Kawasaki abides by its Privacy Policy, a basic policy for protecting personal information. This policy is publicly disclosed.

Further, we control personal information by such means as appointing a personal information administrator, establishing company regulations titled Personal Information Protection Rules and issuing the *Personal Information Protection Manual*, which explains the rules clearly for employees. In 2017, in response to the revision of the Act on the Protection of Personal Information of Japan, we revised related company regulations, the Privacy Policy and the *Personal Information Protection Manual*, and implemented internal training and explanatory meetings for affiliates several times. Furthermore, 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.

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.

**Response to the General Data Protection Regulation**

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



**Privacy Policy**

[https://global.kawasaki.com/en/privacy\\_policy/index.html](https://global.kawasaki.com/en/privacy_policy/index.html)

**Kawasaki Group Policy on the Protection of Personal Information**

[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/personal\\_information.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/personal_information.pdf)

**Research and Development**

**Management Approach**

**Material Issues and Our Approach**

To ensure sustainable improvement in the enterprise value of the Kawasaki Group, the internal companies, business divisions and 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 of management resources. 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.

**Focus Activities and Medium-term Targets**

● **Goals for Fiscal 2019-2021**

- Reinforce the competitiveness of existing products and businesses.
- Build a platform that will support groundbreaking innovation to create new value in response to rapid changes in society.
- Achieve process reforms by such means as strengthening system design and *monozukuri* manufacturing capabilities.
- Establish intellectual property action plans as part of business strategy and build a framework to allocate IP rights where needed or keep such property confidential in the form of internal expertise.
- Build a framework for carrying out IP rights infringement prevention checks through design reviews and other precautions taken at specific development stages.

**Progress, Results, and Challenges**

● **Goals for Fiscal 2020**

**Research and Development**

- ¥53.5 billion in R&D expenses.
- Work to create new products and businesses with an eye to business style transformation by, for example, creating de-facto standards via market development and reinforcing service businesses.
- Conduct pilot demonstrations of a Japan-Australia supply chain aimed at quickly realizing a hydrogen-powered society.
- Work to increase process sophistication through digital transformation while coordinating with total quality management (TQM) promotion activities.

**Intellectual Property**

- Advance IP landscape analyses, mainly for the hydrogen project, as part of efforts to form a patent portfolio.
- Before commencing R&D, carry out comprehensive examinations of preceding patents to avoid infringement.
- Focus efforts on the hydrogen, industrial robot, and precision machinery fields.

● **Fiscal 2020 Results**

**Research and Development**

- ¥44.9 billion in R&D expenses.
- Worked to create de-facto standards via market development in hydrogen and other fields and to reinforce service businesses in such fields as energy, rolling stock, robots, and motorcycles.
- Carried out test docking of a liquefied hydrogen carrier at a receiving terminal and the technological demonstration of a dry low-NOx gas turbine powered only by hydrogen combustion.
- Worked to enhance process sophistication using such tools as digital design and digital twins.



● **Goals for Fiscal 2021**

**Research and Development**

- ¥49.5 billion in R&D expenses.
- Reinforce product innovation to accelerate efforts to solve social issues under Group Vision 2030.
- Reinforce DX and other aspects of process innovation as well as future platform technologies with the aim of realizing a stable growth scenario.
- Apply TQM to research and development activities.
- Complete pilot demonstrations of a Japan-Australia supply chain and advance research and development aimed at commercialization in order to quickly realize a hydrogen-powered society as part of efforts toward decarbonization.

**KPI**

● **Progress**

	(FY)	2016	2017	2018	2019	2020
R&D expenditures	Billion yen	43.6	45.4	48.7	52.6	44.9

**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, Manufacturing Improvement Center, IT Strategy Planning Center, Administration Department, and TQM 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, Director, Managing 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.

**Research and Development**

**Performance Data**

**R&D Expenditures (consolidated global)**

	(FY)	2016	2017	2018	2019	2020
<b>Total</b>	Billion yen	43.6	45.4	48.7	52.6	44.9
<b>Breakdown by segment</b>						
Ship & Offshore Structure		0.8	0.8	1.1	0.9	0.8
Rolling Stock		0.8	0.8	0.8	0.6	0.8
Aerospace Systems		3.8	4.0	6.1	6.9	5.6
Gas Turbine & Machinery		3.9	3.8	–	–	–
Energy System & Plant Engineering		1.3	1.4	3.9	4.1	4.0
Motorcycle & Engine		14.3	15.8	15.6	16.0	15.1
Precision Machinery & Robot		5.3	5.4	6.2	5.9	6.2
Head Office, other		13.0	13.0	14.6	17.8	12.2
<b>Percentage of sales</b>	%	2.9	2.9	3.1	3.2	3.0
<b>Number of employees engaged in R&amp;D</b>	Persons	1,868	1,888	1,941	1,916	1,956

Note: In April 2018, the former Aerospace Company and the jet engine business of the former Gas Turbine & Machinery Company were integrated into the newly established Aerospace Systems Company. The former Plant & Infrastructure Company and the energy and marine-related businesses of the former Gas Turbine & Machinery Company were integrated into the newly established Energy System & Plant Engineering Company. In addition, the former Precision Machinery Company was renamed the Precision Machinery & Robot Company.

**Open Innovation**

**Open Innovation Policy**

In addition to leveraging the technological synergies that come from bringing our technologies together, we also work with outsourcers to introduce state-of-the-art technologies in an efficient manner. By making use of outside resources, not simply sticking to in-house innovation, we are able to provide solutions to social issues as well as create value that we would not be able to offer singlehandedly or at least not without overly large expenditures of cost and time.

**Initiative in Open Innovation**

**Maritime and Port Authority of Singapore Chooses Consortium That Includes Kawasaki for Ship Parts 3D Printing Project**

A consortium that includes Kawasaki has been selected by the Maritime and Port Authority of Singapore to participate in a ship parts 3D printing project.

Through the Business Idea Challenge in-house idea submission framework, Kawasaki is pursuing a new approach that involves digitalizing spare ship parts and using 3D printers at ports to print said parts. This will enhance spare parts availability in times of emergency and maximize safe ship operating times.

The consortium is led by Wilhelmsen, a leading global maritime company, and includes marine equipment manufacturers Kawasaki, Wärtsila, and Hamworthy Pumps; maritime classification society DNV (formerly DNV GL); technology partners thyssenkrupp, Ivaldi Group, and Tytus3D; and forward-looking end users OSM, Gearbulk, Thome Group, Berge Bulk, Wilhelmsen Ship Management, BW Group, Executive Group, Carnival Maritime, and Yinson.

The Maritime and Port Authority of Singapore is advancing this 3D printing project to promote the digitalization and additive manufacturing of ships and ship parts. The consortium that includes Kawasaki is one of the 11 consortiums under the project that are equipping Singapore-registered vessels with 3D printed parts to verify their applicability. These tests are planned to be carried out by the first quarter of 2022. The consortium to which Kawasaki belongs will handle 10 of a total 26 part types to be tested.



**Maritime and Port Authority of Singapore Chooses Consortium That Includes Kawasaki for Ship Parts 3D Printing Project (December 16, 2020 Kawasaki News Release) (Japanese language only)**  
[https://www.khi.co.jp/pressrelease/detail/20201216\\_1.html](https://www.khi.co.jp/pressrelease/detail/20201216_1.html)

**New Product and Business Development**

Key new products and businesses that were in development or for which development was completed in fiscal 2020 are as follows.

● **Aerospace Systems**

- New helicopter model H145/BK117 D-3



H145/BK117 D-3

● **Energy System & Plant Engineering**

- KG-18-T 100 MW-class combined cycle power plant
- New gas engine model with 51.0% electric efficiency
- Hydrogen liquefier



KG-18-T 100 MW-class combined cycle power plant



Kawasaki Green Gas Engine KG-18-T



Hydrogen liquefier used for demonstration operation

● **Precision Machinery & Robot**

- Automated PCR testing system
- Robotic assisted surgery system



Exterior of the automated PCR testing system



Inside the automated PCR testing system



hinotori™ robotic assisted surgery system

● **Transportation**

- Kawasaki-MAN B&W 7560ME-C10.5-LGIP LPG dual-fuel system marine engine
- TERYX KRX 1000 eS off-road four-wheeler
- Rolling stock for the Dhaka Metro MRT Line-6 in Bangladesh



Kawasaki-MAN B&W 7560ME-C10.5-LGIP



TERYX KRX 1000eS



Rolling stock for the Dhaka Metro MRT Line-6 in Bangladesh

**Process Innovation**

- Improved plant-level production processes using value stream mapping (VSM).
- Promoted the use of the Kawasaki Production System (KPS), most notably with systems for providing work instructions and collecting performance data using ICT, including tablet computers and cloud technologies.
- Utilized next-generation work instruction systems that leverage projection mapping and other XR technologies.

**Effects of Process Innovation**

By adopting a system for providing work instructions and collecting performance data using tablet computers in assembly processes, we achieved a 30% lead time reduction.

**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 Kawasaki-brand Green Products.

Kawasaki-brand Green Products are marked with an environmental label that shows the product's environmental advantages as one way to communicate our efforts in this area to our customers and other stakeholders. In 2020, 10 products were newly registered, and the registrations of products for which the three-year registration limit expired were renewed, bringing the total number of registered Kawasaki-brand Green Products to 61.

**Effects of Environmental Innovation (non-consolidated)**

	(FY)	2016	2017	2018	2019	2020
CO <sub>2</sub> emission reduction through product-based contributions*	kt-CO <sub>2</sub>	900	22,920	29,130	23,140	24,150

\* The calculation method was revised in fiscal 2017 to one which uses a flow-based method where the expected life of a product launched during this fiscal year is used as the evaluation period for calculating the difference in CO<sub>2</sub> emissions between our products and standard grade products in the industry over this period of usage.



**Kawasaki-brand Green Products**

[https://global.kawasaki.com/en/corp/sustainability/green\\_products/index.html](https://global.kawasaki.com/en/corp/sustainability/green_products/index.html)

**Intellectual Property Management**

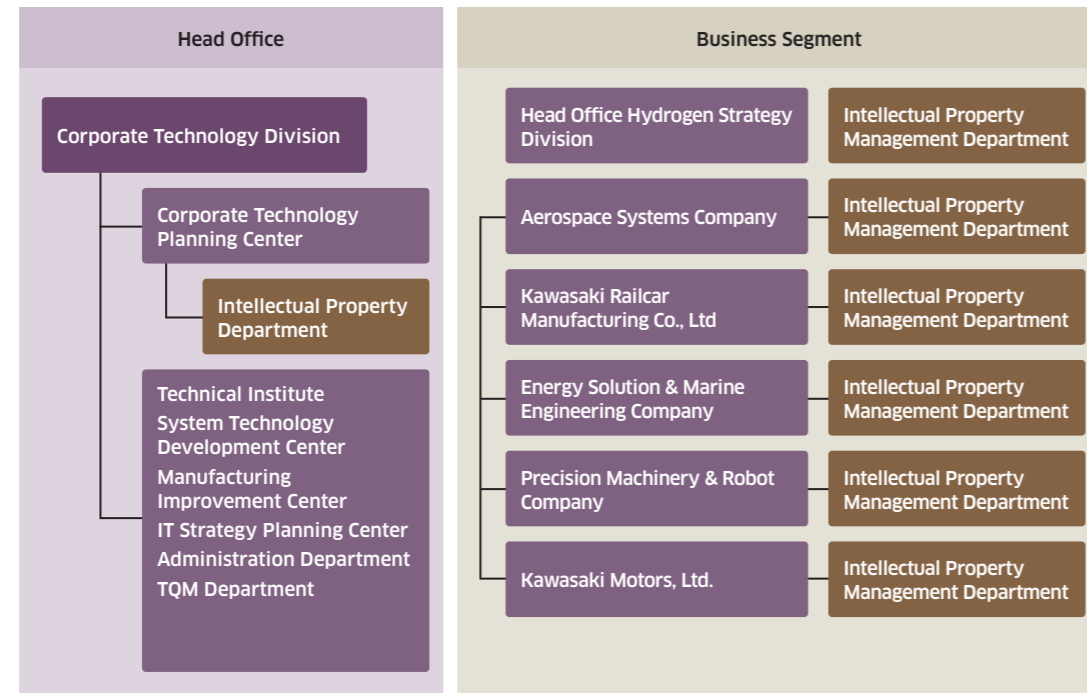
**Principles of Intellectual Property Management**

To survive amid intense global competition, we must raise enterprise value by developing business pursuits that leverage our core competence. Toward this end, we rely on intellectual property, which is a vital management resource, and the key to securing and successfully applying this corporate asset is to undertake activities from a three-point perspective that adds intellectual property to business and R&D as a third component of our core competence.

**Structure**

To promote strategic intellectual property activities, we maintain a structure whereby the Intellectual Property Department in the Corporate Technology Planning Center of 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**  
Sukeyuki Namiki, Representative Director, Vice President and Senior 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.

Environmental Management Management Approach

Material Issues and Our Approach

Around the world, risks created by climate change (such as the occurrence of major typhoons and hurricanes, forest collapse or flooding) are growing. *Japan's Annual Report on the Environment, the Sound Material-Cycle Society and Biodiversity 2020* (published by the Ministry of the Environment, June 2020) addresses increasingly frequent natural disasters, using the expression "climate crisis" for the first time. Going forward, needs related to realizing a sustainable society are only expected to grow. The Kawasaki Group has been engaged in transport, energy, environmental, and other industrial machinery-related businesses for more than 120 years, and believes that its accumulated technologies can contribute greatly to meeting these needs.

The Group implements environmental management, the combination of business management and environmental conservation, including efforts to prevent global warming, take action against climate change, reduce environmental impact, and conserve biodiversity.

Long-term Targets

● Kawasaki Global Environmental Vision 2050

In 2017, the Kawasaki Group drew up the Kawasaki Global Environmental Vision 2050, a long-term environmental vision formulated as a roadmap for drafting specific measures to address the immediate as well as the medium- and long-term issues the Group faces. This long-term vision designated the three goals of being "CO<sub>2</sub> FREE," "Waste FREE," and "Harm FREE."

**Kawasaki Global Environmental Vision 2050**  
<https://global.kawasaki.com/en/corp/sustainability/environment/vision.html>

Focus Activities, Medium-term Targets, and Progress

● Three-year Environmental Management Plans

Working to achieve the Kawasaki Global Environmental Vision 2050, we formulate three-year medium-term environmental management plans to address concrete issues and implement initiatives accordingly. Under the 10th Environmental Management Activities Plan (fiscal 2019–2021), we have established the following goals and key strategies.

Three-Year 10th Environmental Management Activities Plan

● Policy for Initiatives

Based on the environmental policy laid out in the Group Environmental Charter, the Group Mission,<sup>1</sup> and assessments of the Ninth Environmental Management Activities Plan, the Kawasaki Group has established key strategies to help meet society's needs (namely, those for ESG investment and information disclosure), realize both environmental conservation and business growth, and achieve the Kawasaki Global Environmental Vision 2050 goals of "CO<sub>2</sub> FREE," "Waste FREE," and "Harm FREE."

To realize a low-carbon society (CO<sub>2</sub> FREE), we will work to significantly cut CO<sub>2</sub> emissions by weighing the impact of related risks and opportunities<sup>2</sup> for our businesses to expand the provision of low-CO<sub>2</sub> products and further reduce CO<sub>2</sub> emissions from business processes. To realize a recycling-oriented society (Waste FREE) and a society coexisting with nature (Harm FREE), we will raise the level of management not just of the Company, but 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 energy and environmental businesses to solve social issues from a long-term perspective.

1. The Group Mission of "Kawasaki, working as one for the good of the planet."
  2. Risks:
    - Stricter CO<sub>2</sub> emission regulations, higher electricity costs, and increased pressure to transition to renewable energy
    - Power outages due to natural disasters
- Opportunities:
- Green energy generation using Kawasaki-brand products (onsite generation/intra-Group consignment) and hydrogen
  - Growing demand for power generation and dispersed power sources as means of business continuity planning

For details on the Environmental Charter, please refer to Environmental Charter (page 53).

**Kawasaki Environmental Report 2019—Summary of Environmental Activities in Fiscal 2018 and Results of the Ninth Environmental Management Activities Plan**  
[https://global.kawasaki.com/en/corp/sustainability/environment/19\\_houkoku.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/19_houkoku.pdf)

## Goals and Strategies of the 10th Environmental Management Activities Plan and Fiscal 2020 Results

### CO<sub>2</sub> FREE (Realization of a Low-Carbon Society)

#### ● Target

Reduce fiscal 2021 CO<sub>2</sub> emissions per unit of net sales by 20% from the fiscal 2013 level (non-consolidated).

#### ● Key Strategies

- Proactive use of onsite power generation facilities.
- Utilize renewable energy.
- Energy-saving activities.
- Expand the CO<sub>2</sub>-reducing effects of Kawasaki-brand Green Products and other products.

#### ● Fiscal 2020 Results

- 226 t-CO<sub>2</sub>/billion yen in net sales (down 22.2% from the fiscal 2013 level). Despite a significant decrease in the volume of CO<sub>2</sub> due to the COVID-19 pandemic, emissions per unit of net sales remained virtually unchanged from the fiscal 2019 level due to a decline in net sales.
- Plans for the reconfiguration and upgrading of onsite power generation facilities were drafted by two plants. Also, discussions concerning the utilization of exhaust heat and the in-house wheeling of energy as means to effectively utilize our existing facilities began.
- Initiated the enforcement of guidelines to promote the adoption of renewable energy. Installed solar panels provided by KYOCERA and Tokyo Century at Seishin Works by employing a PPA.\*  
\* Power purchase agreement, under which a business operator makes the rooftops of its facilities available for use by a solar energy supplier for the generation of solar energy using solar panels and purchases the output of such panels. Such an agreement relieves the business operator of the burden of initial investment.
- Initiated the enforcement of guidelines to promote energy saving.
- Emission reduction effect on CO<sub>2</sub> from product use of 24,050 kt-CO<sub>2</sub> (products sold in fiscal 2020)  
Note: Per unit of net sales figures are calculated based on non-consolidated net sales.

### Waste FREE (Realization of a Recycling-Oriented Society)

#### ● Target

Maintain ratio of direct-to-landfill waste to total waste generation at less than 1% (non-consolidated).

#### ● Key Strategies

- Further enforce waste sorting and recycling.
- Precisely understand water uses and usage volumes.

#### ● Fiscal 2020 Results

- Landfill disposal rate of 0.4% (target achieved)
- Shared on-site confirmation information on waste processing contractors, thereby improving the quality of management; carried out the aggregation of data from Group companies (fiscal 2020 transactions involved 77 contractors, with a total of 15 processing sites confirmed).
- Created documentation protocols governing the utilization and management of water, helping 10 plants in Japan organize relevant issues; conducted a quick risk assessment encompassing Group companies.

### Harm FREE (Realization of a society coexisting with nature)

#### ● Target

Reduce environmental risk while operating factories with respect for biodiversity.

#### ● Key Strategies

- 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.

#### ● Fiscal 2020 Results

- No problems occurred.
- Maintained proper management of dichloromethane, hexavalent chromium, and major VOCs. Usage volumes were unchanged or almost unchanged year on year.

- Continued proper management of green spaces at plants. Forest conservation activities were carried out in Taka and Ono, Hyogo Prefecture, Machida, Tokyo, and Niyodogawa, 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

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

 **Environmental Charter**  
<https://global.kawasaki.com/en/corp/sustainability/environment/vision.html>

**10th Environmental Management Activities Plan**  
<https://global.kawasaki.com/en/corp/sustainability/environment/plan.html>

**Kawasaki Environmental Report 2021—Summary of Business Activities in Fiscal 2020**  
[https://global.kawasaki.com/en/corp/sustainability/environment/21\\_houkokusyo.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/21_houkokusyo.pdf)

### Environmental Basic Policy

The Kawasaki Group's Environmental Charter lays out environmental management values and principles to be shared across the Group along with action guidelines to steer each individual in their daily work.


#### ● Environmental Charter (established 1999, revised 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-neutral 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

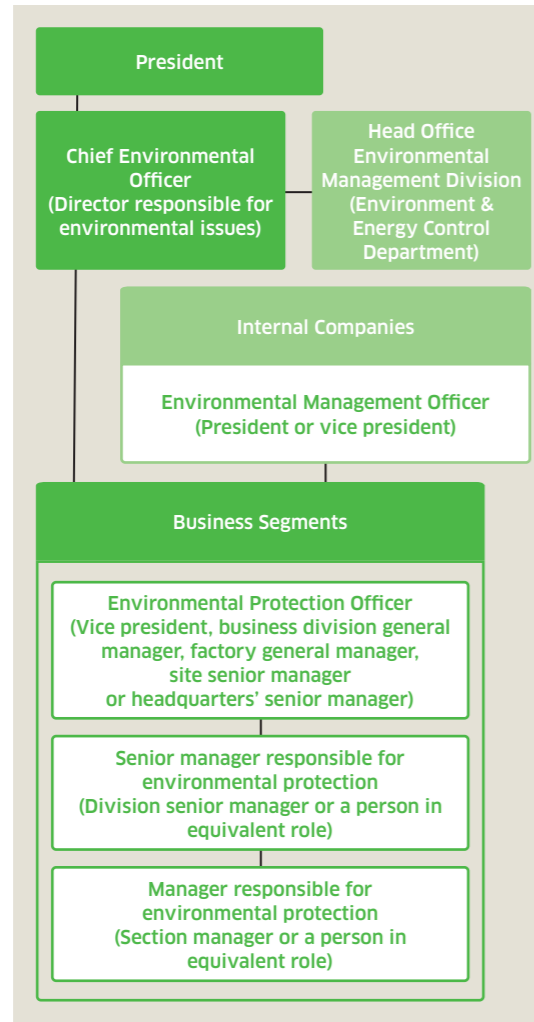
- (1) Global environmental problems are serious issues shared by people around the world and, making it a management priority to ensure that business activities are conducted in harmony with the environment, we will strive willingly and vigorously toward this goal.
- (2) We will endeavor to conserve 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.

 **Environmental Charter "Environmental Philosophy and Conduct Guidelines"**  
<https://global.kawasaki.com/en/corp/sustainability/environment/vision.html>

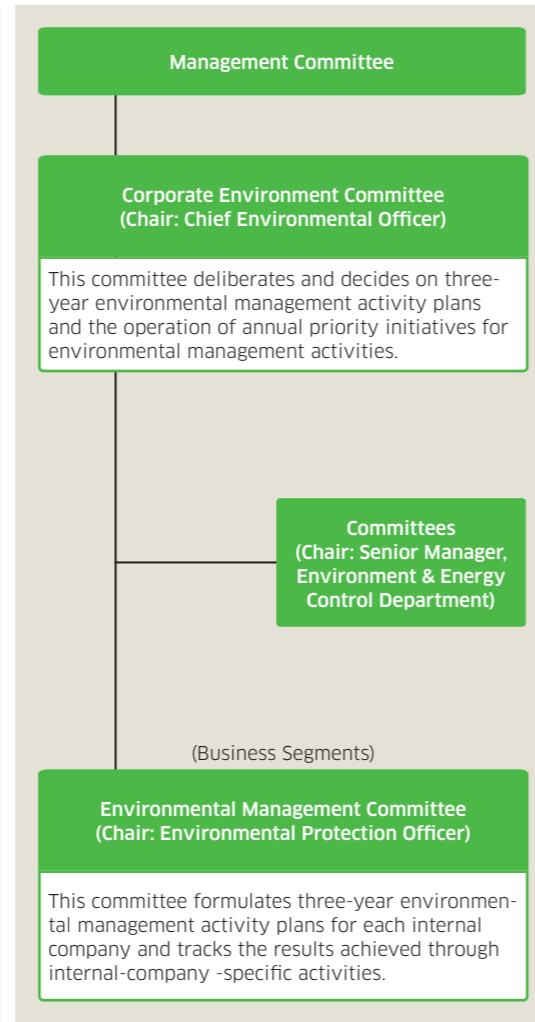
**Environmental Management Promotion Structure**

The Chief Environmental Officer (Director responsible for environmental issues) coordinates Company-wide environmental management activities and assumes full responsibility and authority for environmental issues. In accordance with Japan's Energy Saving Law, the Chief Environmental Officer also assumes the position of energy management officer and coordinates energy management. Environmental and energy management are carried out mainly through the environmental management departments of the business segments.

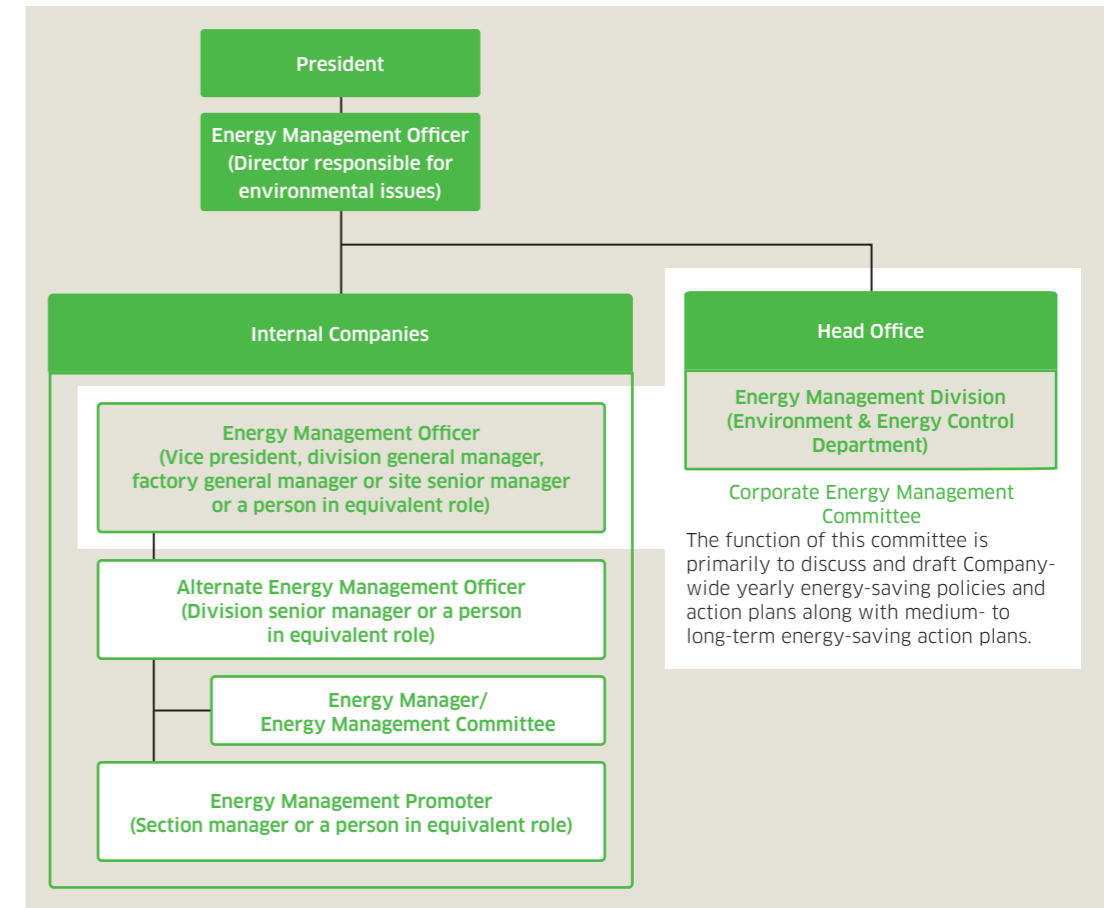
**Energy Management System**



**Operational System**



**Energy Management System**



● **Responsible Officer**

Director Responsible for Environmental Issues (Chief Environmental Officer, energy management officer, presiding officer of the Corporate Environment Committee): Sukeyuki Namiki, Representative Director, Vice President, and Senior Executive Officer

**Environmental Management System**

● **The Kawasaki Group Environmental Management Promotion Structure**

To promote environmental management throughout the Group, Kawasaki and its subsidiaries are building an environmental management system. Kawasaki's production sites and domestic and overseas subsidiaries have completed the acquisition of ISO 14001 certification or simplified EMS certification, or they have established EMS through self-declaration within the scope stipulated by Kawasaki.



**Establishment of Environmental Management Systems**


<https://global.kawasaki.com/en/corp/sustainability/environment/base.html>

**Kawasaki Environmental Report 2021—Establishment of Environmental Management Systems**

[https://global.kawasaki.com/en/corp/sustainability/environment/21\\_houkokusyo.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/21_houkokusyo.pdf)

Environmental Management

Performance Data

CO<sub>2</sub> FREE (Realization of a Low-Carbon Society) 

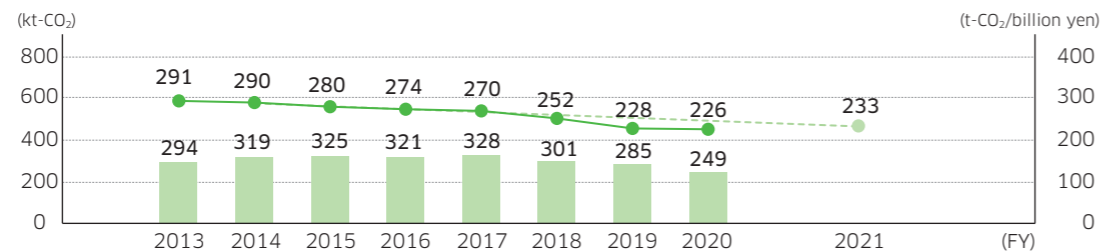
10th Plan Target

Reduce fiscal 2021 CO<sub>2</sub> emissions per unit of net sales by 20% from the fiscal 2013 level (non-consolidated).

Reducing CO<sub>2</sub> Emissions from Production Activities

In fiscal 2020, CO<sub>2</sub> emissions per unit of net sales came to 226 t-CO<sub>2</sub>/billion yen, down 22.2% from the fiscal 2013 level and on-pace to meet our target for fiscal 2021.

● CO<sub>2</sub> Emissions from Production Activities (non-consolidated)



- CO<sub>2</sub> emissions (left scale)
- CO<sub>2</sub> per unit of net sales (right scale)
- Target CO<sub>2</sub> per unit of net sales (right scale)

Notes: 1. Per unit of net sales figures are obtained by dividing CO<sub>2</sub> emissions by net sales.  
 2. The fuel and heat CO<sub>2</sub> emission factors used are values published by the Agency for Natural Resources and Energy.  
 3. The electricity CO<sub>2</sub> emission factors used are values published by Japan's Ministry of the Environment for each power provider in each fiscal year.

Estimating Supply Chain CO<sub>2</sub> Emissions

● Energy Consumption in Production Activities


	(FY)	2016	2017	2018	2019	2020
Total	TJ	8,990	9,320	9,200	9,340	8,400
Kawasaki Heavy Industries	TJ	6,130	6,400	6,290	6,410	5,860
Domestic subsidiaries	TJ	740	710	720	700	680
Overseas subsidiaries	TJ	2,120	2,210	2,190	2,230	1,860

● CO<sub>2</sub> Emissions from Production Activities

	(FY)	2016	2017	2018	2019	2020
Total	kt-CO <sub>2</sub>	492	502	474	458	395
Kawasaki Heavy Industries	kt-CO <sub>2</sub>	321	328	301	285	249
Domestic subsidiaries	kt-CO <sub>2</sub>	38	36	36	35	33
Overseas subsidiaries	kt-CO <sub>2</sub>	133	138	137	138	113


Third-party verified (Domestic Group, including the parent company/ Overseas Group)	Yes (42/24 sites)	Yes (21/24 companies)	Yes (21/24 companies)	Yes (25/24 companies)	Yes (26/24 companies)
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Notes: 1. The CO<sub>2</sub> 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<sub>2</sub> emission factors are the figures published by the Greenhouse Gas Protocol.

For details on the scope of the domestic consolidated subsidiaries and overseas consolidated subsidiaries covered, please refer to Scope of Environmental Data  (page 60).

● The Kawasaki Group's Scope 1 and Scope 2 Calculation Results (kt-CO<sub>2</sub>/year) (FY)

Category	Calculation Targets	2016	2017	2018	2019	2020
Scope 1						
Direct emissions	Direct emissions through use of fuel at Kawasaki and associated industrial processes	179	176	162	169	140
Scope 2						
Indirect emissions from the generation of purchased energy	Indirect emissions accompanying use of electricity and heat purchased by Kawasaki	313	326	311	290	255
Third-party verified (Domestic Group, including the parent company/ Overseas Group)		Yes (42/24 sites)	Yes (21/24 companies)	Yes (21/24 companies)	Yes (25/24 companies)	Yes (26/24 companies)

For details on the scope of the domestic consolidated subsidiaries and overseas consolidated subsidiaries covered, please refer to Scope of Environmental Data  (page 60).

● Kawasaki's Scope 3 Calculation Results (kt-CO<sub>2</sub>/year) (FY)

Category	Calculation Targets	2016	2017	2018	2019	2020
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	5,566 (9.6%)	6,033 (6.5%)	6,049 (4.5%)	1,940 (1.6%)	1,465 (1.2%)
2. Capital goods	Emissions from construction and production of Kawasaki's capital goods	223 (0.4%)	276 (0.3%)	293 (0.2%)	238 (0.2%)	128 (0.1%)
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	38 (0.1%)	39 (0.0%)	37 (0.0%)	37 (0.0%)	35 (0.0%)
4. Upstream transportation and distribution	Emissions associated with logistics of raw materials, parts, purchased goods and sales-related materials up to delivery to Kawasaki	8 (0.0%)	8 (0.0%)	8 (0.0%)	8 (0.0%)	9 (0.0%)
5. Waste generated in operations	Emissions associated with transportation and processing of waste generated by Kawasaki	7 (0.0%)	19 (0.0%)	12 (0.0%)	12 (0.0%)	11 (0.0%)
6. Business travel	Emissions associated with business travel by employees	14 (0.0%)	14 (0.0%)	15 (0.0%)	13 (0.0%)	0.5 (0.0%)
7. Employee commuting	Emissions associated with transportation of employees between their homes and their worksites	6 (0.0%)	6 (0.0%)	7 (0.0%)	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)	Included in Scope 1 and Scope 2 calculations	Included in Scope 1 and Scope 2 calculations	Included in Scope 1 and 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%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
10. Processing of sold products	Emissions associated with processing of intermediate products by companies	Excluded <sup>1</sup>	Excluded <sup>1</sup>	Excluded <sup>1</sup>	Excluded <sup>1</sup>	Excluded <sup>1</sup>
11. Use of sold products	Emissions associated with use of products by consumers and companies	52,088 (89.6%)	86,796 (93.0%)	126,823 (95.1%)	118,550 (98.0%)	121,810 (98.5%)
12. End-of-life treatment of sold products	Emissions associated with transportation and treatment of products upon disposal by consumers and companies	Excluded <sup>1</sup>	Excluded <sup>1</sup>	Excluded <sup>1</sup>	Excluded <sup>1</sup>	Excluded <sup>1</sup>
13. Downstream leased assets	Emissions associated with operation of assets leased to other companies	Excluded <sup>2</sup>	Excluded <sup>2</sup>	Excluded <sup>2</sup>	Excluded <sup>2</sup>	Excluded <sup>2</sup>
14. Franchises	Emissions by franchisees	Excluded <sup>2</sup>	Excluded <sup>2</sup>	Excluded <sup>2</sup>	Excluded <sup>2</sup>	Excluded <sup>2</sup>
15. Investments	Emissions related to operation of investments	171 (0.3%)	174 (0.2%)	173 (0.1%)	173 (0.1%)	146 (0.1%)
Third-party verified (Categories 1. And 11.)		Yes	Yes	Yes	Yes	Yes

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.

### Reduction of CO<sub>2</sub> Emissions in Logistics Processes

#### ● CO<sub>2</sub> Emissions from Logistics Processes and CO<sub>2</sub> Emissions Per Unit of Net Sales (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
CO <sub>2</sub> emissions	kt-CO <sub>2</sub>	4.22	4.03	4.23	4.08	4.39
CO <sub>2</sub> per unit of net sales	t-CO <sub>2</sub> / billion yen	3.60	3.32	3.54	3.26	3.99

Notes: 1. Per unit of net sales figures are obtained by dividing CO<sub>2</sub> emissions by net sales.  
2. The CO<sub>2</sub> emissions factors used are values published by the Agency for Natural Resources and Energy.

#### ● Energy Consumption in Logistics Processes (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Energy consumption	TJ	62.1	59.2	62.4	60.4	65.1

### Utilizing Renewable Energy

#### ● Photovoltaic Output (Including Power Sold via FIT; Total of Figures for Kawasaki Heavy Industries, Kawasaki Trading, and Kawasaki Thermal Engineering)

	(FY)	2016	2017	2018	2019	2020
Photovoltaic output (including power sold via FIT)	MWh	5,019	5,236	4,749	4,883	5,000

### Reducing CO<sub>2</sub> Emissions through Product-Based Contributions

#### ● CO<sub>2</sub> Emission Reduction through Product-Based Contributions (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
CO <sub>2</sub> emission reduction through product-based contributions	kt-CO <sub>2</sub>	900	22,920	29,130	23,140	24,050

Notes: 1. Kawasaki uses CO<sub>2</sub> emissions factors provided in the list of calculation methods and emissions actors published by Japan's Ministry of the Environment.  
2. The CO<sub>2</sub> 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<sub>2</sub> emissions reduction effect through product-based contributions.

**WEB** Realization of a Low-Carbon Society  
[https://global.kawasaki.com/en/corp/sustainability/environment/low\\_carbon.html](https://global.kawasaki.com/en/corp/sustainability/environment/low_carbon.html)  
 Kawasaki Environmental Report 2021—CO<sub>2</sub> FREE  
[https://global.kawasaki.com/en/corp/sustainability/environment/21\\_houkokusyo.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/21_houkokusyo.pdf)

### Waste FREE (Realization of a Recycling-Oriented Society)

#### 10th Plan Target

Maintain ratio of direct-to-landfill waste to total waste generated at less than 1% (non-consolidated)

### Waste Sorting and Recycling

#### ● Reduction of Total Waste Generated

In fiscal 2019, the landfill disposal rate was 0.2%, achieving the target of 1% or less.

#### ● Waste Generated and Landfill Disposal Rate (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Waste generated	kt	51.1	51.5	52.5	50.2	44.6
Landfill disposal rate	%	0.2	0.2	0.1	0.2	0.4

### Water Resource Conservation

#### ● Water Consumption (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Tap water	10 <sup>3</sup> m <sup>3</sup>	574	654	703	584	491
Industrial water	10 <sup>3</sup> m <sup>3</sup>	1,374	951	1,255	1,190	992
Groundwater	10 <sup>3</sup> m <sup>3</sup>	4,152	4,555	4,541	4,209	4,150

**WEB** Realization of a Recycling-Oriented Society  
<https://global.kawasaki.com/en/corp/sustainability/environment/recycling.html>  
 Kawasaki Environmental Report 2021—Waste FREE  
[https://global.kawasaki.com/en/corp/sustainability/environment/21\\_houkokusyo.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/21_houkokusyo.pdf)

### Harm FREE (Realization of a Society Coexisting with Nature)

#### 10th Plan Target

Reduce environmental risk while operating factories with respect for biodiversity

### Harmful Chemical Substance Reduction

#### ● Emissions and Handling Volume of Managed Chemical Substances

	(FY)	2016	2017	2018	2019	2020
Emissions and handling volume of managed chemical substances	Dichloromethane	t	47	32	29	24
	Hazardous heavy metals	t	13	12	14	13
	Major VOCs (toluene, xylene and ethylbenzene) per unit of net sales	kg/billion yen	729	700	617	560

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.

**WEB** Realization of a Society Coexisting with Nature  
<https://global.kawasaki.com/en/corp/sustainability/environment/symbiotically.html>  
 Kawasaki Environmental Report 2021—Harm FREE  
[https://global.kawasaki.com/en/corp/sustainability/environment/21\\_houkokusyo.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/21_houkokusyo.pdf)

### Other Environmental Data

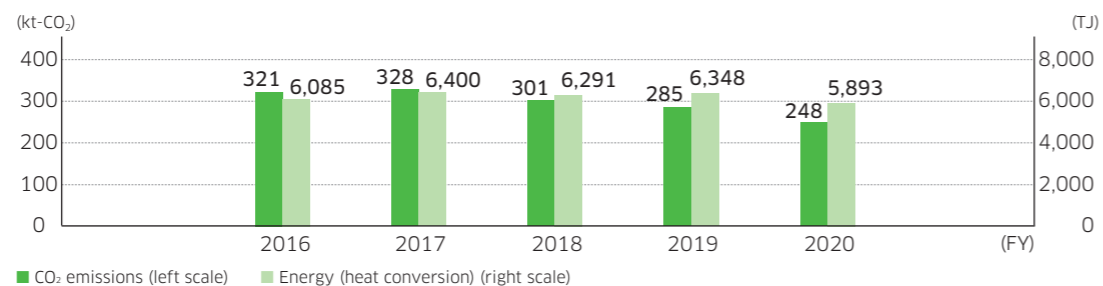
#### Fiscal 2020 Environmental Data (non-consolidated)

	Unit	Company-wide	Comparison with Fiscal 2019	
INPUT	Total energy (heat conversion)	TJ	5,820 -8%	
	Purchased electricity	MWh	371,833 -9%	
	Fuel	TJ	2,198 -6%	
	Renewable energy	MWh	1,637 +7%	
	Main materials (steel)	kt	11 ±0%	
	Water	10 <sup>3</sup> m <sup>3</sup>	5,633 -6%	
OUTPUT	Air	CO <sub>2</sub> emissions from energy sources	t	248,604 -13%
		SO <sub>x</sub>	t	6 +61%
		NO <sub>x</sub>	t	120 -7%
		Soot and dust	t	5 -4%
	Water	Wastewater	10 <sup>3</sup> m <sup>3</sup>	4,445 -1%
		COD	t	5 -30%
		Nitrogen	t	17 -29%
		Phosphorus	t	Under 1 -7%
	Waste	Total emitted	t	44,578 -11%
		Recycled	t	43,487 -11%
		Others (incinerated/landfill)	t	1,091 -13%
		Others	CO <sub>2</sub> emissions during transport	t

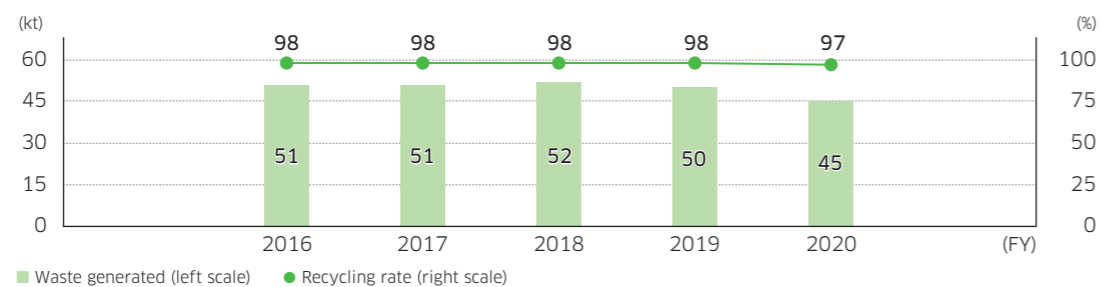
Note: For more details about financial information, including the net sales figures used to calculate per-unit information, please refer to the *Kawasaki Report*, Kawasaki's integrated report, which combines financial and non-financial information.

**WEB** Kawasaki Report  
[https://global.kawasaki.com/en/corp/ir/library/annual\\_report.html](https://global.kawasaki.com/en/corp/ir/library/annual_report.html)

● Total Energy (Heat Conversion) and CO<sub>2</sub> Emissions from Energy Sources (non-consolidated)



● Waste Generated and Recycling Rate (non-consolidated)



Environmental data by business site and for Group companies is disclosed on Kawasaki's website and in the *Kawasaki Environmental Report*.

**Environmental Data (Environmental Data for Kawasaki/Environmental Data by Business Site/Environmental Data of Subsidiaries)**  
<https://global.kawasaki.com/en/corp/sustainability/environment/data.html>  
**Kawasaki Environmental Report 2021—Environmental Data**  
[https://global.kawasaki.com/en/corp/sustainability/environment/21\\_houkokusyo.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/21_houkokusyo.pdf)

**Responding to the ELV Directive, RoHS Directive, REACH Regulation, and Other Overseas Regulations**

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,<sup>1</sup> RoHS Directive,<sup>2</sup> and REACH Regulation,<sup>3</sup> as well as the Euro 4 regulation on motorcycle exhaust emissions.

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

**Disclosure in Line with the TCFD Recommendations**

In September 2019, Kawasaki officially endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will further enhance disclosure to stakeholders, including disclosure of the risks and opportunities related to climate change in Kawasaki's businesses.

Kawasaki's analysis of its risks and opportunities related to climate change is as disclosed in *Kawasaki Environmental Report 2020*.

**Kawasaki Environmental Report 2021—Information Disclosure in Line with the TCFD Recommendations (Scenario Analysis)**  
[https://global.kawasaki.com/en/corp/sustainability/environment/21\\_houkokusyo.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/21_houkokusyo.pdf)

**Scope of Environmental Data**

The scope of domestic and overseas consolidated subsidiaries covered by Kawasaki's environmental management is as disclosed in *Kawasaki Environmental Report 2020*.

**Kawasaki Environmental Report 2021—Establishment of Environmental Management Systems**  
[https://global.kawasaki.com/en/corp/sustainability/environment/21\\_houkokusyo.pdf](https://global.kawasaki.com/en/corp/sustainability/environment/21_houkokusyo.pdf)

Working with Suppliers **M**

Management Approach

**Material Issues and Our Approach**

Suppliers are 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 CSR, which includes consideration for compliance, human rights, labor issues, 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 CSR activities throughout the supply chain.

**Focus Activities and Medium-term Targets**

To enhance our CSR activities, we are committed to identifying CSR risks throughout our supply chains and responding to the demands of our customers and society by working with our suppliers.

● **Goal for Fiscal 2019–2021**

- Conduct CSR procurement surveys of major domestic and overseas suppliers to raise their awareness regarding CSR.

**Progress, Results, and Challenges**

● **Goals for Fiscal 2020**

- Conduct a CSR procurement survey of major overseas suppliers like that conducted in fiscal 2018 to ascertain said suppliers' current CSR activities while working to raise awareness of Kawasaki Group CSR activities and CSR among suppliers.
- Promote Group-wide CSR procurement by establishing various policies (e.g. Kawasaki Group Policies for Material Procurement and Kawasaki Group CSR Procurement Guidelines) that apply to the entire Kawasaki Group.

● **Fiscal 2020 Results**

- Surveyed major overseas suppliers and received replies from 37 companies in total.
- Established the Kawasaki Group Policies for Material Procurement and Kawasaki Group CSR Procurement Guidelines and worked to promote awareness of them throughout the Group, including at affiliates, in order to strengthen Group-wide governance and improve stakeholders' assessments of the Group.

● **Goals for Fiscal 2021**

- Conduct a CSR procurement survey of major domestic suppliers like that conducted in fiscal 2019 to ascertain said suppliers' current CSR activities while working to raise awareness of Kawasaki Group CSR activities among suppliers.
- Provide CSR procurement know-how to Group companies to promote similar initiatives.

**Basic Policies for Material Procurement**

● **Kawasaki Group Policies for Material Procurement [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 procurements 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

[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/basic\\_policies.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/basic_policies.pdf)

#### Policy Regarding Procurement of Conflict Minerals

<https://global.kawasaki.com/en/corp/sustainability/procurement/index.html>

### Structure

Procurement activities in our daily operations are carried out under the responsibility and authority of each internal company or business division.

We hold a cross-company Procurement Department Head Meetings, which the Director in charge of procurement attends. At this meeting, participants monitor the procurement-related KPIs set by each internal company or business division, share their annual plans, and decide on common Group-wide procurement measures and policies, including those related to CSR procurement.

Working with  
Suppliers **M**

Performance Data

### CSR Procurement

#### CSR Procurement Initiatives

The Kawasaki Group CSR Procurement Guidelines, established in 2012 and revised in 2020, outline the Group's approach to CSR procurement and expectations for its suppliers. They are published on our website. Additionally, in fiscal 2016, we conducted a survey of our domestic suppliers to assess their compliance based on these guidelines. About 1,400 suppliers responded to the survey. We carried out similar surveys of 65 major overseas suppliers in fiscal 2018; 480 major suppliers in Japan in fiscal 2019; and 37 major overseas suppliers in fiscal 2020.

Moreover, since fiscal 2018, we have been providing briefings to directly explain our approach to CSR to our suppliers. At these briefings, we explain important issues in supply chain management, such as human rights and environmental problems, and request that suppliers strengthen their CSR initiatives. From fiscal 2018 through fiscal 2019, we held 10 such CSR-themed supplier briefings 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 CSR Activities Involving the Entire Supply Chain" to our suppliers in Japan, aiming to facilitate collaborative CSR initiatives.

The basic agreements that Kawasaki forms with its suppliers include 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 agreements by stipulating that suppliers should strive to comply with the Kawasaki Group CSR Procurement Guidelines. As a result, our collaboration with suppliers advanced and we are practicing CSR procurement at a new level.

In addition, we hold lectures about CSR procurement as part of in-house training, working to raise the CSR awareness of employees in relevant positions.

Also, domestic and overseas subsidiaries that engage in material procurement disclose their CSR procurement policies on their websites as suited to their specific businesses. Through such efforts, we pursue CSR procurement on a global and Group-wide basis. From now on, the Kawasaki Group will continue to promote CSR initiatives throughout the supply chain in cooperation with its suppliers.



#### Kawasaki Group CSR Procurement Guidelines

[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr\\_tyoutatsu\\_guideline.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

### 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 supply chain risk.

These 39-question surveys about suppliers' initiatives comprise seven sections, including CSR-related corporate governance, human rights and labor, the environment, fair corporate practices, and quality and safety.

Moving forward, we will implement measures to strengthen CSR initiatives throughout the supply chain based on the results of each section of these surveys.

### Capacity Building and Incentives for Suppliers

The Kawasaki Group's five internal companies procure materials across a wide range of fields. Each internal company and business division provides training and implements recognition systems for the purpose of improving suppliers' quality and delivery performance.

### Thorough Compliance in Materials Procurement

Each year, Kawasaki holds group 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 Subcontractors' Act) and the Construction Industry Law. Of note, we maintain proactive measures not limited to procurement divisions to promote awareness and knowledge of the Subcontractors' Act, as outlined below.


- In October 2009, we published a collection of examples of Subcontractors' 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 Subcontractors' Act on the Company intranet. This checklist functions as a tool for checking and correcting administrative activities prone to violations of the Subcontractors' Act.
- Since fiscal 2011, we have held training sessions, mainly for design and manufacturing divisions at our plants and major affiliated companies. In fiscal 2019, these training sessions attracted 953 participants. To date, 6,889 people have attended the sessions.

Note: In fiscal 2020, group workshops were postponed to prevent the spread of COVID-19. However, the Corporate Procurement Division continued to respond to inquiries from related divisions, striving to ensure thorough compliance.

### 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—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.

 **Policy Regarding Procurement of Conflict Minerals**  
<https://global.kawasaki.com/en/corp/sustainability/procurement/index.html>  
**Kawasaki Group CSR Procurement Guidelines**  
[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr\\_tyoutatsu\\_guideline.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

### Human Rights Efforts in the Supply Chain

#### Efforts to Improve the Practices of Suppliers

Kawasaki has created the Kawasaki Group CSR Procurement Guidelines, which outline its expectations for its suppliers, with the aim of promoting CSR issues 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 CSR initiatives, including those advocating for human rights, by surveying our suppliers, hosting CSR-themed briefings, and updating the provisions of the basic agreements.

 **Kawasaki Group CSR Procurement Guidelines**  
[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr\\_tyoutatsu\\_guideline.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

Product  
Liability <sup>M</sup>

Management  
Approach

### Material Issues and Our Approach

As the Kawasaki Group's businesses involve the provision of many infrastructure products, ensuring that customers can use our products and services with confidence is a key management issue. The Kawasaki Group Code of Conduct includes a section titled "Quality and Safety of Products and Services" and states that we must provide high-performance, high-quality, safe products and services.

#### Focus Activities and Medium-term Targets

##### ● Goals for Fiscal 2019–2021

- Create quality assurance and product safety systems on a Group-wide basis.
- Zero product safety law violations.

#### Progress, Results, and Challenges

##### ● Goals for Fiscal 2020

- Continue using the TQM method to conduct surveys to determine actual levels of quality assurance.
- Establish a Kawasaki Group quality assurance policy.
- Periodically hold Company-wide quality meetings to facilitate information sharing and quality assurance activities while developing a robust Company-wide structure for quality management education.

##### ● Fiscal 2020 Results

- Conducted ongoing surveys using the TQM method to determine actual levels of quality assurance.
- Drafted a Group quality assurance policy.
- Implemented quality assurance activities and TQM promotion activities at the internal companies.
- Held Company-wide quality meetings four times to facilitate information sharing and quality assurance activities.
- Held Company-wide seminars to spread the use of TQM.

##### ● Goals for Fiscal 2021


- Continue using the TQM method to conduct surveys to determine actual levels of quality assurance.
- Periodically hold Company-wide quality meetings to facilitate information sharing and quality assurance activities.
- Commence Company-wide quality management education (level-specific education).

### Product Quality and Safety Policy

The Kawasaki Group Code of Conduct includes a section titled "Quality and Safety of Products and Services" and states that "we must provide high-performance, high-quality, safe products and services."

#### ● Scope of Policy Application

The Kawasaki Group

 **The Kawasaki Group Code of Conduct**  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

### Structure

We have established TQM Department within the Corporate Technology Division to advance quality control assurance at the Group-wide level. We have also established divisions responsible for quality control within the internal companies and business divisions to advance quality assurance activities within the internal companies.

#### ● Responsible Officer

Sukeyuki Namiki, Representative Director, Vice President and Senior Executive Officer (in charge of TQM)

#### ● Responsible Executive Organ and/or Committee

We periodically formulate policies and plans for building and reinforcing a Group-wide TQM system that includes quality assurance activities.

Product  
Liability **M**

Performance Data

### Quality and Safety Management

The internal companies and business divisions have been reassessing their internal product safety rules to ensure that their product safety processes are compliant with the international standard ISO 12100. Doing so will better enable design divisions to carry out risk assessments and implement risk reduction measures appropriate to the magnitude of risks identified from the design stage.

- **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

### Quality and Safety Education and Awareness Raising

We hold information meetings on machinery safety and risk assessment seminars for technical divisions of the internal companies and business divisions, which are at 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 and jet engine businesses)
- Kawasaki Railcar Manufacturing Co., Ltd.: Certified
- Energy Solution & Marine Engineering Company: Certified (plant, energy, marine machinery, and ship & offshore structure businesses)
- Kawasaki Motors, Ltd.: Certified
- Precision Machinery & Robot Company: Certified (precision machinery business; also certified under IATF 16949 for parts of the robot business)

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



Certification Status of Quality Management (as of June 2021)  
<https://global.kawasaki.com/en/corp/sustainability/iso.html>

### Policy on Defense-related Businesses

#### 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  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

#### Net Sales by Defense-related Businesses (consolidated global)

	(FY)	2016	2017	2018	2019	2020
Net sales	Millions of yen	236,861	237,737	216,989	256,839	260,960
Percentage of total net sales	%	15.5	15.1	13.6	15.6	17.5

Customer  
Relationship  
ManagementManagement  
Approach**Material Issues and Our Approach**

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.

The Kawasaki Group's five internal companies form a unique customer relationship management (CRM) structure, wherein they share information in order to reflect in product designs and after-sales services as needed.

**Focus Activities and Medium-term Targets**

Because our lineup of products is highly diverse, and because of the differences between our B-to-B and B-to-C businesses, we base our business activities and goal setting for winning the confidence of our customers on the specific characteristics of each business. Key Group-wide activities are aimed at establishing and improving feedback systems. The Marketing Division reaches out to the internal companies and business divisions to gather feedback from customers and follow up on measures intended to enhance customer satisfaction. In the course of doing so, it also shares information and seeks to boost awareness of customer relationship management.

- **Goal for Fiscal 2019–2021**

- Further enhance each internal company and business division's awareness of customer engagement.

**Progress, Results, and Challenges**

We have set up a contact page on our website that customers and other stakeholders can use to communicate their views to the Company.

Since fiscal 2013, the Marketing Division follows up with business divisions on the status of web surveys, questionnaires, and interviews associated with customer satisfaction on a yearly basis (in principle).

- **Goal for Fiscal 2020**

- Roll out customer satisfaction improvement initiatives at Energy System & Plant Engineering and Rolling Stock companies.

- **Fiscal 2020 Results**

Initiatives were rolled out at the two internal companies below in fiscal 2020.

- Energy System & Plant Engineering Company
- Rolling Stock Company

**Details of Initiatives:**

- Shared CRM results via the DJSI
- Featured the internal companies' CRM initiatives (trends in CRM)
- Proposed publicizing activities related to customer relationships at various divisions.

- **Goals for Fiscal 2021**

Roll out initiatives at all internal companies (once every three years).

Roll out initiatives at the two internal companies listed below in fiscal 2021.

- Precision Machinery & Robot Company
- Motorcycle & Engine Company

Customer  
Relationship  
Management

## Performance Data

**Customer Satisfaction****Customer Satisfaction Survey**

The Kawasaki Group's five internal companies supply products to customers across a wide range of fields. Since customer characteristics and business practices vary widely from business to business and product to product, each internal company or business division works to understand their customers' level of satisfaction using methodologies that best suit their businesses.

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, as Kawasaki Motors, Ltd.'s customers include consumers, it uses both direct interview-style questionnaires and online surveys to measure the satisfaction of large numbers of customers around the world.

**Responding to Customer Feedback and Complaints**

Because customer characteristics and business practices vary widely from business to business and product to product, each internal company and business division responds to customer feedback and complaints in ways that best suit their businesses. For example, Kawasaki Motors, Ltd. handles feedback and complaints from customers in Japan at a customer consultation office, centrally manages the information gleaned from such offices, and uses it to inform product development. The company has a similar system in place overseas.

**Customer Information Management**

Because customer characteristics and business practices vary widely from business to business and product to product, each internal company and business division manages customer information in ways that best suit their businesses.

**Online Strategy**

Each internal company and business division provides services in ways that best suit 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 "RIDEOLGY 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 (KRC): *TREND Manager*, a robot monitoring and preventive maintenance system  
*K-CONNECT*, a webpage for robot service members

**Corporate Promotion****Responsible Corporate Promotion**

The Kawasaki Group seeks to accurately communicate the content of its business activities, which are based on its 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 of increasing the public awareness of the Group, but also the need to communicate the Group's contributions to solving social issues through its businesses and products.

**Advertisement Violations and Actions Taken**

There were no violations of laws pertaining to advertising in fiscal 2020.

**Human Resource Management**

**Our Basic Stance**

Our employees constitute the fundamental component supporting the Kawasaki Group's product technologies and the success of the projects it undertakes.

Therefore, Kawasaki sees employees as its most important asset for achieving its Group Mission—"Kawasaki, working as one for the good of the planet"—and business targets.

By striving to create vibrant organizations where diverse human resources are able to energetically work with a sense of pride, safety, and security, we are transforming our corporate culture so that all Kawasaki Group human resources will be highly motivated to ambitiously work toward the realization of Group Vision 2030: "Trustworthy Solutions for the Future."

**Structure**

**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 and business divisions 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	<ul style="list-style-type: none"> <li>President, Vice President, and internal company president</li> <li>General Manager of the Corporate Technology Division</li> <li>General Manager of the Corporate Planning Division</li> <li>General Manager of the Head Office Human Resources Division</li> </ul>	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	<ul style="list-style-type: none"> <li>Head Office Human Resources Planning Department (host)</li> <li>Senior managers of personnel &amp; labor administration sections of internal companies and business divisions and offices</li> </ul>	As needed (approximately twice a month)
Meeting of managers in charge of human resources	To exchange views about and discuss the operations of human resource departments	<ul style="list-style-type: none"> <li>The Head Office Human Resources Department (host)</li> <li>Managers of personnel &amp; labor administration sections of internal companies and business divisions and offices</li> </ul>	As needed (approximately twice a year)
Meeting of managers in charge of human capital development	To exchange views about and discuss the operation of human capital development departments	<ul style="list-style-type: none"> <li>The Head Office Human Capital Development Department (host)</li> <li>Managers in charge of human capital development of internal companies and business divisions, and personnel &amp; labor administration sections of offices</li> <li>Managers of human capital development sections of the Group companies</li> </ul>	Twice a year
Meeting of managers in charge of labor administration	To exchange views about and discuss the operation of labor administration departments	<ul style="list-style-type: none"> <li>The Head Office Labor Administration Department (host)</li> <li>Managers of personnel &amp; labor administration sections of internal companies and business divisions and offices</li> </ul>	Twice a year
Meeting of managers in charge of safety & health management	To exchange views about and discuss the operation of safety & health management departments	<ul style="list-style-type: none"> <li>The Head Office Safety &amp; Health Management Department (host)</li> <li>Managers of the safety &amp; health management sections of each business location</li> </ul>	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, Vice President and Senior Executive Officer, General Manager, 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

**Vision for Our Employees and Organization in Fiscal 2019-2021**

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.

- Respond to changes in the environment by proactively changing and continuously taking on new challenges
- Implement effective ways of working to maximize results
- Realize self-directed, strong individuals and dynamic, cohesive organizations

To achieve this vision, we will rally wide-ranging efforts, including human resource strategies, to transform the Company organization and culture in addition to implementing K-Win Activities (short for Kawasaki Workstyle Innovation Activities) and promoting diversity.

For details on K-Win Activities, please refer to Work-Life Balance (page 91) under the section titled Securing and Retaining Human Resources.

**Human Resource-Related Priority Issues to Be Addressed in K-Win Activities**

- Organizational Transformation: Reconstruct cross-organizational functions and management systems for total optimization
  - Develop succession plans for the next generation of management leaders

For more details, please refer to Human Resource Development (page 80).

**Mindset Transformation: Establish a culture to face evolving challenges**

- Promote diversity to foster open communication incorporating diverse insights and human resources from in and outside the Company
- Establish personnel systems to emphasize speed and positive, ambitious change

**[Example Initiatives]**

- Enabling greater Company-wide mobility of human resources and the mingling of insight from in and outside the Company
- Checking organizational soundness using surveys and promoting intra-workplace communication using organizational development methods
- Building relationships of trust between managers and subordinates through one-on-one meetings and promoting appropriate career formation
- Developing a corporate culture that promotes taking on challenges and learning from failure

For more details, please refer to Diversity (page 73) and Securing and Retaining Human Resources (page 85).

**Operational Transformation: Make structures leaner through effective, efficient business operations**

Standardize and concentrate operations to increase quality and speed

**[Example Initiatives]**

- Workstyle reforms and initiatives to analyze and improve work processes
- Digitize and streamline administrative work, such as accounting and personnel functions
- Improving workplace environments by introducing remote work systems
- Improving efficiency of email and meetings

For more details, please refer to Securing and Retaining Human Resources (page 85).

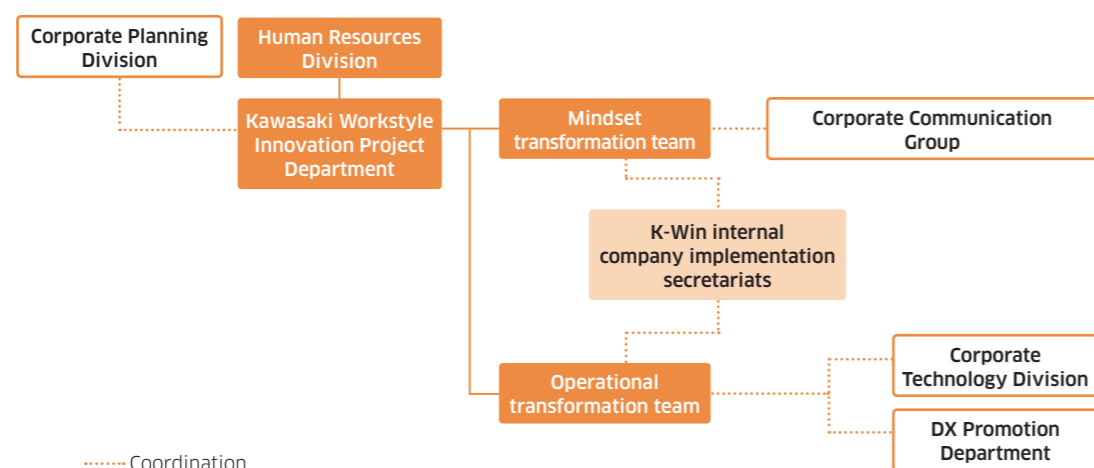
**Structure**

We have formed an Implementation Secretariat for K-Win Activities, primarily comprising the Human Resources Division's Kawasaki Workstyle Innovation Project Department. Two teams operate under the Implementation Secretariat: a mindset transformation team and an operational transformation team. These teams are responsible for the following activities:

- Mindset transformation team: Promoting awareness of the Group Vision 2030, fostering exchange in and outside the Company to promote the diversity of knowledge, nurturing a culture of encouraging taking on challenges and acknowledging and learning from failure, and building an open organizational and corporate culture
- Operational transformation team: Realizing new workstyles for the "new normal," the world with COVID-19, increasing productivity (promoting effective work methods in terms of maximizing results and judicious task selection, and promoting efficient work methods in terms of minimizing required inputs)

Additionally, implementation secretariats have been established at the internal companies and works to promote workstyle reforms across the Company. The Head Office K-Win Implementation Secretariat and the implementation secretariats at internal companies and works hold the Company-wide K-Win Implementation Secretariat Conference to share information and promote workstyle reform implementation.

**K-Win Implementation Structure**



● **Responsible Officer**

Takaaki Kitabayashi, Senior Manager, Kawasaki Workstyle Innovation Project Department, Human Resources Division

● **Responsible Executive Organ and/or Committee**

K-Win Activities Implementation Secretariat

**WEB** **Kawasaki Report 2019—Human Resource Strategies and Transforming the Company Organization and Culture/K-Win Activities**  
[https://global.kawasaki.com/en/corp/sustainability/report/environmental/pdf/19\\_houkokusyo\\_19.pdf](https://global.kawasaki.com/en/corp/sustainability/report/environmental/pdf/19_houkokusyo_19.pdf)  
**Kawasaki Report 2020—Special Features Human Resources Strategies**  
[https://global.kawasaki.com/en/corp/sustainability/report/2020/pdf/20\\_houkokusyo\\_13.pdf](https://global.kawasaki.com/en/corp/sustainability/report/2020/pdf/20_houkokusyo_13.pdf)

**Diversity Management Approach**

**Material Issues and Our Approach**

Today, developed countries, including Japan, are facing a looming sense of anxiety arising from the lack of labor force due to an ongoing decline in population. In addition, a growing number of businesses seek to expand globally as they confront increasingly intensive international competition. Moreover, people's views regarding careers and workstyles have become more diverse than ever before. Against this backdrop, helping employees fully realize their diverse competencies will be crucial to the Kawasaki Group's efforts to sustainably improve its enterprise value. We must also create an organization designed to maximize our human resource capabilities. Based on this recognition, we are proactively implementing various initiatives to promote diversity.

**Focus Activities and Medium-term Targets**

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. Proactively undertaking diversity initiatives, we are thus fostering an inclusive corporate culture that respects diversity and empowers all employees to work energetically. We expect that these initiatives will, in turn, help us enhance our corporate competitiveness.

● **Goals for Fiscal 2019-2021**

- Decrease the voluntary turnover rate for female employees in administrative and technical positions to 1.4% (fiscal 2016-2018 average: 2.8%).
- Increase options designed for LGBT employees.
- Hold presentations for senior managers and section managers on timely, diversity-related topics.

**Progress, Results and Challenges**

● **Goals for Fiscal 2020**

- Establish a Company-wide policy on diversity.
- Implement measures to curb the number of voluntary resignations among women, non-Japanese nationals, people with disabilities, young employees, and mid-career hires along with initiatives aimed at supporting their career success.
- Hold seminars, study sessions, and other events to create an LGBT-friendly work environment.
- Practice organizational development activities at multiple workplaces to establish organizational development methods that are best suited to Kawasaki.

● **Fiscal 2020 Results**

- Established a Company-wide policy on diversity and reflected it in goal-setting for fiscal 2021.
- Incorporated the goal of "leveraging our rich diversity" into Group Vision 2030.
- Shared the activities of our non-Japanese national employees in a video on international professionals created by JETRO Kobe to support their career success.
- Held after-work seminars to raise awareness of LGBT issues.
- Practiced organizational development activities at multiple workplaces of internal companies.
- Number of female managers: 66 (+9)
- Percentage of management positions held by women: 1.71% (+0.33 percentage points)
- Percentage of employees with disabilities: 2.53% (+0.01 percentage points)

● **Goals for Fiscal 2021**

- Create workplaces that leverage employees' individuality and strengths through support for minority employees (such as women, those with disabilities and LGBT individuals).
- Support employees' diverse workstyles via both the establishment and operation of related systems through measures to support employees balancing work with childcare or nursing care.
- Implement further organizational development and contribute to organizational and corporate culture transformation.

### Our Basic Stance on Diversity

In order for the Kawasaki Group to achieve the sustainable improvement of its enterprise value, it is critical that all of the roughly 36,000 human resources who participate in its businesses around the world are empowered to take full advantage of their unique personalities, realize their full potential, and vigorously engage in their daily operations, regardless of their nationality, gender, age, religion, or disability. Accordingly, 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 unconventional ideas and new value, with the aim of accommodating increasingly diverse customer requests.

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

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

### Structure

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

For details on our internal committees and relevant governance structures, please refer to Human Resource Management (page 70).

## Diversity

### Performance Data

### Employee Breakdown

#### Number of Employees (non-consolidated)<sup>1</sup>

		(FY)	2016	2017	2018	2019	2020
Number of employees		Persons	16,162	16,423	16,899	17,218	17,396
	Male	Persons	15,159	15,303	15,533	15,748	15,876
		%	93.8	93.2	91.9	91.5	91.3
Female	Persons	1,003	1,120	1,366	1,470	1,520	
	%	6.2	6.8	8.1	8.5	8.7	
Managerial staff		Persons	3,386	3,473	3,593	3,681	3,732
	Male	Persons	3,362	3,445	3,549	3,630	3,680
		Persons	24	28	44	51	52
General employees		Persons	12,776	12,950	13,306	13,537	13,664
	Male	Persons	11,797	11,858	11,984	12,118	12,196
		Persons	979	1,092	1,322	1,419	1,468
Average age		Years old	38.1	38.4	39.3	39.4	39.7
	Male	Years old	38.0	38.3	39.2	39.3	39.6
		Years old	39.9	39.9	40.9	40.9	41.1
By age <sup>2</sup>	29 and younger	Persons	3,867	3,870	3,826	3,703	3,529
		%	23.9	23.6	22.6	21.5	20.3
Male	Persons	3,674	3,655	3,595	3,451	3,268	
	Persons	193	215	231	252	261	
30 to 39		Persons	4,718	4,960	5,225	5,437	5,504
		%	29.2	30.2	30.9	31.6	31.6
Male	Persons	4,449	4,645	4,849	5,027	5,084	
	Persons	269	315	376	410	420	
40 to 49		Persons	4,206	4,198	4,329	4,368	4,456
		%	26.0	25.6	25.6	25.4	25.6
Male	Persons	3,855	3,814	3,849	3,887	3,989	
	Persons	351	384	480	481	467	
50 to 59		Persons	2,142	2,452	2,812	3,123	3,367
		%	13.3	14.9	16.6	18.1	19.4
Male	Persons	2,002	2,285	2,582	2,850	3,048	
	Persons	140	167	230	273	319	
60 and above		Persons	1,229	943	707	587	540
		%	7.6	5.7	4.2	3.4	3.1
Male	Persons	1,179	903	658	533	487	
	Persons	50	40	49	54	53	
By position	Director, Audit & Supervisory Board Member <sup>3</sup>	Persons	17	17	17	16	13
	Male	Persons	16	15	15	14	11
		%	94.1	88.2	88.2	87.5	84.6
Female	Persons	1	2	2	2	2	
	%	5.9	11.8	11.8	12.5	15.4	
Executive officer and above		Persons	27	24	24	25	26
	Male	Persons	27	24	24	25	25
		%	100	100	100	100	96.2
Female	Persons	0	0	0	0	1	
	%	0	0	0	0	3.8	

		(FY)	2016	2017	2018	2019	2020	
By position	Senior manager equivalent <sup>4</sup>	Persons	820	869	917	987	1,071	
		Male	Persons	813	862	910	979	1,064
		%	99.1	99.2	99.2	99.2	99.3	
	Female	Persons	7	7	7	8	7	
		%	0.9	0.8	0.8	0.8	0.7	
	Manager equivalent	Persons	2,402	2,456	2,461	2,470	2,527	
		Male	Persons	2,385	2,435	2,427	2,431	2,482
		%	99.3	99.1	98.6	98.4	98.2	
Female		Persons	17	21	34	39	45	
	%	0.7	0.9	1.4	1.6	1.8		
Assistant manager equivalent	Persons	1,795	1,873	2,147	2,074	2,203		
	Male	Persons	1,708	1,769	2,034	1,952	2,068	
	%	95.2	94.4	94.7	94.1	93.9		
	Female	Persons	87	104	113	122	135	
	%	4.8	5.6	5.3	5.9	6.1		

- Number of employees as of the fiscal year-end (includes temporary employees).
- Percentage figures will not necessarily add up to 100% as they are rounded up to the first decimal point.
- 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.
- Senior Manager equivalent includes positions up to associate officer.

#### Number of Employees (consolidated global)\*

		(FY)	2016	2017	2018	2019	2020
Total employees	Persons	35,127	35,805	35,691	36,332	36,691	
	Domestic group	Persons	26,348	26,747	26,171	26,616	26,901
	%	75.0	74.7	73.3	73.3	73.3	
	Overseas group	Persons	8,779	9,058	9,520	9,716	9,790
	%	25.0	25.3	26.7	26.7	26.7	
By region	Japan	Persons	26,348	26,747	26,171	26,616	26,901
		%	75.0	74.7	73.3	73.3	73.3
	Europe	Persons	681	704	750	734	702
		%	1.9	2.0	2.1	2.0	1.9
	Americas	Persons	3,469	3,557	3,639	3,921	4,015
		%	9.9	9.9	10.2	10.8	10.9
	Asia	Persons	4,629	4,758	5,092	5,023	5,033
		%	13.2	13.3	14.3	13.8	13.7
	Australia	Persons	Included in Asia	39	39	38	40
		%		0.1	0.1	0.1	0.1

\* Number of employees as of fiscal year-end.

#### 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 (non-consolidated)

		(FY)	2017	2018	2019	2020	2021
Number of foreign national employees*	Persons	34	35	36	35	36	


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

#### Promoting the Active Participation of Women

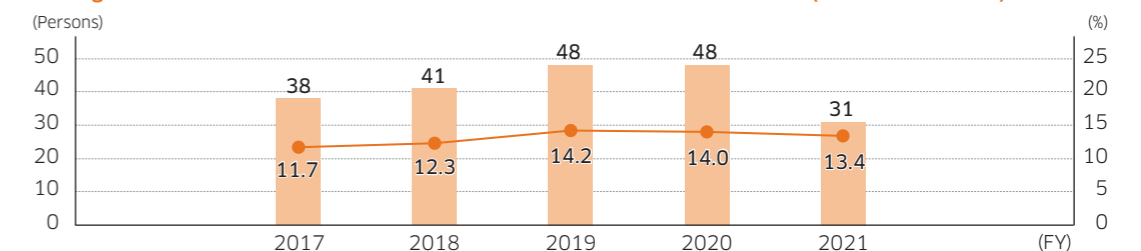
Kawasaki's efforts to promote the active participation of women begin with proactive hiring. The number of women employed and the number in managerial positions have been increasing year by year. Particularly with respect to hiring, about 30 percent of new college graduates in administrative positions are women.

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. The Eruboshi system uses a three-level scale to evaluate companies' achievements in five areas: 1) hiring, 2) continued employment, 3) working hours and other conditions, 4) ratio of female managers, and 5) diverse career paths. Kawasaki has met the conditions for certification in areas 1), 2), 3), and 5).

 Kawasaki's page in the Ministry of Health, Labour and Welfare's database of companies promoting the active participation of women (Japanese language only)  
<http://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=2392>

#### New Graduate Female Hires for Administrative and Technical Positions\* and Percentage of Women among All New Graduate Hires for Administrative and Technical Positions (non-consolidated)



■ New graduate female hires for administrative and technical positions (left scale)  
 ● Percentage of women among all new graduate hires for administrative and technical positions (right scale)  
 \* As of April 1 of each fiscal year.

#### Number of Women in Managerial Positions<sup>1,2</sup> (non-consolidated)

		(FY)	2017	2018	2019	2020	2021
Number of women in managerial positions	Persons	29	43	49	57	66	

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

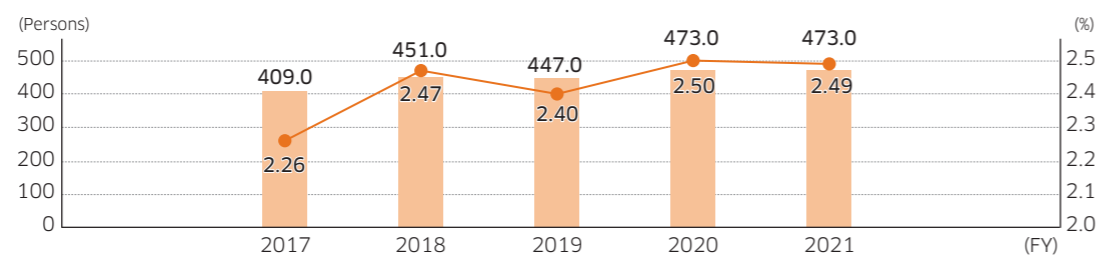
#### Promoting Participation by People with Disabilities

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 towards providing working environments that support their long-term employment.



**Employees with Disabilities<sup>1,2</sup> and Percentage of Employees with Disabilities  
(Kawasaki and Kawasaki Heartfelt Service Co., Ltd.)**



■ Employees with disabilities (left scale)  
● Percentage of employees with disabilities (right scale)

1. As of June 1 of each fiscal year.  
2. People working short hours are accounted for at a factor of 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.

**Remuneration**

**Average Annual Remuneration (non-consolidated)**

	(FY)	2016	2017	2018	2019	2020
All employees	Millions of yen	7.4	7.1	7.1	7.2	7.0
	Male	7.5	7.2	7.2	7.3	7.1
	Female	5.4	5.2	5.2	5.3	5.2
Average for managerial staff (basic pay only)	Millions of yen	7.6	7.6	7.6	7.6	7.7
	Male	7.6	7.6	7.6	7.6	7.7
	Female	7.3	7.2	7.0	7.1	7.0
Average for managerial staff (basic pay plus bonuses, etc)	Millions of yen	12.1	11.4	11.3	11.4	11.1
	Male	12.1	11.4	11.4	11.4	11.1
	Female	11.7	10.7	10.2	10.5	9.9
Average for general employees (basic pay only)	Millions of yen	4.4	4.5	4.5	4.6	4.4
	Male	4.5	4.5	4.6	4.6	4.5
	Female	3.7	3.7	3.7	3.8	3.8

**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 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.

**Initiatives to Facilitate Employee Understanding of the LGBT Community**

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.



Kawasaki LGBT Ally mark

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.

**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.

Human Resource  
Development  
Management  
Approach

### Material Issues and Our Approach

In order for the Kawasaki Group to achieve sustainable growth and development, all employees must efficiently, effectively, and completely achieve specific targets assigned to them based on their respective positions in line with corporate policies and Company-wide actions. As the pace of change in the external environment is faster than ever, it is also essential that we nurture human resources capable of proactively changing and continuously taking on new challenges.

### Focus Activities and Medium-term Targets

We aim 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.

#### ● Goals for Fiscal 2019–2021

- Build electrical skills training programs and create and implement new training.
- Steadily implement succession plans aimed at systematically nurturing future executive candidates (job rotation, reinforcing training, etc.).
- Implement early leader training and suitability reviews (utilize multifaceted observation surveys).
- Introduce a training management system and shift from focusing on group training to optimized learning modes, including e-learning, text-based study, and group training.

### Progress, Results and Challenges

#### ● Goals for Fiscal 2020

- Step up the development of human resources with electrical skills (e.g., strengthen training for mid-level engineers to help raise their technological capabilities).
- Strengthen training for executive candidates (e.g., review the existing structure for nurturing executive candidates).
- Strengthen management capabilities of organizational managers (e.g., review the former senior manager training).
- Develop human resource development platforms (e.g., complete the development of a training management system and put the system into actual use).

#### ● Fiscal 2020 Results

- Due to the COVID-19 pandemic, most training in the first quarter was cancelled. Training gradually resumed from the second quarter onward by moving to an online format.
- Held a seminar on applied AI as part of efforts to reinforce human resources with electrical skills (11 participants).
- Reorganized the executive candidate development framework (e.g., lowered the minimum rank for participation in Kawasaki executive coaching programs to the section head level from fiscal 2021).
- Held a management skills seminar for managers having difficulties in developing their subordinates (22 participants).
- Completed the development and commenced the use of a training management system.

#### ● Goals for Fiscal 2021

- Step up the development of human resources with electrical skills (e.g., strengthen training for mid-level engineers to help raise their technological capabilities).
- Strengthen training for executive candidates (e.g., consider creating Kawasaki executive coaching programs).
- Strengthen management capabilities of organizational managers (e.g., review the former senior manager training).
- Develop human resource development platforms (e.g., promote the utilization of the training management system)

### Human Resource Development Policy

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 that company. In accordance with our basic recognition that human resources are the core of Kawasaki’s growth and that they develop through their work, we abide by the following basic views regarding human resources:

- 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

We provide consistent training and development programs for all different staff grades with the aim of realizing the ideal six human resource attributes as defined in our Mission Statement. These attributes are:

- (1) actively involved around the world;
- (2) solving issues for customers and the community;
- (3) leading reforms and innovation;
- (4) taking technology to new heights;
- (5) demonstrating comprehensive capabilities; and
- (6) always maintaining a profitability 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 and business divisions 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 [📄](#) (page 70).

Human Resource Development  
Performance Data

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; seminars aimed at enhancing the capabilities of mid-level managers and section heads; and multi-faceted observational surveys to build individuals' awareness of their strengths and areas requiring improvement. Such initiatives serve to strengthen middle management and develop the skills of candidates for management positions.

Communication is used 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)	2016	2017	2018	2019	2020
New employee training	Participants	332	325	338	338	344
	Total hours	14,608	14,300	14,872	14,872	15,136
Training for new section managers	Participants	95	91	91	125	103
	Total hours	7,600	7,280	5,533	7,843	4,944
Training for new division managers	Participants	40	44	50	48	36
	Total hours	2,240	2,464	2,464	2,700	1,512
Kawasaki executive coaching program	Participants	9	9	9	9	9
	Total hours	1,152	1,152	1,152	1,152	1,152
Kawasaki management seminars	Participants	34	51	23	-*	121
	Total hours	136	204	81	-	242

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

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 2021, five new grand masters have been recognized, bringing the current total of active grand masters to 19.

In addition, we participate actively in outside skills competitions. At the Hyogo Monozukuri (production) Skill Competition held in October 2020, Kawasaki employees took second place in the welding category 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 site manager training and team leader 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.

● 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, 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.

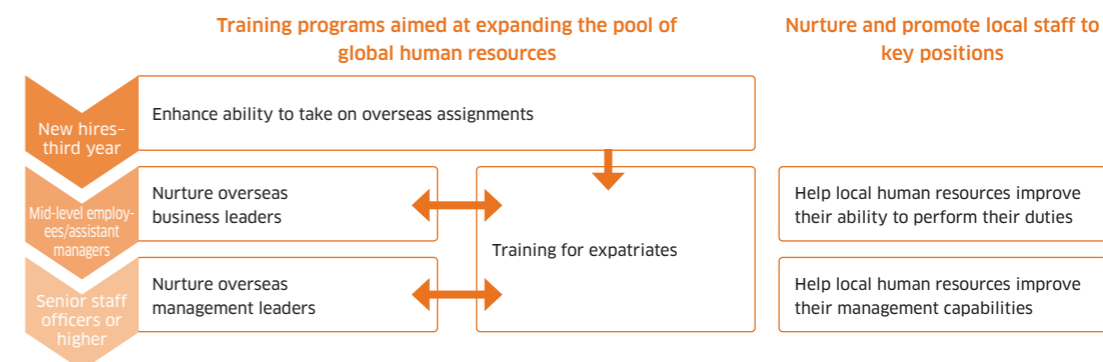
Developing Global Human Resources

Since 2008, we have been implementing measures for global human resource development aimed at supporting business expansion worldwide. Specifically, we provide global business talent seminars designed to promote a readiness to engage in business from a global perspective while imparting useful skills in addition to enhanced cross-cultural responsiveness training, which is designed to instill a practical and systematic understanding of differences in ever-diversifying value perceptions.

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 Training Programs Associated with Global Human Resources Organized by Head Office (consolidated domestic; exceptions apply)

	(FY)	2016	2017	2018	2019	2020
Global business talent seminars	Participants	39	39	33	16	-
	Total hours	2,964	2,964	1,584	872	-
Cross-cultural training	Participants	90	61	20	38	-
	Total hours	720	488	160	304	-
English skill series <sup>1</sup>	Participants	40	30	15	17	19
	Total hours	864	648	324	368	161
English writing series <sup>2</sup>	Participants	36	32	39	37	-
	Total hours	576	512	624	956	-

Note: Language programs are also provided at each location.

1. English skills series: Meeting-based (Reading aloud and practical exercises), presentation and negotiation training

2. English writing series: Courses on technical writing and business writing

### 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. In addition we have implemented an internal study program involving the transfer of employees to other internal companies to acquire experience in large-scale projects.

### Nurturing Management Successors

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

#### ● Kawasaki Executive Coaching Program

We implement the Kawasaki Executive Coaching Program (spanning nine months per fiscal year) to nurture executive candidates capable of embodying our corporate philosophy. Individuals undergoing this program are selected from among senior manager equivalents. They participate in numerous group discussions among themselves while engaging in deliberations involving external lecturers and corporate managers from outside the Kawasaki Group. In addition to instilling expertise on corporate management, the program is thus designed to help them fully develop a real-life picture of corporate management duties at the Kawasaki Group, learn how overall optimization will contribute to resolving the management issues the Group is confronting, and adopt a global business management viewpoint.

### Amounts Invested in Human Resource Development

#### Education and Training Expenses (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Education and training expenses per employee	Yen/FTE*	33,000	33,000	35,000	34,000	27,000
Education and training hours per employee	Hours/FTE*	33	33	38	41	32

\* FTE: Full-Time Equivalent

#### ROI from Human Resources (consolidated global)

	(FY)	2016	2017	2018	2019	2020
Sales (a)	Millions of yen	1,518,830	1,574,242	1,594,743	1,641,335	1,488,486
Sales expenses (b)	Millions of yen	1,472,869	1,518,317	1,530,720	1,579,272	1,493,792
Employee-related expenses (c)*	Millions of yen	158,303	158,070	161,131	161,460	156,707
ROI from human resources (a-(b-c)) /c		1.29	1.35	1.40	1.38	-

\* Salaries, bonuses, and welfare expenses

Securing and  
Retaining Human  
Resources **M**

Management  
Approach

### Material Issues and Our Approach

The sustainable enhancement of the enterprise value of the Kawasaki Group requires initiatives aimed at continuously securing human resources capable of advancing the Group's businesses as well as developing and fully utilizing their abilities. Based on this understanding, we are implementing a variety of measures to promote employee recruitment and retention, aiming to realize appealing workplaces that employees will want to stay in. The K-Win activities, which began in fiscal 2016 as workstyle reform initiatives, have expanded to encompass overall corporate innovation activities aimed at achieving Group Vision 2030 and become integrated with Group management. These initiatives are aimed at realizing highly productive workplaces where diverse employees can maintain a good work-life balance while creatively using their abilities to the fullest and producing more highly effective employees who are highly motivated and take on challenges with a sense of ownership. Through these initiatives, we are working to create organizations that produce virtuous cycles of enterprise value enhancement.

#### Focus Activities and Medium-term Targets

In terms of K-Win activities, we are advancing workstyle reforms for employees aimed at realizing highly productive workplaces where employees can maintain a good work-life balance while creatively using their abilities to the fullest. Aiming to create a corporate culture and organizations that enable all employees to work with enthusiasm, fully exercising their individual abilities, we carry out periodic employee satisfaction surveys and reflect the results in human resource measures and K-Win activities.

#### ● Goal for Fiscal 2019–2021

- Further increase employee satisfaction as reported in the employee engagement survey.

#### Progress, Results, and Challenges

##### ● Goals for Fiscal 2020

- Continue activities aimed at organizational and corporate culture transformation and operational transformation and, to measure the results of such activities and use the findings toward ongoing improvement, commission a third party with a strong global track record to implement an engagement survey (replacing the existing employee satisfaction survey).
- Continue examining and promoting measures to activate human resources, including more active use of employee rotation.
- Advance necessary work toward the April 2021 revision of personnel and compensation systems.

##### ● Fiscal 2020 Results

- Carried out an engagement survey in October 2020. The results were reported to the Management Committee, which agreed on a target of increasing the proportion of highly effective employees to the level seen at high-performing global companies by 2030.
- Advanced efforts to bring together human resources across existing organizational bounds, mainly through Company-wide projects, such as those of the Presidential Project Management Division. Began measures to activate human resources, such as the internal side job system and career development leave system.
- Commenced the application of a new personnel and compensation system in April 2021, strengthening the link between expected role and compensation for individuals as well as positive assessment of their desire to take on challenges and achievements in doing so.

##### ● Goals for Fiscal 2021

- Continue to carry out the engagement survey. Analyze the results of the previous survey at the division level and work to help increase engagement.
- Share information and raise awareness to ensure that the new personnel and compensation system functions as intended as it enters full use.

### Structure

Based on Kawasaki's Company-wide basic policy on human management resources, the Head Office's Human Resources Division and the human resource and labor departments of the internal companies and divisions coordinate to formulate and operate human resource systems, including those for securing, placing, and activating human resources, as well as to implement human resource transfers within the Group and promote the hiring of diverse human resources.


In addition, to further K-Win activities, which began in fiscal 2016 as workstyle reform initiatives, in fiscal 2020 we established the Kawasaki Workstyle Innovation Project Department within the Human Resources Division. The new department is working to raise awareness of Group Vision 2030 Company-wide, including employees' awareness of their role in it.

For details on our internal committees and relevant governance structures, please refer to Human Resource Management [📄](#) (page 70).

For details about the K-Win activity framework, please refer to Vision for Our Employees and Organization in Fiscal 2019–2021 under Human Resource Management [📄](#) (page 71).

**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  (page 76).

**Number of Employees Hired (non-consolidated)**

	(FY)	2017	2018	2019	2020	2021
New graduates hired*	Persons	538	538	562	555	357
	Male Persons	495	492	507	498	323
	Female Persons	43	46	55	57	34
Administrative and technical positions	Persons	325	332	338	344	231
	Male Persons	287	291	290	296	200
	Female Persons	38	41	48	48	31
Production specialists	Persons	213	206	224	211	126
	Male Persons	208	201	217	202	123
	Female Persons	5	5	7	9	3
Mid-career hires and ratio of mid-career hires to all new hires	Persons	251	417	296	167	–
	%	31.8	43.7	34.5	23.1	–
	Male Persons	145	297	202	136	–
Administrative and technical positions	Persons	138	162	165	90	–
	Male Persons	125	152	148	81	–
	Female Persons	13	10	17	9	–
Production specialists	Persons	19	148	60	59	–
	Male Persons	19	140	50	54	–
	Female Persons	0	8	10	5	–
Partner	Persons	94	107	71	18	–
	Male Persons	1	5	4	1	–
	Female Persons	93	102	67	17	–
Average years of service	Years	13.5	13.6	13.4	13.7	–
	Male Years	13.5	13.7	13.7	14.0	–
	Female Years	13.5	12.3	10.0	10.3	–

\* 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 (non-consolidated)**

	(FY)	2016	2017	2018	2019	2020
Evaluation based on target management <sup>1</sup>	%	100	100	100	100	100
Multifaceted performance evaluations <sup>2</sup>	%	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. 360° evaluations, etc.

**Long-term Incentives****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

## Resignations

### Number of People Resigning (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Number and Rate <sup>1,2</sup>	Persons	145	187	220	217	205
	%	0.9	1.2	1.3	1.3	1.2
Male	Persons	129	166	200	186	179
	%	0.9	1.1	1.3	1.2	1.1
Female	Persons	16	21	20	31	26
	%	1.7	2.0	1.6	2.1	1.7
29 and younger	Persons	75	78	111	116	109
	%	2.7	2.3	2.9	3.1	3.1
Male	Persons	68	68	101	104	99
	%	2.6	2.1	2.8	3.0	3.0
Female	Persons	7	10	10	12	10
	%	5.3	5.6	4.4	4.8	3.8
30 to 39	Persons	43	75	76	77	63
	%	0.9	1.5	1.5	1.4	1.1
Male	Persons	39	67	70	64	52
	%	0.8	1.4	1.5	1.4	1.0
Female	Persons	4	8	6	13	11
	%	1.5	2.7	1.7	3.2	2.6
40 to 49	Persons	19	25	16	14	28
	%	0.5	0.6	0.4	0.3	0.6
Male	Persons	16	22	13	11	25
	%	0.4	0.6	0.3	0.3	0.6
Female	Persons	3	3	3	3	3
	%	1.0	0.9	0.7	0.6	0.6
50 and above	Persons	8	9	17	10	5
	%	0.2	0.3	0.5	0.3	0.1
Male	Persons	6	9	16	7	3
	%	0.2	0.3	0.6	0.2	0.1
Female	Persons	2	0	1	3	2
	%	0.9	0.0	0.4	1.1	0.5

1. Age of resigning employees is shown as of April 1 of each fiscal year.

2. Number of resigning people 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)	2016 <sup>1</sup>	2017	2018 <sup>2</sup>	2019	2020 <sup>3</sup>
Response rate	%	80	–	94	–	80
Satisfaction (Percentage of people who replied “I would like to continue to work here”)	%	–	–	70	–	86
Male	%	–	–	68	–	87
Female	%	–	–	70	–	83

1. Scope: Implemented for certain executives and managers at Group companies outside Japan

2. Scope: The Kawasaki Group (domestic)

3. Scope: Kawasaki Heavy Industries, Ltd. (non-consolidated)

## 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)	2016	2017*	2018	2019	2020
Shares held by the Employee Stock Ownership Association	Shares	28,900,217	2,980,821	3,286,221	3,790,021	4,501,521
Position on the register of shareholders (by size of shareholding)		9th	9th	7th	6th	4th

\* Kawasaki implemented a 1-for-10 share consolidation effective October 1, 2017, based on a resolution passed by the General Meeting of Shareholders.

## Work-Life Balance Support

### 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.

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

		(FY)	2016	2017	2018	2019	2020
Employees using the childcare leave	Persons		51	49	59	68	84
	Male	Persons	8	6	7	13	38
	Female	Persons	43	43	52	55	46
Employees using the care leave	Persons		0	4	3	3	5
	Male	Persons	0	2	3	3	3
	Female	Persons	0	2	0	0	2
Return rate after childcare leave	%		98	98	100	100	96
Retention rate after childcare leave	%		100	98	98	96	—*

\* 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 2020 because this one-year period has not yet elapsed.

Support Systems (non-consolidated)

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 special circumstances.

Work-Life Balance

Work-life balance is the foundation for promoting diversity, 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.



Workstyle Reform (K-Win Activities)

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. In fiscal 2020, we established the Kawasaki Workstyle Innovation Project Department within the Human Resources Division, further integrating these activities with overall Company management while expanding their scope. K-Win activities are aimed not only at realizing workstyle reforms for employees, but at creating a virtuous cycle of enterprise value improvement that creates value for all stakeholders, including shareholders, customers and suppliers.

● K-Win Activities

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.

Based on the three pillars of organizational transformation, mindset transformation, and operational transformation, we are expanding the range of our activities beyond workstyle reforms to encompass overall corporate innovation, seeking to raise awareness of Group Vision 2030 Company-wide, including employees’ awareness of their role in it.

For details, please refer to *Vision for Our Employees and Organization in Fiscal 2019–2021 under Human Resource Management* (page 71).

### 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 (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Number of used paid leaves*	Days / person	15.2	15.4	15.8	15.9	15.9
Paid leave usage rate	%	69.0	70.0	71.8	72.3	72.3
Total annual work hours	Hours / person	2,075	2,065	2,047	2,035	1,953
Total annual overtime hours	Hours / person	307.2	303.8	303.6	295.2	206.4

\* 22 days given per year.

#### 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.


### Occupational Safety and Health

#### Management Approach

### Material Issues and Our Approach

Kawasaki believes that ensuring the safety and maintaining and improving the health of our employees are key foundational components of corporate activities that advance our enterprise value.

Kawasaki has defined its Philosophy, Declaration, and Basic Policy on Safety, Sanitation and Health, based on which it has formulated its three-year Medium-term Safety and Health Management plans as well as its Safety and Health Management Platform (a one-year plan) for occupational safety and health activities, including the prevention of work-related accidents and illnesses, as well as health maintenance and improvement, and the development of comfortable workplaces.

 [Kawasaki Safety and Health Philosophy, Safety and Health Declaration and Basic Policy \(Japanese language only\)](https://www.khi.co.jp/sustainability/social/employee/pdf/safety_idea.pdf)  
https://www.khi.co.jp/sustainability/social/employee/pdf/safety\_idea.pdf

### Focus Activities and Medium-term Targets

The Medium-term Safety and Health Management Plan 2019 (2019-2021) defines the following targets and focus activities:

#### ● Goals for the Medium-term Safety and Health Management Plan 2019

##### ● Top-priority Targets

1. Zero serious occupational accidents
2. Zero new cases of occupational illness

##### ● Safety Management Targets (2019 / 2020 / 2021)

1. Reduce the frequency of lost-worktime accidents by at least 9% (0.40 / 0.39 / 0.38)
2. Reduce the total number of occupational accidents by at least 9% (46 / 45 / 43)

##### ● Sanitation Management Targets (2019 / 2020 / 2021)

1. Reduce days lost to illness or injury resulting in four or more days of lost time by at least 5% (28,476 days / 27,993 days / 27,511 days)
2. Reduce the proportion of workplaces with overall health risk scores of 120 or above as determined by group analyses of stress checks by at least 3 percentage points (4.8% / 3.8% / 2.8%)

##### ● Health Management Targets (2019 / 2020 / 2021)

1. Reduce the proportion of employees 40 years old or above with metabolic syndrome or pre-metabolic syndrome by at least 5 percentage points (25.1% / 23.4% / 21.8%)
2. Reduce the proportion of employees under 40 years old with high body fat by at least 5 percentage points (43.2% / 41.5% / 39.9%)
3. Prohibit smoking in all indoor spaces, in principle (comply with related laws and regulations from April 2020)

Notes: 1. The scope for all of the above is Kawasaki Heavy Industries, Ltd. (non-consolidated)

2. All the above targets are for 2021 (the final year of the plan); target changes are as compared with 2018 results.

#### ● Focus Activities

##### Safety Management

1. Utilizing an occupational safety and health management system (OSHMS) based on the guideline developed by the Ministry of Health, Labour and Welfare
2. Thorough enforcement and strengthening of measures to prevent serious occupational accidents and similar accidents
3. Disaster prevention for young and inexperienced workers

##### Sanitation Management

1. Preventive measures against occupational diseases
2. Mental health measures

##### Health Management

1. Health maintenance and improvement measures
2. Lifestyle disease countermeasures
3. Second-hand smoke preventive measures



**Progress, Results and Challenges**

**Safety Management**

1. We have built safety and health management systems compliant with OSHMS standards and carry out safety and health initiatives.
2. We regularly review past occupational accidents, work to eliminate risks of danger or harm, and implement education and training to prevent serious occupational accidents and similar accidents.
3. We are working to prevent accidents at construction sites through such measures as establishing an overarching safety management system and implementing education and patrols.

**Sanitation Management**

1. We are implementing working environment management, work management, health management, and chemical substance countermeasures to prevent work-related illnesses.
2. We are implementing mental health measures, including line-of-command care and self-care, coordinating between the divisions to which employees belong, safety and health divisions, and mental health medical specialists and are establishing a follow-up system.

**Health Management**

1. We are implementing lifestyle disease countermeasures through such means as health education and guidance for affected employees.
2. We are working to completely separate smoking and non-smoking areas in indoor spaces and encouraging smokers to quit.
3. We are advancing collaborative health measures, such as implementing health measures with health insurance unions based on check-up data.

● **2020 Results**

- Total number of occupational accidents: 48 (+3)
- Frequency of lost-worktime accidents: 0.34 (-0.05)
- Days lost to illness or injury resulting in four or more days of lost time: 31,102 (+3,109)
- Percentage of high-stress workplaces: 6.1% (+2.3 percentage points)
- Percentage of employees with metabolic syndrome (including pre-metabolic syndrome): 30.4% (+7.0 percentage points)
- Percentage of employees under 40 years old with high body fat: 49.2% (+7.7 percentage points)

Notes: 1. The scope for all of the above is Kawasaki Heavy Industries, Ltd. (non-consolidated)  
 2. Figures in parenthesis indicate differences from targets.

**KPI**

Company-wide frequency rate of lost-time injuries

● **Goal for 2021**

9% lower than 2018

● **Progress**

	(Jan.-Dec.)	2016	2017	2018	2019	2020
Company-wide frequency rate of lost-time injuries		0.30	0.29	0.42	0.35	0.34

**KPI**

Company-wide total days of sick leave taken in instances of four days or longer

● **Goal for 2021**

5% lower than 2018

● **Progress**

	(Jan.-Dec.)	2016	2017	2018	2019	2020
Company-wide total days of sick leave taken in instances of four days or longer		27,962	27,027	28,959	28,575	31,102

**Policy on Occupational Safety and Health**

● **Basic Policy on Safety and Health**

**1. Provide a safe and secure working environment**

- Identify and reduce risk elements that can lead to labor accidents or health issues before they occur.
- Establish a safety and health management structure and constantly improve its quality of management by implementing the PDCA cycle.
- Promote the realization of comfortable workplaces where communication can freely flow and that are conducive to improving working methods and working environments.

**2. Implement health management measures with an emphasis on prevention**

- Thoroughly implement working environment management, work management, and health management to prevent work-related illnesses.
- Promote mental healthcare and measures for mitigating stress in the workplace to reduce the number of employees with mental health issues.
- Reduce the amount of overtime and holiday work, and provide physical checkups and healthcare guidance as a way to prevent health issues caused by overworking.

● **Basic Policy on Health**

**1. Activities for maintaining and building health**

- Provide a broad range of health initiatives to improve both mental and physical health.
- Support health building activities that individual employees personally engage in.
- Ensure a 100% physical checkup participation rate, and use results from these checkups for disease prevention.
- Keep lifestyle diseases from becoming serious.

**2. Realizing a rich life**

- Realize a rich life where work, family, and society are in a good balance by shortening work hours, promoting the use of paid leave, and making use of various holiday and rest programs.

● **Scope of Policy Application**

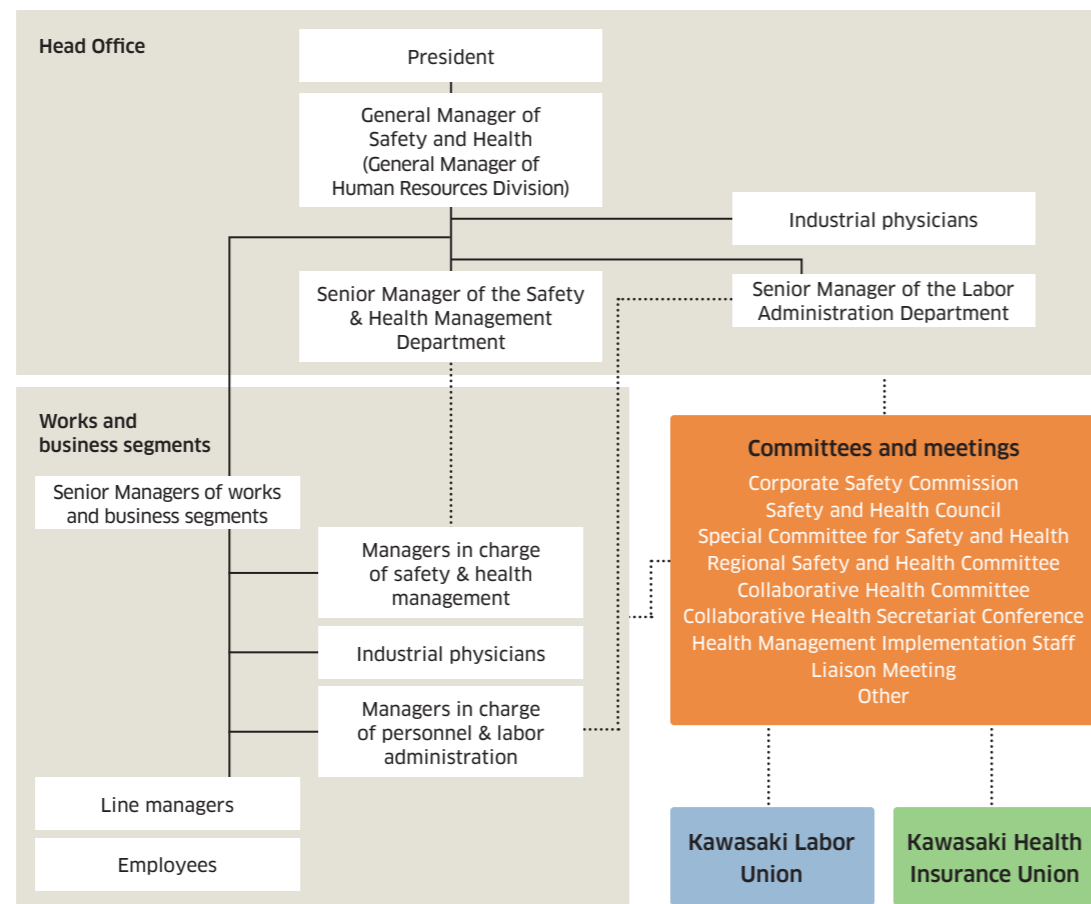
Officers, employees, and staff seconded from partners under the management of Kawasaki


Safety and Health Declaration and Basic Policy (Japanese language only)  
[https://www.khi.co.jp/sustainability/social/employee/pdf/safety\\_idea.pdf](https://www.khi.co.jp/sustainability/social/employee/pdf/safety_idea.pdf)

**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 Company regulations and rules.

Occupational Safety and Health Management Structure



● Responsible Officers

Company-wide: Manabu Ozaki, 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 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 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 (page 101).

Occupational Safety and Health Performance Data

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 in 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 a level that could be of OSHMS third-party certified (sites with third-party certification: Hyogo Works, Kobe Works shipyard, Sakaide Works shipyard). Business sites with third-party certification undergo regular inspections by third-party certification bodies. Uncertified sites undergo internal audits once a year in principle, administered 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

Company 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 2020, the Nagoya Works and the Division of Energy & Marine Machinery System of the Akashi Works achieved a full year of accident-free operations.

● 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)	2016 <sup>1</sup>	2017 <sup>1</sup>	2018 <sup>2</sup>	2019 <sup>3</sup>	2020 <sup>3</sup>
Safety Dojo participants	Persons	3,687	2,778	2,668	1,581	671

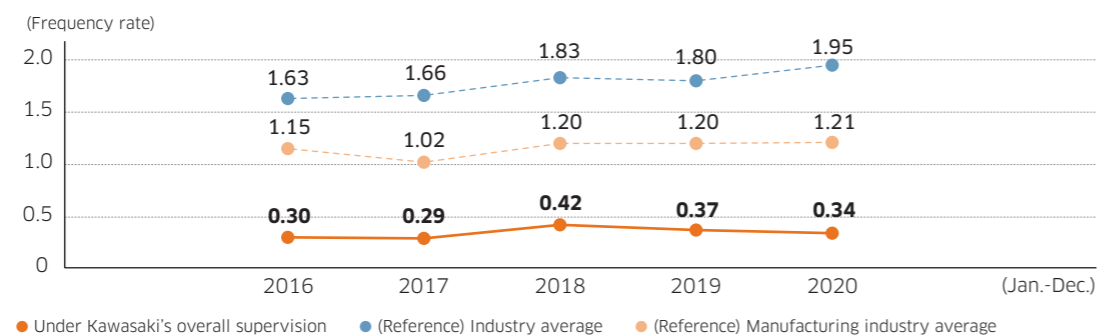
1. Scope: Kawasaki Heavy Industries, Ltd. (non-consolidated)  
 2. Scope: The Kawasaki Group (domestic); exceptions apply  
 3. Scope: The Kawasaki Group (domestic)

Status of Labor Accidents and Work-related Illnesses

		(Jan.-Dec.)	2016	2017	2018	2019	2020
Number of labor accidents		Number of incidents	42	57	90	104	77
	Under Kawasaki's overall supervision	Number of incidents	42	57	48	69	48
	Domestic Group <sup>1</sup>	Number of incidents	-	-	42	35	29
Number of fatalities in the course of duty		Persons	0	0	0	1	0
	Under Kawasaki's overall supervision	Persons	0	0	0	0	0
	Employees	Persons	0	0	0	0	0
	Internal transfer Staff <sup>2</sup>	Persons	0	0	0	0	0
	Domestic Group <sup>1</sup>	Persons	-	-	0	1	0
Frequency rate of lost-time injuries (frequency rate)	Under Kawasaki's overall supervision		0.30	0.29	0.42	0.37	0.34
	Employees		0.12	0.30	0.21	0.21	0.21
	Internal transfer Staff <sup>2</sup>		0.85	0.24	1.04	0.77	0.74
	(Reference) Industry average		1.63	1.66	1.83	1.80	1.95
	(Reference) Manufacturing industry average <sup>3</sup>		1.15	1.02	1.20	1.20	1.21

1. Kawasaki and key domestic consolidated subsidiaries  
 2. Internal transfer staff under overall supervision of Kawasaki (temporary staff, and contract staff in shipbuilding and construction)  
 3. Data source: Ministry of Health, Labor and Welfare, Labor Accident Trend Survey 2019

● Frequency Rate of Lost-time Injuries (non-consolidated)



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.

● Mental Health Measures

Kawasaki implements the four types of mental health care outlined by the Ministry of Health, Labour and Welfare. We offer level-specific mental health education by age group and when employees are promoted at each business site to ensure that employees have regular access to such education. Each year, approximately 10% of all employees receive mental health education. We also conduct annual stress checks and provide interview guidance and other follow-ups for those found to have high levels of stress. We then conduct group-level analyses of stress check data and use the analysis results in training at each business site. As needed, the results of group-level analyses are also used in work-place and work environment improvement efforts for workplaces with high levels of health risk.

When an employee develops a mental health issue, we aim to intervene and respond quickly. Industrial physicians along with human resource and labor departments, industrial health staff, and the employee's supervisor provide coordinated support when such an employee returns to work following a mental health-related absence. Furthermore, we offer an external consultation hotline so that employees can easily seek advice related to mental health and other issues.

● Health Management of Employees on Overseas Assignment

Kawasaki's internal 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. To prevent employees on overseas assignment from contracting infectious diseases, Kawasaki covers the cost of vaccinations as necessary for their specific destinations.

In addition, we provide support so that employees can seek necessary medical care with confidence should they become unwell while overseas.

Sanitation Management (non-consolidated)

		(Jan.-Dec.)	2016	2017	2018	2019	2020
Sick leave rate (case basis) <sup>1</sup>			6.2	5.1	5.6	5.7	4.8
Mental health-related sick leave frequency <sup>2</sup> (case basis)			0.25	0.22	0.22	0.35	0.43
Absence rate (day basis) <sup>3</sup>	Mental health issues (Situational/Acute)	Cases	48	42	42	67	84
	Other psychological disorders	Cases	1	1	3	5	7
Leave due to mental health issues <sup>4</sup>			2.1	2.4	2.3	3.8	4.6
Overall sick leave			4.8	4.9	4.8	7.0	7.5

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 Company 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%. As part of collaborative health promotion efforts with the health insurance union, we compile health reports based on site-level health data gleaned from such sources as health checkup results and records of examinations received at medical institutions. Using these reports, we are able to better understand the health issues faced by each site, and we are now creating a system to formulate and implement educational and other health-related measures based on these insights. Also, in terms of education, we hold an Eating Habit Improvement Seminar, an Exercise Seminar, and other events aimed at preventing lifestyle diseases in collaboration with the health insurance union.

#### ● Infectious Disease Prevention

Kawasaki provides vaccinations to employees scheduled to travel or be stationed overseas as needed depending on their destination. We also provide 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 close contact, enclosed spaces, and large groups. At the same time, in accordance with government policy, we have formulated guidelines for preventing contracting and spreading the virus and are working to ensure awareness among employees.

#### ● 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

To promote the formation of self-directed healthy habits among domestic Group employees, every year domestic Group companies, the health insurance union, and the labor union collaborate to hold the Kawasaki Health Challenge, a health promotion event. Each year since its inauguration in fiscal 2012, the number of participants has grown, and more than 40% of domestic Group employees now take part. To further promote health activities, we have introduced a health management app to help employees in their daily efforts to maintain and improve their health.

#### ● Health Education Classes

As part of our Company-wide Total Health Promotion activities, we support employees in improving their mental and physical health by offering classes aimed at the prevention of lifestyle diseases. These include an Eating Habit Improvement Seminar, an Exercise Seminar and seminars for female employees.

#### ● Health Education Participants (non-consolidated)

	(FY)	2016	2017 <sup>1</sup>	2018 <sup>1</sup>	2019 <sup>1</sup>	2020 <sup>2</sup>
Mental health education	Persons	–	1,323	2,048	2,206	2,047
Level-specific education (for new hires, etc.)	Persons	–	1,051	906	765	1,978
Other health education (education for female employees, etc.)	Persons	–	622	2,352	1,728	1,565

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)	2016	2017	2018	2019	2020
Percentage taking designated checkups	%	95.6	92.8	96.2	96.7	95.7
Percentage taking designated health guidance	%	65.4	62.7	62.5	66.7	66.7

#### ● Health Management KPI (non-consolidated)

	(FY)	2016	2017	2018	2019	2020
Percentage taking regular physical checkups	%	99.3	99.0	99.0	99.6	99.8

#### Labor Discussions

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

Kawasaki has concluded a labor agreement with the labor union and holds a Safety and Health Council (at least once a year) to discuss the policies of safety and health activities, the focus initiatives, and activity planning; a Special Committee for Safety and Health (at least twice a year) for following up on and revising the status of actions being implemented; and a Regional Safety and Health Committee (monthly) for deliberating on measures for preventing hazards and health impediments and discussing the causes and measures for preventing the recurrence of labor accidents at all offices in Japan.

### Material Issues and Our Approach

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 Human Rights Policy. 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.

### Focus Activities and Medium-term Targets

Based on the United Nations Guiding Principles on Business and Human Rights, the Kawasaki Group is implementing initiatives to ensure respect for human rights in its business activities in the following processes.

1. Find and itemize human rights issues in the value chains of the Group's businesses
2. Identify and rank the priority of human rights issues and determine priority areas and methods for initiatives going forward
3. Establish human rights policy
4. Formulate and implement risk reduction measures for key risks (For example, local surveys, improving labor environments, implementing human rights training, etc.)
5. Disclose information about human rights initiatives
6. Repeat 1 through 5 (in a PDCA cycle)

#### ● Goals for Fiscal 2019–2021

- Implement fact-finding surveys regarding identified human rights risks (at subsidiaries and suppliers).
- Increase human rights awareness among employees.

### Progress, Results, and Challenges

#### ● Goals for Fiscal 2020

- Carry out human rights training for employees.
- Implement fact-finding surveys within the Kawasaki Group regarding areas of high human rights risk.

#### ● Fiscal 2020 Results

- Implemented e-learning on business and human rights for 191 employees in charge of human resources or sustainability.
- Suspended fact-finding surveys within the Kawasaki Group due to the COVID-19 pandemic.

#### ● Goals for Fiscal 2021

- Expand the range of e-learning on business and human rights to cover all domestic Group employees.
- Implement human rights due diligence as a pilot survey in the Robot Business Division regarding child labor, forced labor, and occupational safety and health within the Group.

### Human Rights Policy

The Kawasaki Group has enshrined respect for the human rights of all people in its business activities in the Kawasaki Group Code of Conduct and strives to ensure respect for the human rights of stakeholders affected by its business activities.

Furthermore, in fiscal 2019, we established the Kawasaki Group Human Rights Policy to complement the Kawasaki Group Code of Conduct.

#### ● Scope of Policy Application

The Kawasaki Group



#### The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

#### The Kawasaki Group Human Rights Policy

[https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy\\_e.pdf](https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf)

### Structure

The Kawasaki Group Human Rights Policy states that the executive officer in charge of sustainability and the Planning Department of the Sustainable Development Division are responsible for human rights-related management and issues.

The responsible department analyzes and monitors human rights risks, and the Sustainability Committee 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 (page 2).

#### ● Responsible Officer

Katsuya Yamamoto, Representative Director, Vice President and Senior Executive Officer (in charge of sustainability)

#### ● Responsible Executive Organ and/or Committee

Sustainability Committee

#### ● Board of Directors' Involvement in Human Rights Matters (Reporting and Deliberating)

Reports on training and activities associated with human rights are given as needed in Sustainability Committee meetings.

### 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 Human Rights Policy 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 business partners to work with us as a team to uphold these guidelines.



**The Kawasaki Group Code of Conduct**

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

**The Kawasaki Group Human Rights Policy**

[https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy\\_e.pdf](https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf)

**Participation in International Initiatives**

<https://global.kawasaki.com/en/corp/sustainability/initiatives.html>

**Kawasaki Group CSR Procurement Guidelines**

[https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr\\_tyoutatsu\\_guideline.pdf](https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf)

**Confirmation and Declaration of the Abolition of Forced Labor and Child Labor**

[https://global.kawasaki.com/en/corp/sustainability/overview/child\\_labor.pdf](https://global.kawasaki.com/en/corp/sustainability/overview/child_labor.pdf)

### Employee Education about Business and Human Rights

In fiscal 2020, we carried out e-learning for employees about business and human rights. The 191 participants were mainly employees in charge of sustainability or human resources from domestic Group companies. In fiscal 2021, we plan to expand the range of employees that receive this training.

### 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

#### Labor-Management Discussions

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 Human Rights Policy states that the Group shall respect employees' freedom of association and right to collective bargaining.

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 Council (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)	2016	2017	2018	2019	2020
Number of union members	Persons	12,541	12,823	12,949	13,294	13,459
Labor union makeup*	%	75.8	76.9	79.2	79.2	78.7
Number of labor discussions with the union	Number	–	26	31	23	44

\* 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 officers.



**The Kawasaki Group Human Rights Policy**

[https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy\\_e.pdf](https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf)

**Participation in International Initiatives**

<https://global.kawasaki.com/en/corp/sustainability/initiatives.html>

### 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 and Corrective Measures**

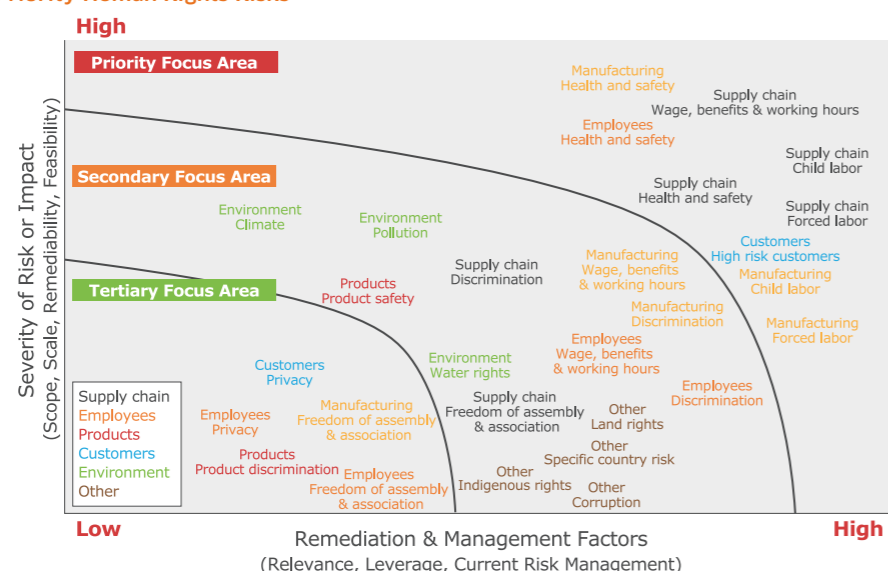
As a result of the risk assessments and impact assessments, we found that the following nine areas in particular present significant human rights risks.

- 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

**Responses and Challenges Going Forward**

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.

**Priority Human Rights Risks**



**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 2020)	Contact point/ Operating division	Scope
Internal consultation point system	Workplace harassment, such as sexual harassment, abuse of authority, and maternity-related harassment	Email	15	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 on page 30.			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 Regarding Human Rights**

**Engagement with Stakeholders**

The Kawasaki Group Human Rights Policy, 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 (page 105).

**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 Planning Department of the Sustainable Development Division 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.

**WEB** The Kawasaki Group Human Rights Policy  
[https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy\\_e.pdf](https://global.kawasaki.com/en/corp/sustainability/employee/pdf/policy_e.pdf)

**The Myanmar Dilemma, published by SOMO**  
<https://www.somo.nl/wp-content/uploads/2017/02/170731-The-Myanmar-Dilemma-update-web-1.pdf>

**Addressing Modern Slavery**

**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.

**WEB** Kawasaki Precision Machinery (UK) Ltd. "Slavery and Human Trafficking Statement 2020/2021"  
[https://www.kawasakihydraulics.com/app/uploads/2021/04/Modern-Slavery-Act-Statement-2020\\_21-FY2020-Final.pdf](https://www.kawasakihydraulics.com/app/uploads/2021/04/Modern-Slavery-Act-Statement-2020_21-FY2020-Final.pdf)

**Kawasaki Motors Europe N.V. (UK Branch) "Modern Slavery Act Statement"**  
[https://storage.kawasaki.eu/repository/Global%20Repository/pdf/modern\\_slavery\\_act\\_UK2019.pdf](https://storage.kawasaki.eu/repository/Global%20Repository/pdf/modern_slavery_act_UK2019.pdf)

**Kawasaki Subsea (UK) Limited "Modern Slavery and Human Trafficking Statement"**  
<http://www.khisubsea.co.uk/slavery-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



## Social Contribution Activities

## Management Approach

### Material Issues and Our Approach

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 our Group Mission, "Global Kawasaki, working as one for the good of the planet," the Kawasaki Group is 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.

### Focus Activities and Medium-term Targets

#### ● Goals for Fiscal 2019–2021

- Promote activities based on the Policy on Social Contribution Activities.
- Implement phase 2 of the handicraft and experiment courses.
- Continue events at Kawasaki Good Times World.
- Continue to run Kawasaki Robostage.
- Run the Kawasaki Good Times Foundation with an emphasis on efficacy.
- Continue forest conservation activities.

### Progress, Results, and Challenges

#### ● Goals for Fiscal 2020

- Promote activities based on the Policy on Social Contribution Activities.
- Implement phase 2 of the handicraft and experiment courses, looking at the Energy System & Plant Engineering businesses.
- Continue events at Kawasaki Good Times World.
- Continue to run Kawasaki Robostage.
- Run the Kawasaki Good Times Foundation with an emphasis on efficacy.
- Continue forest conservation activities.

#### ● Fiscal 2020 Results

- Promoted activities based on the Policy on Social Contribution Activities.
  1. Social contribution activity spending: ¥679 million
  2. Kawasaki Good Times World guests: 77,000\*
  3. Handicraft and experiment course participants: 0
    - \* Closed from April 1 to May 31 due to the state of emergency declaration
- Redeveloped a program looking at the energy system and plant engineering businesses (about creating a power station) as phase 2 of the handicraft and experiment courses, but did not carry out the program, which is designed to be held in person, to prevent the spread of COVID-19.
- Because the in-person handicraft and experiment courses were cancelled, we took part in online live streaming events. (Total participants in lectures about Kawasaki's SDG-related initiatives and industrial robot business: 663)
- Continued to run Kawasaki Good Times World, Kawasaki Robostage, and the Kawasaki Good Times Foundation.
- Carried out forest conservation activities (activities covered a total of 96.94 ha in Taka, Hyogo; Ono, Hyogo; Machida, Tokyo; and Niyodogawa, Kochi)

#### ● Goals for Fiscal 2021

- Recommence implementation of the program looking at the energy system and plant engineering businesses as phase 2 of the handicraft and experiment courses.
- Develop new online live streaming programs.



### Policy on Social Contribution Activities

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.

#### ● Scope of Policy Application

The Kawasaki Group



#### Policy on Social Contribution Activities

[https://global.kawasaki.com/en/corp/sustainability/contribution/policy\\_on\\_social\\_contribution.html](https://global.kawasaki.com/en/corp/sustainability/contribution/policy_on_social_contribution.html)

### Structure

For details on related structures, please refer to Sustainability Promotion System under Sustainability Framework (page 2).

#### ● Responsible Officer

Katsuya Yamamoto, Representative Director, Vice President and Senior Executive Officer (in charge of sustainability)

#### ● Responsible Executive Organ and/or Committee

Sustainability Committee



#### Support for the Next Generation

[https://global.kawasaki.com/en/corp/sustainability/contribution/next\\_generation/support.html](https://global.kawasaki.com/en/corp/sustainability/contribution/next_generation/support.html)

#### Contribution to local communities

[https://global.kawasaki.com/en/corp/sustainability/contribution/local\\_communities.html](https://global.kawasaki.com/en/corp/sustainability/contribution/local_communities.html)

#### Realization of a Society Coexisting with Nature

<https://global.kawasaki.com/en/corp/sustainability/environment/symbiotically.html>

#### Kawasaki Good Times World

<https://www.khi.co.jp/kawasakeworld/english/#wrapper>

#### Kawasaki Robostage

<https://robotics.kawasaki.com/ja1/robostage/en.html>

### Social Contribution Activities

#### Performance Data

### Key Areas in Our Social Contribution Activities

#### Key Area 1

##### ● Contribution to Local Communities

###### ● Overview (relevance to our business)

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.

###### ● Effects on Business

These activities help improve our presence in these communities.

###### ● Effects on Society

Through these activities, we contribute to the sustenance and development of local communities.

#### Key Area 2

##### ● Support for the Next Generation

###### ● Overview (relevance to our business)

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.

###### ● Effects on Business

These activities help improve employees' communication abilities and motivation while improving the Group's brand reputation.

###### ● Effects on Society

By carrying out these science education programs on a regular basis, we contribute to building children's interest in science.

#### Key Area 3

##### ● Realization of a Society Coexisting with Nature

###### ● Overview (relevance to our business)

The Kawasaki Group upholds its contributions to the global environment as a key element of its Group Mission, and aims to create a society that coexists with nature. As part of these efforts, we engage in forest conservation activities in three locations in the prefectures of Hyogo, Kochi, and Tokyo. This also helps to build environmental awareness among our employees and promote personal exchange with our communities.

###### ● Effects on Business

These activities help to build environmental awareness among our employees, and also improve our reputation as an environmentally sensitive company.

###### ● Effects on Society

We calculate and disclose the amount of CO<sub>2</sub> absorbed through these forestation activities.

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

	(FY)	2016	2017	2018	2019	2020
Donations and philanthropy	%	42.18	47.34	34.86	36.29	37.69
Investments (ongoing partnerships with NGOs, etc.)	%	31.20	32.62	45.71	46.47	43.72
Advertising and marketing (support funding, campaigns, etc.)	%	26.61	20.03	19.42	17.24	18.59
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 Activity Expenditure (totals for Kawasaki and Kawasaki Good Times Foundation in the United States)**

		(FY)	2016	2017	2018	2019	2020
<b>Total</b>		Millions of yen	697	670	653	712	679
Breakdown by category	Vitalization of industry and economy	Millions of yen	95	100	178	205	199
	Communities	Millions of yen	300	266	154	198	184
	Education	Millions of yen	136	173	216	214	215
	Culture, sports	Millions of yen	121	73	59	59	57
	Welfare and humanitarian aid (including disaster relief)	Millions of yen	22	38	22	7	6
	Others (including environmental safety, and disaster prevention)	Millions of yen	23	20	24	28	18
Expenditure type	Provision of funds	Millions of yen	238	191	155	146	160
	Provision of goods	Millions of yen	239	234	236	238	194
	Employee volunteer activities	Millions of yen	220	245	262	328	326
	Indirect management costs	Millions of yen	0	0	0	0	0
Percentage of ordinary profit	%	1.90	1.55	1.73	1.76	-	

Notes: 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.

**Measuring the Effects of Our Social Contribution Activities**
**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)	2016	2017	2018	2019	2020
<b>Social contribution expenses for communities</b>		Millions of yen	300	266	154	198	184
Kawasaki Good Times World visitors	Thousands of people		219	247	227	198	77
Handicraft experiment courses	Participants		415	435	519	463	0
	Events held		21	24	25	21	0
Online educational event participants	Persons		-	-	-	-	663

<b>Forest conservation activities</b>		Taka, Hyogo	Ono, Hyogo	Machida, Tokyo	Niyodogawa, Kochi
Participants	Persons	23	73	28	0
Activities per year	Number of activities	1	1	1	0
Area	ha	6.8	10.0	10.14	70.0
CO <sub>2</sub> absorption amount	t-CO <sub>2</sub>	0.19	-	-	45.0
Tree planting	Trees	-	4	-	-

**External Assessment**

Kawasaki proactively implements sustainability activities. These activities have been widely recognized and have been evaluated by various external organizations. For the latest information on inclusion in ESG stock indices and evaluations of the Group's sustainability initiatives, please refer to Kawasaki's website.


**Evaluation by Society**

<https://global.kawasaki.com/en/corp/sustainability/mgmt/evaluation.html>