

## Promotion of Human Resources Activities

### Goals of Group Vision 2030

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

| Priority matters                                                                                                                                                                                         | Target indicators (or key performance indicators)                                                                        | Fiscal 2021 results                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Implement the personnel system reform and human resource development in ways that enhance corporate value</li> <li>• Promote diversity and inclusion</li> </ul> | Proportion of employees answering "I want to continue working at the Kawasaki Group" on our Employment Engagement Survey | 83% (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing)   |
|                                                                                                                                                                                                          | Proportion of women in managerial positions                                                                              | 1.75% (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing) |
|                                                                                                                                                                                                          | Employee-related expenses                                                                                                | ¥147,460 million (non-consolidated)                                                |

### Implement Personnel System Reform and Human Resource Development in Ways that Enhance Corporate Value

Human resources are the most important asset necessary for the Group to continuously provide new value required by society. In our Group Vision 2030, the enhancement of human capital is positioned as an important factor supporting our growth scenario.

Based on this awareness and in accordance with our basic policy on human capital (Kawasaki Group Policy on Human Resource Management), we are implementing various measures to recruit and develop diverse human resources, establish an environment that enhances and demonstrates the individualities and abilities of those human resources, and realize people and organizations that continuously tackle challenges and make reforms in a positive manner. In particular, positioning the improvement of employee engagement as a priority issue, we are tackling personnel system reforms and organizational development activities to further increase the number of highly motivated employees and provide them with an environment in which they can fully display their abilities.

In our human resource development, level-specific training, including for young employees and top management, and education and training common to the Group are planned and implemented by the head office, and education and training in response to the abilities and skills required in each business are planned and implemented by each internal company.

Additionally, to further develop human resources to support the development of our operations worldwide, the Group has been engaged in global human resources development since 2008. Specifically,

we implement the global business talent seminars to instill a mental preparedness to work from a global perspective and learn skills related to overseas business and the global basic skills seminars to instill a systematic understanding of differences in diversifying values.

#### K-Win Activities (Kawasaki Workstyle Innovation)

Beginning as a program of workstyle reform and developing into a project entailing operational transformation, organizational transformation, and corporate culture transformation, the Kawasaki Group's K-Win activities are now integrated into Group management and have been expanded to include overall corporate innovation to change the corporate culture and employee awareness for the purpose of achieving the Group Vision 2030. Through these efforts to create more highly motivated employees who actively take on challenges, we are building organizations that create virtuous cycles of corporate value enhancement.

#### Employee Engagement Survey

Believing that realization of the Group Vision 2030 requires employees willing to go beyond their boundaries and perform work with a sense of purpose and fulfillment, we are implementing a variety of reform activities, including K-Win activities. Using engagement survey which is employed widely by global corporations, we regularly grasp organizational capacity, identify issues, and consider effective measures to address them.

### Promote Diversity and Inclusion

Crucial to the continued growth of the Kawasaki Group's corporate value is the development of an organization that maximizes the ability of our 36,000 employees worldwide to fully demonstrate their potential, regardless of such factors as their nationality, gender, age, religion, and disability.

Based on this recognition, we are proactively implementing various initiatives to promote diversity and inclusion.

#### Women in Management

We have set the following goals for fiscal 2025: number of women in managerial positions compared to fiscal 2020, doubled to over 116; proportion of women among new-graduate hires placed in career-track administrative positions, 30%-40% or more; proportion of women in new-graduate hires placed on the career-track technical positions, 5%-15% or more.

#### LGBT-related Efforts

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.

And in 2021, for the fourth consecutive year,

Kawasaki was awarded the highest rating of Gold in the Pride Index 2021, which reflects the level of effort on behalf of LGBT and other sexual minorities as recognized by the voluntary organization work with Pride.

#### Promoting Participation by People with Disabilities

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.

#### Work-life Balance

Work-life balance is the foundation for promoting diversity and inclusion, allowing diverse employees to exercise their strengths. To that end, the Kawasaki Group believes that 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. The Group makes available a variety of work styles options, allowing employees to balance their work and private lives, which in turn promotes work efficiency throughout the organization.

## Occupational Safety and Health

### Goals of Group Vision 2030

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

| Priority matters                                                                                                                                                                                                                                | Target indicators (or key performance indicators)                                  | Fiscal 2021 results (calendar year basis)                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Implement appropriate occupational safety and health measures: to prevent work-related accidents, to reduce the need for sick leave, and to encourage employees to improve lifestyle habits</li> </ul> | Total number of occupational accidents                                             | 58 (Kawasaki Heavy Industries, Kawasaki Motors, Kawasaki Railcar Manufacturing) |
|                                                                                                                                                                                                                                                 | Frequency rate of lost-time injuries                                               | 0.31 (same)                                                                     |
|                                                                                                                                                                                                                                                 | Absence rate (day basis) due to sick leave taken in stances of four days or longer | 7.8 (same)                                                                      |
|                                                                                                                                                                                                                                                 | Health score*                                                                      | 3.9 (same)                                                                      |

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

### Implement Appropriate Occupational Safety and Health Measures: To Prevent Work-related Accidents, to Reduce the Need for Sick Leave, and to Encourage Employees to Improve Lifestyle Habits

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.

## Sustainable Supply Chain Management

### Goals of Group Vision 2030

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

| Priority matters                                                                                                                                                                                                                                                                                                                            | Target indicators (or key performance indicators)                          | Fiscal 2021 results                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Revise and distribute sustainable procurement guidelines</li> <li>• Implement Sustainable Procurement Survey of suppliers and review or audit based on their responses</li> <li>• Supply chain management with respect to human rights, decarbonization, and effective use of resources</li> </ul> | Number of major suppliers responding to our sustainable procurement survey | 395                                                      |
|                                                                                                                                                                                                                                                                                                                                             | Number of reports from our supplier hotline                                | N/A (our supplier hotline is currently being considered) |

### / Implement Sustainable Procurement Survey of Suppliers and Review or Audit Based on Their Responses

Suppliers are one of the valuable business partners for the Kawasaki Group's business activities. It is essential that our procurement activities are conducted in line with our stance toward sustainability, which includes consideration for compliance, human rights, labor, occupational safety and health, and the global environment. To that end, we have published the Kawasaki Group's Policies for Material Procurement and CSR Procurement Guidelines, which outline our approach to sustainable procurement and requirements of suppliers. These policies and guidelines have been disseminated among related divisions, including Group

companies, so that the Group is united in our promotion of sustainable procurement.

Kawasaki has conducted surveys of domestic and overseas suppliers to assess their compliance with the Kawasaki Group CSR Procurement Guidelines and evaluate our supply-chain risks.

In fiscal 2021 we implemented a survey of major suppliers in Japan and received replies from 395 companies. Going forward, we will implement measures to strengthen sustainable initiatives throughout the supply chain based on the results of these surveys.

### / Supply Chain Management with Respect to Human Rights, Decarbonization, and Effective Use of Resources

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

Moreover, since fiscal 2018, we have been providing briefings to directly explain our approach to sustainability 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 sustainability initiatives. From fiscal 2018 through fiscal 2019, we held 10 such sustainability-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 Sustainability Activities Involving the Entire Supply Chain" to our suppliers in Japan, aiming to facilitate collaborative sustainability initiatives.

## / Addressing 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.

In fiscal 2021, based on customer requests, Kawasaki Motors, Ltd. carried out a survey of not only tin, tantalum, tungsten, and gold but also cobalt and duly conveyed the results.

## Business and Human Rights

### Goals of Group Vision 2030

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

| Priority matters                                                                                                          | Target indicators (or key performance indicators)                                                                                                      | Fiscal 2021 results                                                       |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Implement human rights due diligence among subsidiaries and suppliers</li> </ul> | Number of subsidiaries confirming prohibition of child labor and forced labor (implementation at subsidiaries where the company president has changed) | 15                                                                        |
|                                                                                                                           | Number of participants in human rights training                                                                                                        | 13,245 (Number of participants in human rights training using e-learning) |
|                                                                                                                           | Number of human rights audits conducted and revised at subsidiaries and suppliers                                                                      | N/A (under consideration for fiscal 2022)                                 |

### / Implement Human Rights Due Diligence Among Subsidiaries and Suppliers

The Kawasaki Group has enshrined respect for human rights in its business activities in the Kawasaki Group Code of Conduct. In fiscal 2019, we adopted the Kawasaki Group Policy on Human Rights. The Group also supports and respects international rules and norms regarding human rights and labor, including the International Bill of Human Rights, the International Labour Organization's core labor standards, and the United Nations Guiding Principles on Business and Human Rights.

Additionally, our Group is conducting human rights

due diligence aimed at carrying out initiatives to ensure respect for human rights in its business activities.

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

## Technological Development/Digital Transformation (DX)

### Goals of Group Vision 2030

- Deliver new products and new businesses to market which contribute to the resolution of global environmental and social challenges.
- Successfully acquire and utilize intellectual property rights linked with business strategies.
- Promote process innovation, increase sophistication of processes and integrate digital technologies throughout the value chain.

| Priority matters                                                                                                                                                                                                                                                                                              | Target indicators (or key performance indicators)                                                | Fiscal 2021 results                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Promotion of open innovation</li> <li>• Building of intellectual property strategy (strengthening of intellectual property strategy) for the co-creation of new businesses</li> <li>• Promotion of digital transformation (DX) throughout the value chain</li> </ul> | Number of products and cases of commercialization in three focal fields of the Group Vision 2030 | 9 products and cases (automatic PCR testing systems, large-capacity battery propulsion systems for shipping, etc.)                                                                                    |
|                                                                                                                                                                                                                                                                                                               | Number of cases of participation in planning of open innovation projects                         | 11 cases (project for the construction of a platform to transport goods using unmanned VTOL aircraft in Ina City, Nagano; demonstration tests for service robots with Fujita Health University, etc.) |
|                                                                                                                                                                                                                                                                                                               | R&D expenses                                                                                     | ¥47 billion                                                                                                                                                                                           |

### / Promotion of Open Innovation

The Kawasaki Group will mutually share and utilize the core technical competencies it possesses and deploy technologies in a versatile way to achieve significant synergy effects. In fiscal 2021, the Group concluded a co-development contract with Kawasaki Kisen Kaisha, Ltd. ("K" Line), and is pushing forward with development on a "AI (Artificial Intelligence)-based Marine Machinery

Operation Support System" that is expected to be part of the core technology to achieve autonomous vessel operation in the future alongside Preferred Networks, Inc.

We will continue to actively promote collaborations not only within the Group but also those with universities, research institutions, and other corporations, both domestically and overseas.

### / Building of Intellectual Property Strategy (Strengthening of Intellectual Property Strategy) for the Co-creation of New Businesses

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

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.

### / Promotion of Digital Transformation (DX) Throughout the Value Chain

Kawasaki DX is one of the activities set to significantly revolutionize the style in which the Group's businesses are conducted, and the processes to support this, and achieve the Group Vision 2030.

We will continue to actively promote DX initiatives throughout the value chain, leveraging the power of digital to realize innovations in the business model and

process reforms which emphasize market-orientation and speed.

Meanwhile, in April 2022, the Group formally authorized "Certified DX operators" as defined in the Ministry of Economy, Trade, and Industry's DX certification system.

## Information Security

### Goals of Group Vision 2030

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

| Priority matters                                                                                                             | Target indicators (or key performance indicators)                                  | Fiscal 2021 results                                |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Strengthen information security governance throughout the Kawasaki Group</li> </ul> | Number of employees taking information security training 20,000                    | 19,033 persons                                     |
|                                                                                                                              | Frequency of targeted threat mail training 20 times                                | Implementation in fiscal 2022 under consideration  |
|                                                                                                                              | Number of receivers of targeted threat mail training 4,000                         | Implementation in fiscal 2022 under consideration  |
|                                                                                                                              | Scores of 80 points or more for all domains owned by KHI from security risk rating | Percentage of domains exceeding target values: 83% |

### / Strengthen Information Security Governance Throughout the Kawasaki Group

Led by the Head Office DX Strategy Division, we are bringing together the strengths of all internal companies to strengthen the Group's cyber security. Each internal company also has an information system department that implements security measures based on Company policy. We have established a dedicated framework under the Corporate Risk Management System to handle information security management for the Group. We adhere to a management cycle with an emphasis on rules, training, and technology measures to address constantly changing information security risks while systematically implementing, maintaining, and enhancing information security measures.

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

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

### / Group-wide Information Security Education and Training

We conduct regularly education and training focused on information security for Kawasaki Group employees.

This instruction covers laws and social customs as well as corporate rules and examples of incidents, and course content is tailored by position, with content for newly hired employees, general employees, and managerial staff. Training includes regular drills using

simulations of targeted attack phishing emails to help employees learn how to avoid damaging situations, such as cyberattacks and online crime, which can occur in the course of daily business operations.

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

The foundation of our business activities

## Compliance

### Goals of Group Vision 2030

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

| Priority matters                                                                                                                                                                  | Target indicators (or key performance indicators)             | Fiscal 2021 results                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Further improve compliance awareness throughout the Group</li> <li>• Strengthen anti-corruption measures throughout the Group</li> </ul> | Number of cases of serious fraud or scandals per year         | 1 case                                                                                  |
|                                                                                                                                                                                   | Number of employees taking the Code of Conduct training       | Code of Conduct/Compliance Guidebook e-learning training 17,393 persons (73% of target) |
|                                                                                                                                                                                   | Degree of compliance permeation in employee awareness surveys | 1point UP (2020: 69 point → 2021: 70 point)                                             |

### / Further Improve Compliance Awareness Throughout the Group

In order to facilitate the monitoring of risks arising from internal compliance violations, the Kawasaki Group implements an annual awareness survey for employees. Questions are set on compliance awareness as part of employee engagement surveys, with changes and trends in awareness analyzed by facets including internal Company and position, and reflected in planning for required compliance measures and other initiatives.

In addition, October of each year is designated Compliance Month with the aim of reaffirming and

enhancing awareness of compliance, and various compliance-related activities are conducted.

In fiscal 2021, the President issued a message and Kawasaki, the Group newsletter, included articles intended to raise compliance awareness as well as an overview of the Compliance Reporting and Consultation System (whistle-blowing system). Furthermore, announcements were made encouraging utilization of the Compliance Reporting and Consultation System, compliance training was conducted via e-learning, and other activities were conducted.

### / Strengthen Anti-corruption Measures Throughout the Group

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

We provide overseas bribery prevention training for employees involved in overseas businesses every

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

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

As announced in June 2022, inappropriate behaviors relating to inspections of some absorption refrigerators manufactured and retailed as air conditioning systems, mainly for use in buildings, were discovered at Kawasaki Thermal Engineering Co., Ltd. Below we give an overview, as well as detailing ongoing measures being taken to address this issue. This incident has no impact on the safety of absorption refrigerators and we are confirming that the performance of models currently being retailed is within allowable margins as defined in Japanese industry standards for indicated performance.

To ensure that there is no future occurrence of such cases, we have conducted a thorough investigation of causes by means of a special surveying committee comprised of outside attorneys at law, with corrective measures taken, and will endeavor to further strengthen the inspection management systems and compliance throughout the Group, to prevent recurrence.

#### Overview of inappropriate actions

|                                                         |                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Actions involving test operation before shipping</b> | <ul style="list-style-type: none"> <li>• Data not surveyed for screening performance documentation [Period] 1984-2022 [Number of incidents] 1,950</li> <li>• Inappropriate operation of measuring device during in-situ inspection [Period] 1984-2022 [Number of incidents] 334</li> </ul>                              |
| <b>Inappropriate entry in catalogues/specifications</b> | <ul style="list-style-type: none"> <li>• Indication of conformity to JIS standards in catalogues/specifications for cooling capacity as well as COP* for some products which did not satisfy the JIS performance range standards [Period] 1986-2009 [Number of applicable models/units] 6 models/2,944 units</li> </ul> |

#### Ongoing measures

|                                                 |                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Measures of Kawasaki Thermal Engineering</b> | <ul style="list-style-type: none"> <li>• Make internal and external announcements on the verification method for performance/quality of absorption refrigerators.</li> <li>• Strengthen internal compliance activities.</li> </ul>                                                        |
| <b>Measures of the Kawasaki Group</b>           | <ul style="list-style-type: none"> <li>• Take seriously any inappropriate acts by related companies and, centering on the Company-wide Compliance Committee, implement a reexamination of compliance violations and thoroughly instill compliance throughout the entire Group.</li> </ul> |

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

## Product Liability/Safety

### Goals of Group Vision 2030

- Deliver "Trustworthy" and "Safe" products and services from the customer's perspective based on consistent quality policies covering from top management to work-site operators.

| Priority matters                                                           | Target indicators (or key performance indicators)  | Fiscal 2021 results                       |
|----------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------|
| <ul style="list-style-type: none"> <li>• Promote TQM activities</li> </ul> | Number of cases of product safety law violations 0 | 0 cases                                   |
|                                                                            | TQM level 2.8 or above                             | Average across all business segments: 2.9 |
|                                                                            | Percentage of employees taking TQM training 100%   | 100% (1,604 training participants)        |

### / Promote TQM Activities

We have established the TQM Department within the Corporate Technology Division and are promoting Group-wide quality-assurance activities centering on policy management, daily management, and quality-management education and training. We continuously implement dissemination seminars for

officers and all employees and deepen understanding of TQM at all levels, from new recruits to top management, by means of our own level-specific educational curriculum.

The foundation of our business activities

## Corporate Governance

### Basic Stance on Corporate Governance

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

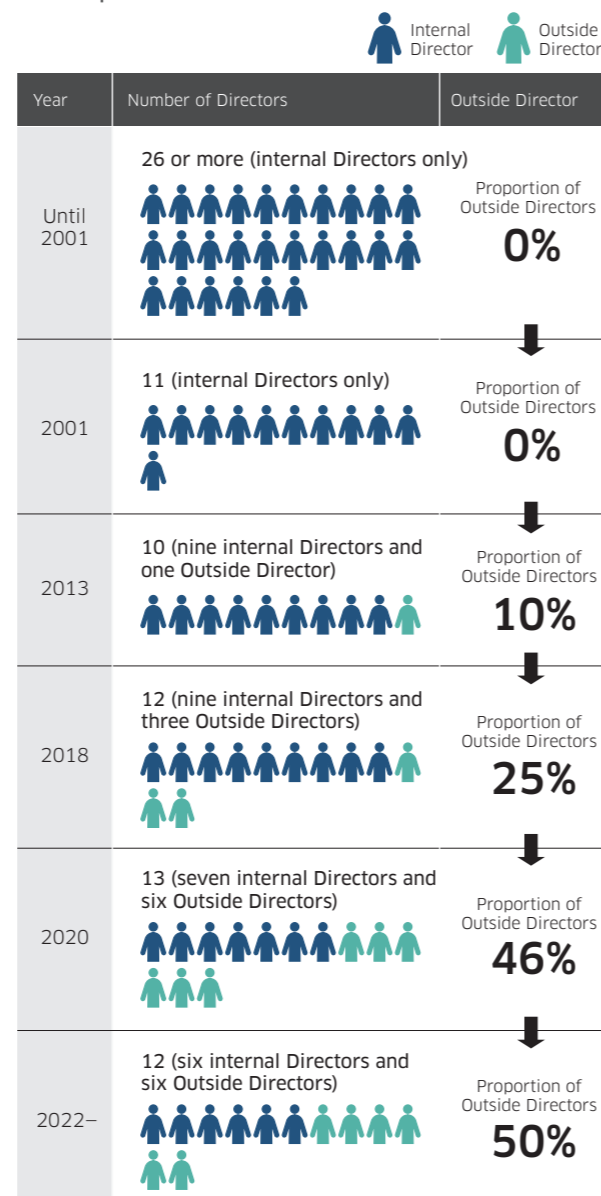
through highly transparent management practices. The Kawasaki Group is striving to further strengthen and enhance corporate governance systems as appropriate for its businesses and scale.

### Initiatives to Strengthen Corporate Governance

#### Background of Improvement Measures

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

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

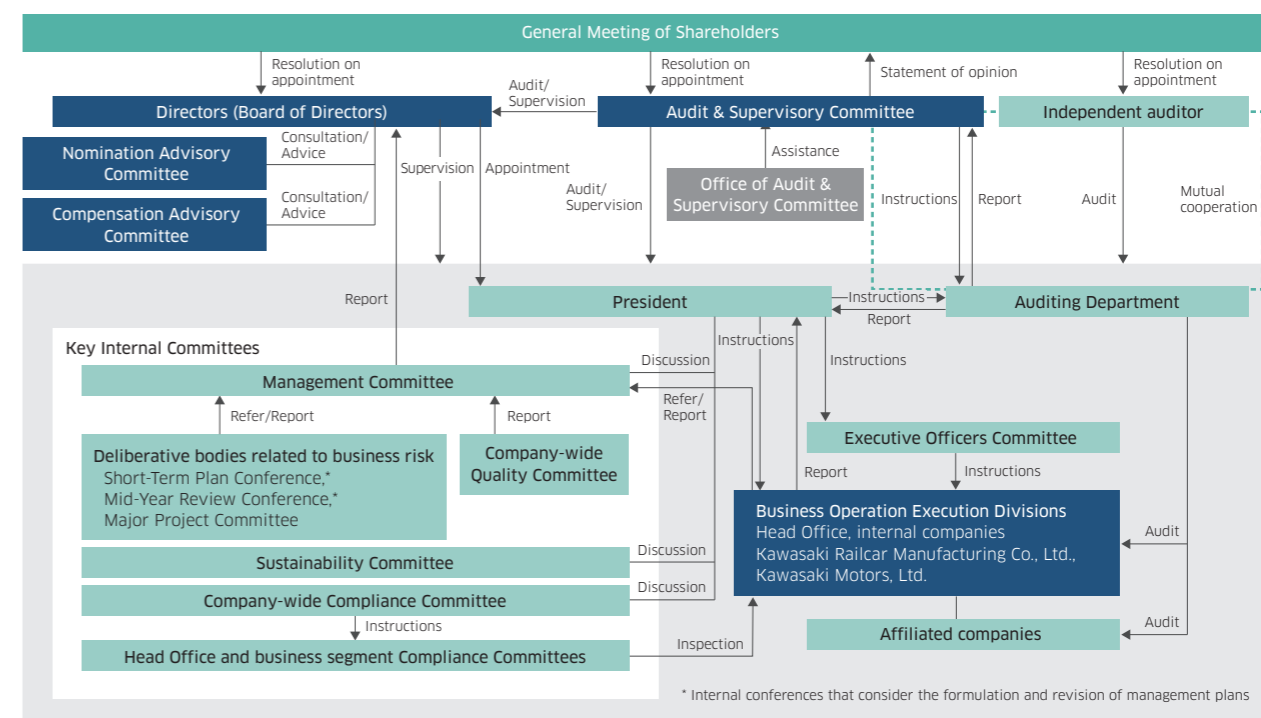


### Corporate Governance System

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

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

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



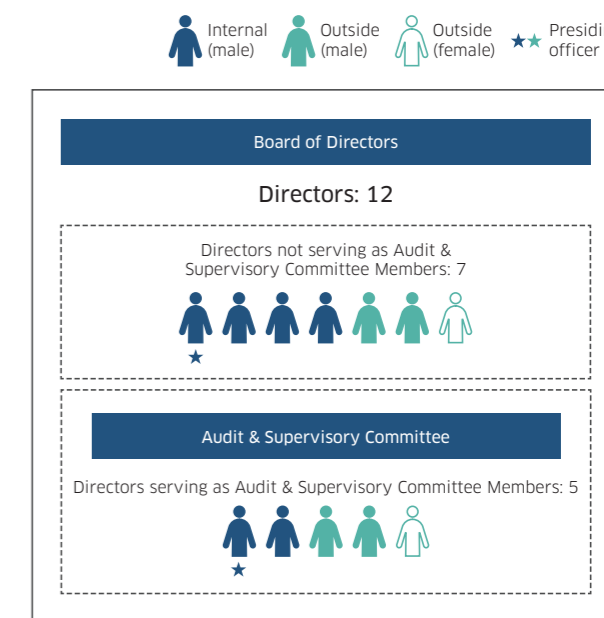
Kawasaki's main deliberative bodies are as follows.

#### Board of Directors

The Board of Directors comprises 12 Directors (of whom, five serve as Audit & Supervisory Committee Members), with the chairman serving as the presiding officer by resolution of the Board. Six Directors are Outside Directors (of whom, three serve as Audit & Supervisory Committee Members) and independent of business execution. By avoiding having Directors serve concurrently as officers responsible for specific businesses (the internal company presidents, etc.), the Company seeks to enhance the separation of management oversight and business execution and thereby further reinforce the Board of Director's oversight functions.

#### 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.



## The foundation of our business activities

### Nomination Advisory Committee

The Nomination Advisory Committee has been established as an advisory body to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. A majority of the committee members are Outside Directors, as is the presiding officer. The Nomination Advisory Committee discusses such matters as policies regarding the appointment and dismissal of Directors and other officers and the appropriateness of candidates for such positions and provides reports and advice to the Board of Directors.



### Compensation Advisory Committee

The Compensation Advisory Committee has been established as an advisory body to the Board of Directors in an effort to reinforce the transparency and objectivity of its deliberations. A majority of the committee members are Outside Directors, as is the presiding officer. The Compensation Advisory Committee discusses such matters as Director compensation policy and the appropriateness of the Director compensation and provides reports and advice to the Board of Directors.



### 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.

### Management Committee

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.

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

### Executive Officers Committee

Kawasaki maintains an Executive Officers Committee, comprising all of the executive officers, with the President as the presiding officer, to build unified consensus in Group management and smoothly advance business execution. This committee issues business execution policy based on management policy and

plans determined mainly by the Board of Directors and Management Committee as well as decisions made by the Management Committee. It also discusses management issues.

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

### Major Project Committee

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

### Company-wide Quality Committee

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

### Sustainability Committee

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

### Company-wide Compliance Committee

To ensure rigorous compliance throughout the Kawasaki Group, Kawasaki maintains a Company-wide Compliance Committee, comprising the Directors (excluding the Audit & Supervisory Committee Members and Outside Directors), the internal company presidents, the executive officer in charge of compliance, the general

managers of the Head Office divisions, and others, with the President serving as presiding officer. The Companywide Compliance Committee discusses and decides measures to ensure thorough compliance and monitors the achievement of targets and compliance with such policy.

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.

## 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 Process

| Board of Directors                                                                          |                                                                                                                            | All Directors                                                                                                                                                                       | External specialists                  | Board of Directors              |                                                                                                                                                      |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i)                                                                                         | (ii)                                                                                                                       | (iii)                                                                                                                                                                               | (iv)                                  | (v)                             | (vi)                                                                                                                                                 |
| Confirm the status of initiatives to address issues identified via the previous evaluation. | Determine evaluation methods to be used, key items to be surveyed and other matters pertaining to the upcoming evaluation. | Conduct surveys.<br>An anonymous survey of all Directors and Audit & Supervisory Committee Members is carried out based on advice from and with the cooperation of outside experts. | Aggregate and analyze survey results. | Discuss findings from analysis. | Determine issues to be addressed and policies for countermeasures based on findings from analysis and results of the Board of Directors' discussion. |

### Process of Fiscal 2021 Effectiveness Evaluation and Evaluation Results

| (i) (ii)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (iii)                                                                                                                                                                                                                                                                                | (iv)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Board of Directors determines items to be surveyed.</p> <p><b>Items surveyed</b></p> <ul style="list-style-type: none"> <li>• Composition of the Board of Directors</li> <li>• Operation of the Board of Directors</li> <li>• Discussions at the Board of Directors</li> </ul> <p><b>Survey methods</b></p> <p>Based on a 5-point scale and free writing section. To more accurately evaluate the effectiveness of the Board of Directors, the number of questions was increased from four to seven items, and these questions take into account the changes made in the revision of the Corporate Governance Code.</p>                                                                                                                                             | <p>A survey of all Directors is conducted.</p> <p><b>Monitoring functions provided by the Board of Directors</b></p> <ul style="list-style-type: none"> <li>• Training</li> <li>• Interactions with shareholders (investors)</li> <li>• Audit &amp; Supervisory Committee</li> </ul> | <p>Outside experts aggregate and analyze the survey results.</p> <p><b>Evaluation results</b></p> <p>The analysis of survey results found that the Board of Directors' operations were evaluated highly overall, and significant improvement was seen especially in regards to the following three items identified as issues to be addressed in the previous year. While the items of "clarifying requirements for Director candidates" and "upgrading leadership succession plans" received high evaluations, the Company will continue to actively engage with these issues in terms of the further strengthening of governance and the enhancement of corporate value.</p> <ul style="list-style-type: none"> <li>• Clarifying requirements for Director candidates</li> <li>• Upgrading leadership succession plans</li> <li>• Strengthening collaboration with the Nomination Advisory Committee and Compensation Advisory Committee</li> </ul> <p>(For details, please refer to "Initiatives to Address Issues Identified in the Course of Preceding Evaluations" on p. 57.)</p> |
| <p>Discussion by the Board of Directors</p> <p>(v) (iv)</p> <p><b>Conclusions reached by the Board of Directors</b></p> <p>"The operations of the Board of Directors have been deemed effective."</p> <p><b>Initiatives to further improve effectiveness</b></p> <ul style="list-style-type: none"> <li>• Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies</li> <li>• Committing to the fulfillment of the requirements for Director candidates</li> <li>• Formalizing leadership succession plans</li> <li>• Strengthening internal control systems and risk management structures</li> </ul> <p>(For details of initiatives, please refer to "Initiatives to Further Improve Effectiveness" on p. 57.)</p> |                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## The foundation of our business activities

### Initiatives to Address Issues Identified in the Course of Preceding Evaluations

| Issues identified in the course of preceding evaluations                                                      | Initiatives                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enhancing the content of the Board of Directors' discussion regarding medium to long-term management policies | The Board of Directors engaged in the discussion of important management policies and strategies (e.g., sustainability management policies, human resource strategies, corporate transformation) in light of the revised Corporate Governance Code.                                                                                                                                                                                                       |
| 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. Accordingly, a Board of Director skills matrix has been developed, and it is disclosed in the Corporate Governance Report.                                                                                                       |
| Upgrading leadership succession plans                                                                         | After defining the qualities and requirements needed for each key position, including CEO and company president, the Board of Directors and Nomination Advisory Committee selected succession candidates through interviews with the President and Senior Corporate Executive Officers and by narrowing the pool of candidates based on external assessments.                                                                                             |
| Strengthening supervision over the development of internal control systems and risk management structures     | Kawasaki has enhanced the auditing capacities of the Board of Directors by creating a framework to facilitate regular reporting to the Board of Directors on the operational status of Company-wide risk management structures, in addition to monitoring of the results of evaluations on the progress and operation of internal control systems. Kawasaki also created a system to allow instant sharing of crisis management data using digital tools. |

### Initiatives to Further Improve Effectiveness

| Issues identified via the latest evaluation                                                                   | Initiatives                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enhancing the content of the Board of Directors' discussion regarding medium to long-term management policies | There will continue to be discussion on important issues toward achieving Group Vision 2030, and efforts will be made to further strengthen governance.                                                                                                                                                                                                                           |
| Committing to the fulfillment of the requirements for Director candidates                                     | To strengthen the Board of Directors' field of supervision needed to achieve the Group Vision 2030 set forth in the skills matrix, the Company will verify whether the requirements for candidates have been met and take necessary measures to satisfy them.                                                                                                                     |
| Formalizing leadership succession plans                                                                       | The candidate recruitment process will be systematized, and the aim is to formalize leadership succession plans by documenting this system in writing.                                                                                                                                                                                                                            |
| Strengthening internal control systems and risk management structures                                         | Initiatives will be undertaken to strengthen compliance, with Head Office actively leading the Kawasaki Group in creating a structure to ensure the functionality of its internal control systems, including those of overseas subsidiaries. In addition, the Company will formalize timely deliberations by the Board of Directors for major risks identified during monitoring. |
| Securing diversity among core human resources                                                                 | Concerning the diversity of core human resources, after organizing perceptions on the current status of the Group and ideas for securing diversity, the results will be discussed by the Board of Directors and incorporated into a concrete action plan, whereby a system to increase its feasibility will be established.                                                       |

## / Director Compensation

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

### Basic Policy

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

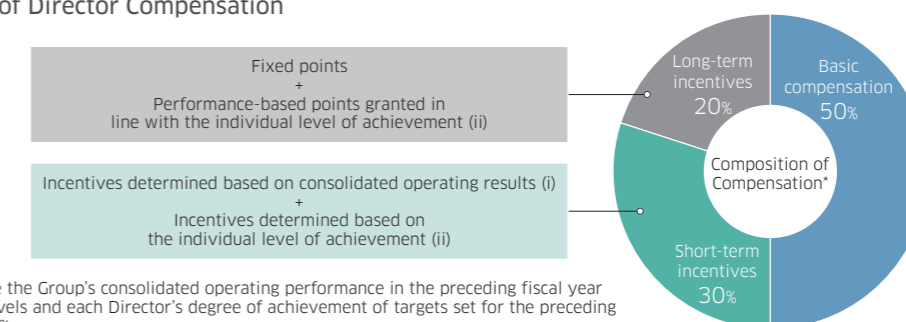
### Compensation for Directors (Excluding Audit & Supervisory Committee members and Outside Directors)

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

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

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

### Composition of Director Compensation



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

## The foundation of our business activities

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

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

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

|                    |
|--------------------|
| Setting of Targets |
|--------------------|

Each Director sets their own targets in terms of addressing short-, medium and long-term issues, including those associated with business units and operations under their supervision and Company-wide issues. These include targets pertaining to important financial indicators as well as targets associated with initiatives aimed at realizing the United Nations Sustainable Development Goals (SDGs), efforts to improve employee engagement, and other aspects of non-financial performance.

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

### Methods for Assessing the Level of Target Achievement

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

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

### Compensation for Audit & Supervisory Committee Members and Outside Directors

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

#### Methods for Determining Compensation

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

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

### Fiscal 2021 Compensation

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

- Notes: 1. For performance-based compensation portion of monetary compensation, the total amount paid for performance-based compensation under the previous compensation system and short-term incentive compensation under the new system is indicated.  
 2. For stock compensation, the amount recorded as expenses for the current fiscal year is indicated based on performance-based stock compensation introduced pursuant to a resolution of the 198th Ordinary General Meeting of Shareholders held on June 25, 2021 and differs from the actual amount paid.  
 3. The total maximum amount of annual compensation for Directors (excluding Audit & Supervisory Committee Members) is set at ¥800 million based on a resolution passed at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020.  
 4. The total maximum amount of performance-based stock compensation is set at ¥325 million per year, with the annual number of Company shares to be allocated to the recipients being limited to 50,000 shares. At the 198th Ordinary General Meeting of Shareholders held on June 25, 2021, these frameworks were approved separately from the total maximum amount of annual compensation for Directors (excluding Audit & Supervisory Committee Members).  
 5. The total maximum amount of annual compensation for Audit & Supervisory Committee Members is set at ¥120 million based on a resolution passed at the 197th Ordinary General Meeting of Shareholders held on June 25, 2020.

## / Basic Stance on Risk Management

In accordance with the Companies Act of Japan, the Kawasaki Board of Directors has adopted a basic policy for internal control systems. This policy stipulates that we identify, classify, analyze, and assess risks and then implement risk management (avoidance, reduction, etc.) in line with the Group's Risk Management Regulations.

## / 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, Kawasaki have established a system for the centralized monitoring of the effectiveness and workability of such management systems to comprehensively manage and respond to

In addition, to achieve sustained improvements in profitability and enterprise value, the Kawasaki Group Mission Statement identifies risk management as a guiding theme of the Kawasaki Group Management Principles.

discrete risks, as well as a system for the reporting of urgent matters to the Board of Directors.

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 Major Project Risk Management Regulations, and other related rules. The Company practices even more thorough risk management for major projects with significant impact on operations, including that at the time of bidding and concluding agreements for such projects as well as regular follow-up by the Head Office and internal companies as needed after such projects begin.

### Risk Management System

