

Roundtable Discussion with the Chairman and Outside Directors

Dialogue

Realizing Highly Effective Governance and Swifter Management Decisions

Dialogue Members

Yoshinori Kanehana

Chairman of the Board

Extensive career in Kawasaki with positions as Managing Director, Executive Vice President, and President, becoming Chairman in 2020.

Hideo Tsujimura

Outside Director

Career included senior positions at a major corporation. Appointed Outside Director in 2020, serving on the Nomination Advisory Committee and Compensation Advisory Committee.

Atsuko Ishii

Outside Director
(Audit & Supervisory Committee Member)

Career holding key positions at the Ministry of Health, Labor and Welfare. Appointed Outside Auditor in 2017, serving on the Audit & Supervisory Committee as an Outside Director since 2020.

Hideo Tsujimura

Yoshinori Kanehana

Atsuko Ishii

Topic 1

Board of Directors effectiveness

Views on the current status of corporate governance and the Board of Directors

Ishii: In the six years since I was appointed as outside director, my impression of the Company's Board of Directors meetings hasn't changed; it's always had an atmosphere that made it easy to share opinions. At the same time, I believe the structure we've been creating to make governance stronger has become even more robust in the past few years. Rather than confirming management discussions or dealing with specific issues, the Board is now more focused on substantive discussion of management topics. The meetings became even more active when the Company with an Audit & Supervisory Committee format was adopted in June 2020.

Kanehana: That's true. When I was appointed Chairman, we transitioned to a company with an Audit & Supervisory Committee and clarified the division of roles between the Board and the Management Committee. I think that delegating business execution authority to the executive side allows the Board ample time for concentrated discussion of important management policies, such as management strategy and future plans.

Tsujimura: The change in the organizational format was a significant improvement. There are many important issues to discuss, including, decarbonization, diversity, and corporate transformation, and we are focusing first on the high priority agenda items. We discuss

the topics openly and freely, and the input from outside directors is always given careful consideration.

Kanehana: The comments from the outside directors may not seem to be anything special, but they are hugely helpful because they bring perspective that would be impossible from someone inside the company. Over the past few years, we have increased the ratio of outside directors, and I'd like to see us continue increasing the Board's diversity by increasing the percentages of women and foreign nationals.

Ishii: If I were to point out an area that could be improved, it would be the preparation and follow-up for the meeting discussion agenda. Sometimes we receive preparatory materials without enough time to fully prepare, and conversely the follow-up to discussions is not always adequate. Receiving materials earlier would enable more thorough discussion, and follow-up information could be useful for future discussions.

Kanehana: We have received similar feedback in the Board effectiveness evaluation survey. Further raising the Board's effectiveness is part of our ongoing improvement efforts.

Impressions and evaluations of the committees

Tsujimura: The Nomination Advisory Committee and Compensation Advisory Committee discuss a truly wide range of topics, including a new personnel system, executive compensation, development of executive candidates, and succession plans. For the succession plan, the president and Senior Corporate Executive Officers individually interviewed all of the executive officers and shared the videos and

transcripts with the outside directors. The secondary interviews for the president and Senior Corporate Executive Officers were conducted by outside directors, which I believe ensures a very high level of transparency.

Kanehana: The succession plan has several stages, each with different processes for a short-, medium-, and long-term plan. For a plan to work smoothly, the measures for each stage have to be conducted in parallel. In addition to interviewing executive officers, we also focus on educational programs and other preparations for the following groups of executive candidates.

Tsujimura: There are about 40 executive officers, and it would have taken a considerable time for the president and Senior Corporate Executive Officers to also interview them all. Seeing the transcripts helped us gain a good understand of each person's goals and how they are working toward them. I think the succession plan is functioning as it should, and a short list of successor candidates is ready.

Ishii: The audit function was maintained when the Company changed its organizational format from a company with Corporate Auditors structure to a company with an Audit & Supervisory Committee. To ensure the audits continued to be effective, full-time Audit & Supervisory Committee members were appointed and the practices of audits and on-site audits were retained. We are working even more closely with the Internal Audit Department, and I think the quality of the audits has improved.

Kanehana: I also think the internal audits have improved both on the organizational level and in terms of the competency of the auditors. The Audit Department members are taking a broader view, and the audit content is evolving in a positive way.

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Ishii: As we strengthen our Group governance, we will also need to give more attention to our overseas operations. The Covid-19 pandemic is making on-site audits problematic, but we are keenly aware that there are issues we need to address.

/ Topic 2
Group Vision 2030

Thoughts on the progress status for Group Vision 2030

Tsujimura: The most critical issues right now achieving carbon neutrality and a decarbonized society. These issues affect all of humanity, and I think it's vital that Kawasaki commercializes hydrogen-related technologies as quickly as possible.

Ishii: Decarbonization is a major issue right now worldwide. How well we can turn that into business will

be key, including applications of our technologies for carbon dioxide capture, storage, and effective use. While hydrogen has potential in many areas, I was impressed that the Board's discussions about how the Company should proceed regarding decarbonization they left open various possibilities.

Tsujimura: I would like to see Kawasaki become a leader in the decarbonized society. I believe we have the capacity to achieve that, and because of that I think we should put real effort into branding ourselves as a leading company in the hydrogen industry. We will need to create the market for hydrogen while getting the government involved and creating partnerships.

Ishii: Human resources will also be needed, and the newly created Hydrogen Strategy Division for the hydrogen business is actively hiring new personnel from outside the organization. I think that is creating huge potential for the business. Bringing in a large group of new talent could be a catalyst for major change throughout the entire Group.

Kanehana: We also reformed the Company when I was president, and bringing in outside people also had major implications for the corporate culture. I expect the Hydrogen Strategy Division is undergoing a substantial transformation right now.

Ishii: In addition to the hydrogen business, I would also like to see other businesses, like the Remote Robotics created with the Sony Group, be developed successfully. It's critical to quickly allocate resources to promising businesses and create examples of success. Group Vision 2030 presents many exciting technologies and businesses.

Tsujimura: Speed is essential because other companies can also be expected to introduce a steady flow

of new products. Being an early mover and then making improvements based on the market response will be key.

Kanehana: Changing the organization, including the employees, of a company with a long tradition is often a difficult task—but it's crucial. I think our biggest challenges are to create an organization that can move flexibly and to fortify our sales capabilities so we are ready when we commercialize new businesses.

/ Topic 3
Compliance

Thoughts on compliance, including the subsidiary fraud incident

Ishii: The inspection fraud at Kawasaki Thermal Engineering was extremely unfortunate, and it is essential to ensure that it does not happen again. Two problems must be addressed. The first is the problem of awareness and the second is the corporate culture that allowed the fraud to continue for decades. Wrongdoing must be able to be acknowledged and appropriate action must be able to be taken. As I said before, I believe we need to fortify Group governance and ensure compliance throughout the organization.

Tsujimura: The root cause of the misconduct must be identified. In addition to following compliance and the law, all employees must have a sense of integrity, which means sincerity and honesty. I would like us to have a system that will increase the sense of integrity.

Kanehana: I think it must be made clear that doing something that

society doesn't allow, even if it's not against the law, is a betrayal of society. We plan to change awareness through training and other measures and to reinforce throughout the Group the importance of not ignoring misconduct and to encourage reporting and confirming, without hesitation, anything that doesn't seem right. We will also seek employee input through regular questionnaires and other means and also create an environment where employees feel safe about speaking up.

/ Topic 4
Stakeholders

Messages for stakeholders

Tsujimura: Kawasaki practices what is called ambidextrous management, that is, simultaneously deepening our existing businesses and exploring new businesses, which must be done in a balanced manner without bias toward one or the other. Essential to its success is finding ways to motivate, maintain, and improve human resources, especially employees who work on site. That is why we are taking great care to ensure the fairness of employee performance.

Ishii: I have always thought that while machines cannot perform beyond predetermined

specifications, people have immense potential for growth. Kawasaki is currently reforming its personnel system and taking other steps so employees can grow and demonstrate their capabilities more fully. If these improvements are successful, the Company will make a great leap forward. For example, strengthening the sales force was mentioned as an issue, and having a clear idea what the problem is will enable us to fix the problem so we can steadily improve in that area.

Tsujimura: Creating future business will require technology in addition to human capital. We should never forget that Kawasaki is a technology company. Even when we are struggling with our business performance, I believe we should continue steadfastly investing for the future.

Ishii: Kawasaki is energetically working to fulfill the Group Vision 2030. I'm confident that as we communicate our progress to our stakeholders, the value that the market sees in the Company will grow.

Kanehana: Many companies are now asserting that their core businesses are addressing social issues. We have been advancing our Group mission of "Kawasaki, working as one for the good of the planet" since 2007. We can even go back further to our founder Shozo Kawasaki, who's management philosophy was to "contributing to the nation—to



society—through expertise." We celebrated our 125th anniversary in 2021, and our mission to solve social issues is the same now as it was at the very beginning. The Group Vision 2030 arose from the combination of technologies we have cultivated over past century, now we must contribute to society by adding our expertise. With our vision now before us, I firmly believe we need to work as quickly as we can to achieve it. The new personnel system was the first step, and I see a major change taking place in the organization and the awareness of our employees. We will continue strengthening our governance and driving our corporate transformation to meet the expectations of our stakeholders, and appreciate your continued support as we transform the Kawasaki Group.

