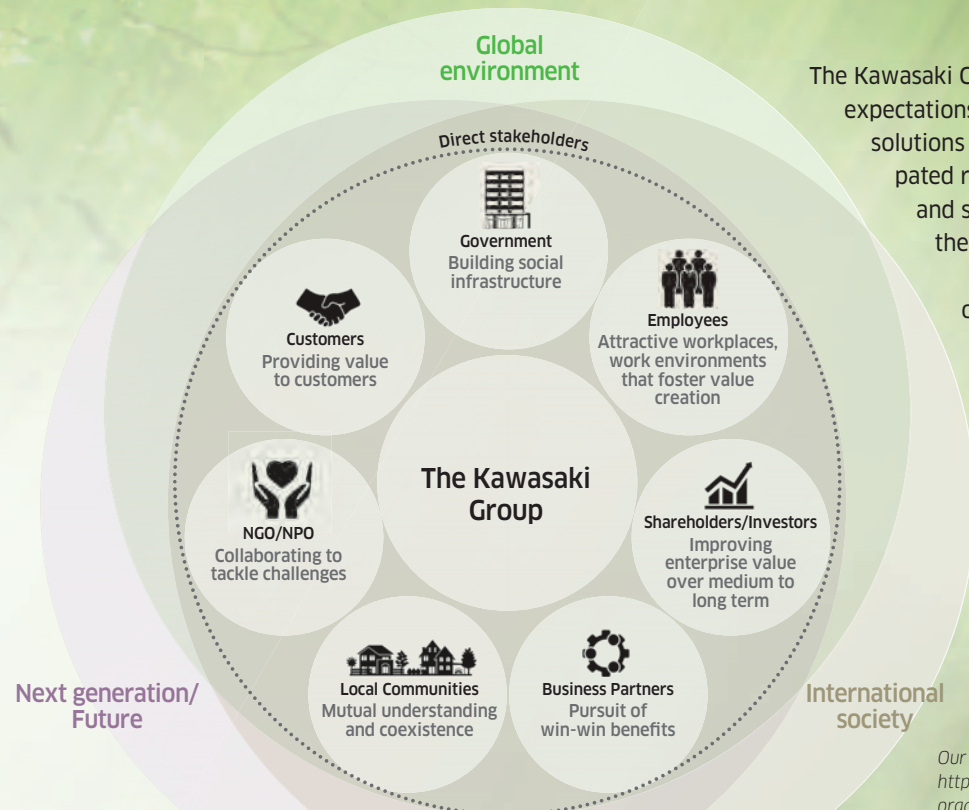


Growing with society

CSR Activities of the Kawasaki Group

The Kawasaki Group states as its Group Mission, "Kawasaki, working as one for the good of the planet" (Enriching lifestyles and helping safeguard the environment: Global Kawasaki). This denotes contribution to the creation of a sustainable society and also articulates the most important foundation for the Group's CSR. Consequently, CSR activities are fundamentally cumulative efforts to realize the Group Mission at ever higher levels for the Kawasaki Group. We also identified five themes and issues within each theme that we emphasize in our CSR activities. Going forward, we will reinforce our foundation of value creation, as we bear in mind the expectations and demands of stakeholders.



The Kawasaki Group actively recognizes stakeholder^{*1} expectations, creates social value by contributing to solutions that address concerns and satisfy anticipated responses through business activities, and strives to raise enterprise value through these efforts.

In addition, we communicate with each of our stakeholders, conveying our "Action goals" to them, formulate action plans, and implement the plan-do-check-act (PDCA) cycle.

^{*1} Stakeholders: People, organizations, etc., directly or indirectly affected by corporate activities

Our CSR activity organization is introduced on our website <https://global.kawasaki.com/en/corp/sustainability/overview/organization.html>

Challenges for the Kawasaki Group

In fiscal 2010, we defined CSR for the Kawasaki Group and identified CSR themes and issues. These were identified using the approach of issues to be addressed by the manufacturing industry, based on the items of ISO 26000^{*2} and CSR surveys from customers, SRI/ESG research organizations, economic organizations, NPOs, and the media. Since then, we have addressed these issues through the vision defined for each medium-term business plan (MTBP) and our yearly action plans, while also addressing new issues as they arise.

^{*2} ISO 26000: An international standard for social responsibility

Identification and Recognition of Material Issues

Recently, there has been a demand for companies to identify and recognize material issues in view of their relationship between social issues and the companies' business activities, the impact on stakeholders, and other factors, and utilize these to prioritize their efforts. In our MTBP 2016, we are discussing our issues anew using this approach.

In fiscal 2018, we will identify issues using the following process.

- 1) We will use the survey results from SRI/ESG investment^{*3} assessment organizations as the expectations of society and stakeholders, winnow down questions from global organizations directed at us or our industry, and shape them into evaluation items of the level of importance for society and stakeholders.
- 2) Based on these items, we will evaluate the level of importance for the Kawasaki Group from the standpoints of risks and opportunities, in consideration of the relationship to our businesses and other factors.

Dialogue with Experts



Keiichi Ushijima
Japan CCoSS
Leader, Managing Director,
Climate Change and Sustainability Services, EY Japan

We hold dialogs with experts as representative voices of society. In fiscal 2017, we invited Mr. Keiichi Ushijima of EY to a meeting of our Corporate CSR Committee, where he spoke on the following topics, on the theme of integrating management with CSR.

- Sustainable management as empathy with society
 - A business model based on value creation
 - Linking management/financial planning to long-term issues
 - Strategically utilizing sustainability
 - MTBP and approach to material CSR issues
- Our committee members expressed the following views.
- We must further recognize the links between social issues and our growth strategy, and tie this into results
 - It is vital to properly communicate our focuses, initiatives, and results

-> **MTBP 2010**
 - Organizing CSR approach
 - Organizing relevance with Group Mission
 - Establishment of themes
 - Establishment of issues to be addressed
 - Preparation of initiative structure (non-consolidated)
 - Inclusion in action plan (non-consolidated)

-> **MTBP 2013**
 - Review of issues to be addressed
 - Promoting integration of business management and CSR
 - Expansion for Group companies, including overseas
 - Expansion into the supply chain
 - Enhancement of promotion structure
 - Expansion of scope of dialog

-> **MTBP 2016**
 - Discussion and identification of the Company's key issues
 - Promoting integration of business management and CSR
 - Further expansion for overseas Group companies
 - Checking of supply chain
 - Re-focusing on raising awareness among employees
 - Enhancing dialog with stakeholders

Assessments of achievement of MTBP targets are reported on our website for each year. <https://global.kawasaki.com/en/corp/sustainability/overview/outline.html>

- 3) We will incorporate global social issues with high affinity with our businesses, such as SDGs^{*4}, in the discussion of material issues, from the perspective of new contributions in the future.



^{*3} SRI/ESG investment: Investment reflecting society's expectations of an enterprise

^{*4} SDGs: The UN's "Sustainable Development Goals"

Brainstorming with Management Candidates

At our training for newly appointed executive officers and associate officers held in the spring of 2017, we conducted a brainstorming session based on ISO 26000 and SDGs regarding which stakeholders were involved in the value chains of Kawasaki and its individual internal company businesses, what kinds of social issues we could resolve or promote over the next 10 to 20 years, and what the risks and opportunities were for Kawasaki.



Corporate Governance System

Basic Stance on Corporate Governance

Guided by the Group Mission “Kawasaki, working as one for the good of the planet,” the Kawasaki Group has established a corporate governance system centered on directors and corporate auditors, with content appropriate for the activities that the Group undertakes, and efforts are made to further improve the system. The basic stance on corporate governance for the Group as a whole is to raise enterprise value through effective and sound business activities while forming solid relationships with all stakeholders, including shareholders, customers, employees and communities, through highly transparent management practices.

Overview of the Corporate Governance System

Kawasaki adopts the statutory auditor system with a Board of Directors and Board of Auditors, and appoints an independent auditor. The Company also has the discretionary Nomination Advisory Committee, Compensation Advisory

Committee, Management Committee, and Executive Officers Committee. The composition and role of each of these organizations are described below.

●Board of Directors

The Board of Directors comprises 12 directors (authorized number: 18), with the chairman serving as the presiding officer. Seeking to strengthen the supervisory function of the Board of Directors with regard to overall management, the Company appointed two outside directors (independent officers, as required by the Tokyo Stock Exchange) who are independent of any role in the execution of business activities. Furthermore, the Nomination Advisory Committee and Compensation Advisory Committee mainly composed of outside directors have been established as advisory bodies to the Board of Directors, in an effort to strengthen the transparency and objectivity of the Board of Directors.

In fiscal 2017, the Board of Directors’ Meeting was held 14 times (including extraordinary meetings), and the attendance rate was 99% or above for internal and outside directors and corporate auditors.

●Board of Auditors

The Board of Auditors comprises five corporate audi-

tors (authorized number: five). To ensure the reliability of financial reports, the Company appoints an internal corporate auditor who has considerable knowledge of finance and accounting. Furthermore, to enhance the supervisory function and further improve its objectivity and neutrality, the Company has increased the number of outside corporate auditors (independent officers, as required by the Tokyo Stock Exchange) with no business relationships or other vested interests in the Company from two to three members. The internal corporate auditors and outside corporate auditors share information closely and work to enhance the supervisory function.

In fiscal 2017, the Board of Auditors’ Meeting was held 17 times, and the attendance rate was 100% for internal and outside corporate auditors.

Reasons for Appointment of Outside Officers

The reasons for the appointment of outside officers (two outside directors and three outside corporate auditors) are as follows:

●Outside Directors

Yoshihiko Morita Mr. Morita has expressed useful opinions and given advice in determining important matters of the Company’s management from a position independent of any role in the execution of business activities, based on his substantial overseas experience and knowledge as a specialist acquired over a career including Deputy CEO of Japan Bank for International Cooperation, Representative Director and Senior Managing Executive Officer of Japan Finance Corporation, and other important positions. In consideration of these points, the Company believes he would be able to fully perform his roles as an Outside Director in supervising the execution of duties of the Company and increasing its enterprise value.

Michio Yoneda Mr. Yoneda has expressed useful opinions and given advice in determining important matters of the Company’s management from a position independent of any role in the execution of business activities, based on his abundant management experience and high level of knowledge regarding corporate governance acquired over a career including President & CEO (Member of the Board) of Osaka Securities Exchange Co., Ltd., Director & Representative Executive Officer and Group COO of Japan Exchange Group, Inc., and other important positions. In consideration of these points, the Company believes he would be able to fully perform his roles as an Outside Director in supervising the execution of duties of the Company and increasing its enterprise value.

●Outside Corporate Auditors

Takashi Torizumi The Company has judged that Mr. Torizumi would be able to fully perform his roles as outside corporate auditor from an independent position, based on his abundant experience as a corporate manager.

Satoru Kohdera (newly appointed) The Company has judged that Mr. Kohdera would be able to fully perform his roles as outside corporate auditor from an independent position, based on his abundant experience as an attorney and high level of knowledge of legal affairs.

Atsuko Ishii (newly appointed) The Company has judged that Ms. Ishii would be able to fully perform her roles as outside corporate auditor from an independent position, based on her abundant experience and high level of knowledge of labor administration.

Compensation to Corporate Officers

The compensation system for Kawasaki directors and corporate auditors—which is designed to promote sustained improvement in corporate performance and enterprise value and to secure outstanding human resources—ensures a level of compensation in line with the duties of the individual officer. Compensation for directors, excluding outside directors, is set at a level tied to corporate performance, while compensation for outside directors is set at a fixed level not tied to corporate performance, from the perspective of professional independence. Both types of compensation are determined by the President as delegated by the Board of Directors, after consultation with the Compensation Advisory Committee.

The compensation of corporate auditors is set at a fixed level not tied to corporate performance, from the perspective of professional independence. This compensation is determined by the Board of Auditors.

Amount of Corporate Officers’ Compensation in Fiscal 2017

Category	Fiscal 2017	
Directors	15 people	¥763 million
Corporate auditors	5 people	¥90 million
Total	20 people (including 5 outside officers)	¥853 million (including ¥46 million for outside officers)

Notes:

- The number of officers includes three directors and one corporate auditor who retired at the conclusion of the General Meeting of Shareholders held in June 2016.
- The maximum amount of compensation for directors is ¥1,200 million per year (as resolved at the 189th Ordinary General Meeting of Shareholders held on June 27, 2012). The maximum amount of compensation for corporate auditors is ¥120 million per year (as resolved at the 194th Ordinary General Meeting of Shareholders held on June 28, 2017).

Topics

Initiatives to Increase the Effectiveness of the Board of Directors

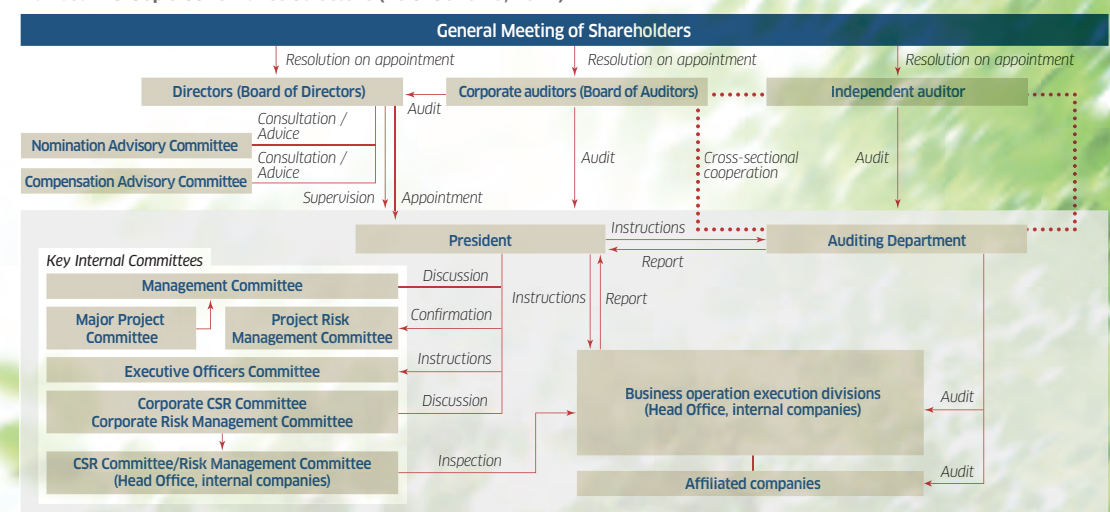
An assessment of current status of the Board of Directors using a questionnaire given to all directors and corporate auditors is conducted based on the advice of external experts each year, with the aim to improve the function of the Board of Directors. Analysis of the results is reported to the Board of Directors for discussion. It was confirmed from the results of the fiscal 2017 assessment that the effectiveness of the Board of Directors as a whole had been sufficiently secured. The following initiatives were carried out in response to the fiscal 2016 assessment and discussion thereof.

- The Board of Directors revised the scope of delegation of authority to directors, executive officers, and other officers in order to enable the Board of Directors to conduct focused deliberation on matters of high materiality for management.
- In order to further energize discussions by the Board of Directors, we began providing information to directors and corporate auditors at an earlier stage, and early briefings to outside officers on a regular basis on agenda items for the Board of Directors’ Meetings. We will continue to work to further improve effectiveness.

Key Internal Committees Other than Board of Directors and Board of Auditors

Name	Activities
Nomination Advisory Committee	• An advisory body on nomination of directors and corporate auditors
Compensation Advisory Committee	• An advisory body on compensation for directors
Management Committee	• Includes executive directors and internal company presidents • Assists the president as an advisory body with regard to Group management • Discusses important management policy, management strategy, management issues, and other matters from a Group perspective
Executive Officers Committee	• Comprises all executive officers appointed by the Board of Directors • Conveys business execution policy based on management policy and management plans determined mainly by the Board of Directors and the Management Committee • Venue for communicating necessary and important information regarding business execution and exchanging opinions
Corporate CSR Committee	• Discusses and decides on basic policy and important matters related to CSR for the Group as a whole and monitors implementation status
Corporate Risk Management Committee	• Discusses important issues pertaining to risk management for the Group as a whole and monitors implementation status
Major Project Committee	• Assesses risk and considers appropriate responses before acceptance of major projects
Project Risk Management Committee	• Regularly follows up on major projects during execution

Kawasaki Group’s Governance Structure (As of June 28, 2017)



Compliance

Basic Stance

In the Kawasaki Group Management Principles, which target the entire Kawasaki Group, we set forth our corporate virtue of “recognizing social responsibility and coexisting harmoniously with the environment, society as a whole, local communities and individuals,” and in the Kawasaki Group Code of Conduct, we ask each and every member of the Group to “earn the trust of the community through high ethical standards and the example you set for others.”

Furthermore, we have established the Kawasaki Code of Corporate Ethics as a set of company regulations and the Kawasaki Global Business Ethics Guidelines as common global guidelines for the entire Group, to stipulate the basic philosophy of corporate ethics with which executives and employees should stay in compliance.

Compliance Promotion Structure

The Corporate CSR Committee, which comprises all executives as members and is chaired by the Kawasaki president, meets at least twice a year (three meetings in fiscal 2017). Its goals are to discuss and determine approaches that enable the Kawasaki Group to fulfill its corporate social responsibilities and to monitor the status of compliance efforts. To ensure that the objectives of the Corporate CSR Committee extend to all corporate structures, business segments at the head office and internal companies hold CSR committee meetings at least twice a year, in their effort to promote compliance throughout the Group.

Compliance Promotion Structure



Compliance Reporting and Consultation System (whistle-blower system)

In certain situations, employees of the Company and domestic consolidated subsidiaries who suspect a violation of compliance practices relating to their operations may find it difficult to report the situation or seek advice from superiors or a department that would normally address alleged misconduct. To address this problem, we have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact.

Number of Reports or Consultations (in fiscal 2017)

Nature of report or consultation	Number of cases
Power harassment	5
Personnel matters	4
Financial fraud	2
Sexual harassment	2
Others	7
Total	20

**Number of cases listed above refers to reports and consultations received, not those identified as violation of compliance practices.*

Distribution of the Compliance Guidebook

The Compliance Guidebook, which describes necessary and useful knowledge in an easy-to-understand way for ensuring thorough compliance within the Company, is distributed to all executives, employees, and temporary staff at all Group companies in Japan.

The Compliance Guidebook outlines the Group's compliance system and activities as well as the Compliance Reporting and Consultation System. The Guidebook uses illustrations to present easy-to-understand examples that should be noted regarding compliance-related matters. It is divided into 20 sub-sections in total with six classified sections, “Matters concerning Securing the Trust of Customers and Business Partners,” “Matters to Be Observed as a Corporate Citizen,” “Matters concerning Data Protection,” “Matters concerning Handling Financial Transactions,” “Matters concerning the Workplace,” and “Responsibilities of Managers.”



Compliance Guidebook

Compliance with Competition Laws

The Kawasaki Group is focusing its efforts on compliance with competition (antimonopoly) laws.

Since 2006, the Board of Directors has adopted a resolution to comply with antimonopoly laws and strive to maintain and improve our enterprise value in society at the first Board of Directors' Meeting, held immediately following each year's general meeting of shareholders.



Antimonopoly Law Compliance Guidebook

We also broadly disseminate knowledge of case studies of potential issues for the Company,

and promote learning and understanding of competition laws, through the issuance of guidebooks on competition laws to our employees.

Efforts to Prevent Corruption

Taking an even tougher stand against corruption, we established the Bribery Prevention Regulations in August 2013. These regulations represent a thorough commitment to prevent situations with the potential for dishonesty in corporate practices. Our basic policy states that “the Kawasaki Group will uphold laws in the execution of business activities and that bribes to public officials in Japan or overseas is not at all condoned.” In addition, we implement the establishment of regulations with similar content at domestic and overseas affiliated companies.

Risk Management

Basic Stance

In accordance with the Companies Act, the Kawasaki Board of Directors has adopted a basic policy for internal control systems. The policy makes it clear that risk management should be addressed in accordance with the Risk Management Regulations as company regulations by seeking to anticipate and avoid loss caused by risk, and to minimize risk through the appropriate development and operation of the system.

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.

Responding to Major Risks

To undertake integrated risk management on a Group-wide basis, divisions responsible for different areas of operations work to strengthen risk management initiatives that have already been implemented, and identify major risks that have the potential to exert a significant impact on operations (Group-level risk) each year. They monitor the status of responses to these risks, specify two to three risk items that require Group-wide response measures (risks requiring Group-wide action), study and implement appropriate measures. The division in charge then monitors the results.

With regard to individual risks associated with business execution, in accordance with company regulations such as the Board of Directors Regulations, Management Committee Regulations, and Approval Regulations, the relevant divisions must assess and analyze such risks in advance and fully consider appropriate responses. In particular, the Company practices even more thorough risk management of major projects with significant impact on operations, including management, upon bidding and concluding agreements for the projects, as well as regular follow-up by the Head Office and internal companies as needed after the project begins, in accordance with regulations such as the Major Project Risk Management Regulations.

Crisis Management

To prepare for risk situations such as a large-scale disaster, we rely on the Crisis Management Organization, a horizontally integrated Group structure for crisis management. In the event of an actual crisis, we have a structure in place to establish command centers immediately, in order to protect lives and preserve assets, minimize damage and loss, and expedite the resumption of business activities.



On-site command center drills

Developing and Utilizing Human Resources

Basic Stance

The Kawasaki Group considers its employees to be the most valuable resource to fulfill the Group Mission and achieve its business targets. In an effort to improve enterprise value in a sustainable manner by implementing the mission statement, it is very important for each and every one of the approximately 35,000 human resources who are active around the world, regardless of nationality, gender, age, religion and any disabilities, to understand and share the Group Mission and Kawasaki Value, and to diligently attend to daily business based on the Kawasaki Group Code of Conduct. In particular, for us to “constantly achieve new heights in technology,” as set forth in the Kawasaki Value, the development of human

resources from a long-term perspective is essential.

Accordingly, the Group’s stance is that “the Kawasaki Group’s corporate culture is built on integrity, vitality, organizational strength and mutual respect for people through all levels of the Group. We nurture a global team for a global era,” as set forth in the Kawasaki Group Management Principles. With an aim of commitment to the principles of “human respect” and “health first” while achieving this stance, we focus on establishing workplaces that allow our human resources to work securely, safely, and enthusiastically with a sense of pride, and on developing human resources that contribute to the achievement of our business strategy and the future of the global environment.

Development of Global Human Resources

Since 2008, we have been implementing measures for global human resource development, with the aim of furthering the development of human resources in support of global business expansion. Specifically, we provide overseas business manager seminars (at both beginner and intermediate levels) designed to promote a readiness to deal with business from a global perspective and teach useful skills for overseas business; enhanced cross-cultural responsiveness training, which instills a practical and systematic understanding of differences in

ever-diversifying value perceptions; and global business mentality training for decision making, in which employees systematically study the requirements for global human resources through a reflection of their own overseas experiences. Furthermore, we will work to enhance measures toward global human resource development through such means as introducing an overseas internship system aimed at globalizing domestic human resources and considering an educational program for local skilled employees at overseas sites.

Project Manager Development

In recent years, there has been an increase in project-based business, such as the contracting of entire systems and peripheral equipment, in addition to sales of single products. In fiscal 2017, we started a new training program with the goal of developing project managers who could execute these types of projects. We are working at the Group level to improve our project management capabilities. Specific examples include project management seminars, where instructors with experience on large projects both inside and outside the Company impart their know-how for

leading a project to success; and an internal exchange program, where employees study at other internal companies to gain hands-on experience on large projects.



Project management seminars

Promotion of Diversity

Diversity is an important management issue for the Company from the perspectives of making the best use of the capabilities of its diverse human resources, fairness, and risk avoidance. We are developing a working environment that makes it possible to mutually recognize and take advantage not only of nationalities and genders, but also differences in sexual orientation, involvement with family care, values, lifestyles, and other factors.



Diversity symbol

Promoting Participation by Women

The Kawasaki Group is actively committed to hiring women. About 30% of our hires for college-graduate administrative positions are women. As a measure to promote the participation of women, we run the 4U (For You) Network with the aim of enabling participants to share knowledge on how to balance work with life events, and to actively participate while spurring each other to greater growth and development. Additionally, in 2016, we held a career-track forum for about 180



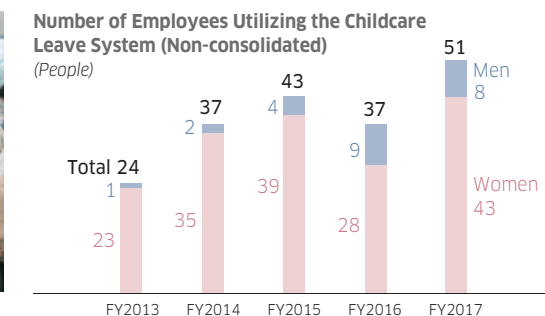
4U network (network for female employees)

women who had been at the Company for 10 years or less. At the forum, they learned from senior female employees how they had built their careers, and through group discussion, considered their own career vision for five years in the future. We also consider the promotion of women to management positions to be an important challenge, and have set a target of increasing the number of female managers (section manager and above) by 2020 by three-fold, compared with the level in fiscal 2015. In these and other ways, we are striving to develop female human resources.

Supporting a Balance of Child Care, Nursing Care, and Work

We have a number of systems to support raising the next generation and nursing care, in order to enable our employees to continue working actively while balancing work with childcare and nursing care.

Examples include a system of childcare leave available until employees’ children reach age three; a short-time working system available to employees with children until they graduate from elementary school; nursing care leave available for up to three years; holding seminars to support those on childcare leave who wish to return to work; a system whereby people can apply for reemployment when they are ready to return to work after resigning because of marriage, childbirth, child-raising, or



other reasons; and a system that lets staff take time off in units of one hour at a time if needed to care for children or other family members. With initiatives in this area that go beyond national government standards, the Hyogo Labour Bureau certified us as a company supporting childcare, and awarded us the “Kurumin Mark” in 2010.

Promoting Participation by People with Disabilities

We are committed to hiring more people with disabilities, and they participate in a wide range of workplaces. In September 2013, we established Kawasaki Heartfelt Service Co., Ltd., which promotes the active employment of people with disabilities in the Group as a whole in order to maintain and improve the employment rate, and also works actively to create barrier-free workplaces. We are cultivating an environment where people with disabilities can develop their full potential.



Activities of Kawasaki Heartfelt Service (Hand-made recycled paper business utilizing recycled resources)

Topics

Enhancing On-site Nursery Facilities

A nursery opened at Kawasaki Motors Enterprise (Thailand) Co., Ltd. in April 2010. The nursery provides temporary care for employees’ children between the ages of one and four. As of March 2017, the nursery cares for the children of about 30 employees on a daily basis. Several more children are also registered at the nursery, and utilize it as necessary. The nursery is generally open from 7:30 to 17:15 to coincide with regular working hours, but if requested by more than a fixed number of employees, it is also made available during overtime or holidays.

The opening of the nursery means that parents can continue working with complete peace of mind, having left their children to be cared for nearby. From the employer’s viewpoint as well, the loss of skilled human resources due to childbirth or childcare is

avoided, promoting a stable and committed workforce. The opening of the nursery has thus proved to be a measure with mutual advantages.



Nursery facilities at Kawasaki Motors Enterprise (Thailand) Co., Ltd.

Collaboration with Business Partners

Basic Policies for Material Procurement

The Kawasaki Group conducts procurement activities based on the following Basic Policies for Material Procurement.

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

Relationships with Business Partners We seek to realize optimal quality, cost, and delivery schedule together with stable procurement by taking a long-term perspective to build relationships of trust with business partners with the aim of mutual enhancement of competitiveness and prosperity.

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

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

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

In addition, the Basic Policies for Material Procurement as well as the Code of Conduct for Dealing with Business Partners and the Policy Regarding Procurement of Conflict Minerals,

which are in line with the objectives of the Basic Policies, are disclosed on our website. The site informs business partners of our basic stance toward material procurement.

Basic Stance toward CSR Procurement

While conducting the Group's business activities, it is essential to conduct procurement activities in line with our stance toward CSR that includes consideration for human rights, labor issues, occupational safety and health, and the global environment, in addition to compliance.

Accordingly, we have to gain the cooperation of our business partners, in addition to the Group, and actively promote CSR activities throughout the supply chain.

CSR Procurement Initiatives

We have released the CSR Procurement Guidelines on the website, where we request our business partners to strengthen their CSR efforts.

Additionally, in fiscal 2017, we conducted a questionnaire-based survey with domestic business partners to assess the status of compliance with these guidelines. About 1,400 business partners responded to the survey. Based on the results of the survey, we will execute measures to strengthen CSR efforts throughout our entire supply chain.

In addition, we pursue CSR procurement on a global and Group-wide basis by disclosing its policies that conform to each business through the websites of the Group's domestic and overseas companies.

Human Rights Initiatives

Respect for Human Rights and Policy on Prohibition of Discrimination

We have set forth "Respect for individuality and human rights/Prohibition of discrimination" as a basic philosophy in the Kawasaki Code of Corporate Ethics, which states, "To create and maintain a comfortable workplace, we respect the individuality and human rights of all people. We do not engage in discrimination, sexual harassment or bullying." The Kawasaki Global Business Ethics Guidelines were formulated in September 2011 as a policy related to corporate ethics and compliance that applies to the entire Group. The Global Business Ethics Guidelines call for respect for human rights and commit us to oppose discrimination and harassment in the workplace as well as child labor below the minimum working age and any form of forced labor.

Addressing Human Rights and Labor Issues

With respect to the global human rights and labor issues of child labor and forced labor, we have confirmed that no company under the Group umbrella is involved in such practices and declared that none will ever employ such practices. This style of confirmation and declaration, acknowledged and supported by the Global Compact Network Japan (GCNJ)* secretariat, was prepared in line with the "Global Compact Labor Principles and Business Guidelines" and was signed by the presidents of all Group companies, including those overseas. All Group companies, including those overseas, also prepared CSR Procurement Guidelines, which cover respect for human rights, and call on business partners to work as a team to uphold these guidelines.

We will pursue further initiatives for human rights and labor issues during MTBP 2016.

*GCNJ: A network in Japan that aims for sustainable development as part of the United Nations

We will expand the circle of contribution that links to society and the future.

The Kawasaki Group implements social contribution activities in various fields beyond its business operations, focusing on activities designed to meet the expectations of society while drawing on the Group's strengths, in order to make contributions mainly for future society, international society, and the global environment in line with its Group Mission, "Kawasaki, working as one for the good of the planet."

Please refer to the following website for details.
Theme 5 Social Contribution <https://global.kawasaki.com/en/corp/sustainability/contribution/>



Science Education × Next Generation

Make Your Own Train!

We have held handicraft workshops using our products as materials at an elementary school in Minamisanriku, Miyagi Prefecture.



Environment × Local Communities

Working to Realize a Society that Coexists with Nature Through Forest Restoration Efforts

We take part in biodiversity conservation activities in two prefectures-Kochi and Hyogo.



Intercommunion × Local Communities

Interacting with the Community

Elementary and junior high school students and their guardians from the communities surrounding the Akashi Works are invited to the site to promote positive interaction with the community every year.



Image ©The Metropolitan Museum of Art

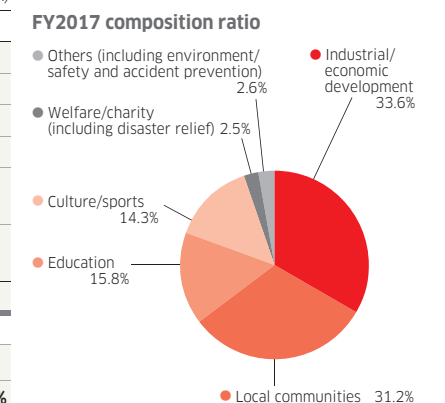
Philanthropy × International Society

Kawasaki Good Times Foundation

We operate a social contribution fund in the United States and make various donations to institutes for the arts and culture, such as the Metropolitan Museum of Art in New York, as well as charitable works.

Expenditure on Social Contribution (Millions of yen)

Category	FY2015	FY2016	FY2017
Industrial/economic development	231	243	292
Local communities	236	235	271
Education	148	138	137
Culture/sports	73	121	124
Welfare/charity (including disaster relief)	34	20	22
Others (including environment/safety and accident prevention)	37	16	23
Total	759	773	869



Recurring profit for the fiscal year	84,288	93,229	36,671
Expenditure as a proportion of recurring profit	0.90%	0.83%	2.37%

Note: Figures include donations, sponsorship contributions, goods and material supply, the cost of operations commissioned from external organizations, and the personnel cost of staff posted to external organizations (the portion covered by Kawasaki), etc. Figures exclude the personnel cost related to Kawasaki employees and costs related to the use of corporate facilities.

Tackling Global Environmental Issues

Reducing CO2 Emissions from Production Bases

Results of Energy-saving Activities

As a result of our energy-saving activities to make energy “visible,” which Kawasaki fully introduced in 2013 with a focus on our plants, we achieved an energy cost reduction of 7.1% in fiscal 2017.

We also make active use of such subsidies as the one by the Ministry of Economy, Trade, and Industry for supporting business operators intending to rationalize their energy use, to introduce energy-efficient equipment. In fiscal 2017, we updated air conditioning equipment, transformers, and other equipment with energy-efficient models at Akashi Works, Kobe Works, Hyogo Works, and Sakaide Works.

We also work to share information and promote energy saving by holding energy-saving practitioners’ conferences aimed at disseminating



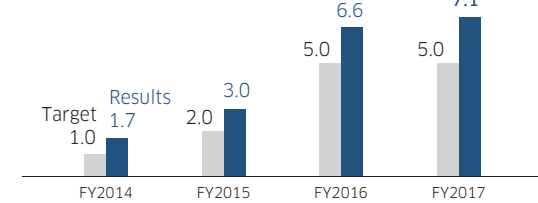
Energy-saving Workshop Dissemination of energy-saving methods (Akashi Works)

methods internally to promote energy saving, and energy-saving workshops in which we observe improvement through case studies and visit sites to see how energy-saving methods are applied.



LED lighting installed as part of energy-saving activities (Seishin Works)

Target and Actual Energy Cost Reduction by Fiscal Year
Energy Cost Reduction Rate (%)



Use of Low-carbon Energy at Plants and Other Facilities

The Kawasaki Group is making its production and other equipment more energy efficient, and advancing the use of renewable energy, as efforts to reduce the CO2 emissions from its plants. We are installing solar power generating systems at our plants, and have a total generation capacity of 4,171 kW, including the Group companies (some of the equipment installations were subsidized by the New Energy Promotion Council).

The Group will continue to promote the introduction of solar power generating systems at our plants, because many of them are located in the Setouchi region, which receives a large amount of sunlight, as we continue to reduce our CO2 emissions.

The Group's Solar Power Generation Capacity

Name	Power Usage	Generation Capacity (kW)
Iwaoka Photovoltaic Power Generation Station*1	Sold via FIT*2	1,505
Nagoya Works 1	Used in-house	750
Seishin Photovoltaic Power Generation Station*1	Sold via FIT	701
Nishi-Kobe Works	Used in-house	505
Nishi-Kobe Photovoltaic Power Generation Station*1	Sold via FIT	422
Akashi Works	Used in-house	140
Sakaide Works	Used in-house	50
Kakogawa Photovoltaic Power Generation Station*1	Sold via FIT	48
Hyogo Works	Used in-house	25
Kobe Works	Used in-house	20
Harima Works	Used in-house	5
Total		4,171

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



Nagoya Works 1: 750-kW power generation facility



Kawasaki Trading Co., Ltd. Iwaoka Photovoltaic Power Generation Station: 1,505-kW power generation facility

Reducing CO2 Emissions Through Product Contributions

Hydrogen Utilization Trials in Kobe

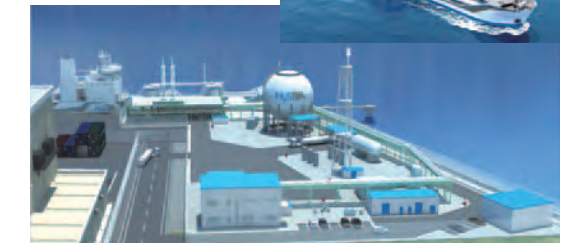
To contribute to a significant reduction in CO2 emissions in our future energy use, we are participating in the “Demonstration Project for Establishment of Mass Hydrogen Marine Transportation Supply Chain Derived from Unused Brown Coal,” which will run from fiscal 2016 to 2021 (planned), as a project to subsidize industrial technology development expense under a specific theme by NEDO*3. The project will demonstrate technologies to gasify brown coal, which is an unused energy resource in Australia; to handle the transport of liquid hydrogen between land depots and ships; and to transport large volumes of liquid hydrogen by sea. We are charged with developing technologies to transport large volumes of liquid hydrogen over long distances, and to handle the transport of liquid hydrogen, with the aim of realization by the Tokyo Olympics in fiscal 2021.

We are also participating in the “Development of Smart Community Technology by Utilization of Hydrogen CGS (Co-Generation System),” which will run from fiscal 2016 to 2018, as a project to subsidize industrial technology development expense under a specific theme by NEDO. This project is to develop and demonstrate technologies for a new energy management system aimed at the efficient use of electrical, heat, and hydrogen energy at the community level, using a power

generation system with a 1-MW-class gas turbine fueled by hydrogen and natural gas (hydrogen CGS). We are charged with development of hydrogen CGS.

*3 NEDO: New Energy and Industrial Technology Development Organization

Liquid Hydrogen Carrier



Liquid Hydrogen Handling Depot

Provided by the CO2-free Hydrogen Energy Supply-Chain Technology Research Association (HySTRA)

Power Generation System (Hydrogen CGS)



Hydrogen Co-Generation System

2017 Kawasaki-brand Green Products

In fiscal 2014, the Group started the Kawasaki-brand Green Products registration program. This program communicates externally the improved competitiveness and contribution to the global environment of our products, which take into account both environmental performance of products and reduction of environmental impact during the production process. In 2017, 10 products were added, bringing the total to 41.



The details of Kawasaki-brand Green Products are disclosed on our website https://global.kawasaki.com/en/corp/sustainability/green_products

Our large LNG carrier with a newly developed tank achieved the world's lowest real BOR of 0.05%/d by combining a Kawasaki Panel System with excellent thermal insulation performance, fitted on newly developed non-spherical cargo tanks, with a partial re-liquefaction system. It has improved its fuel efficiency by about 15%, compared with our previous ships, due to the combination of a unique hull form with dual fuel engines.

*5 BOR: Boil-off rate