Last Update: June 26, 2024

Kawasaki Heavy Industries, Ltd.
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Securities Code: 7012
https://global.kawasaki.com/en/

The corporate governance of Kawasaki Heavy Industries, Ltd. (KHI or the Company) is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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

Reasons for Non-compliance with the Principles of the Corporate Governance Code

This report conforms with the revised Corporate Governance Code that came into effect in June 2021.

Disclosure Based on the Principles of the Corporate Governance Code **Update**

The Company's disclosure is based on the revised code of June 2021.

(Principle 1-4 Cross-Shareholdings)

To improve capital efficiency, the Company will gradually reduce cross shareholdings after sufficient dialogue with the relevant parties. In addition, the Board of Directors annually reviews the significance of each shareholding and whether the benefits and risks associated with the holding are commensurate with the cost of capital. Voting rights shall be exercised in a manner that leads to the sustainable growth of each respective company and the enhancement of enterprise value from a medium- to long-term perspective. In addition, the Company will oppose proposals that damage shareholder value.

(Principle 1-7 Related Party Transactions)

As a part of the Code of Conduct, the Board of Directors adopted a resolution to the effect that Group officers and employees shall not sacrifice the Company's interests for the benefit of themselves or third parties, and officers and employees are required to comply strictly with this.

In the event of transactions with the Company's officers, major shareholders, or other such parties, the Board of Directors approves such transactions in accordance with the provisions of laws and regulations and the materiality standards set forth in its internal rules, reports on the results, and performs appropriate management of conflicts of interests to prevent any harm to the Company or the common interests of shareholders.

(Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources)

The Company believes that it is extremely important to ensure the diversity of its human resources in order to provide innovative solutions in a timely manner to an ever-changing social needs, to continuously improve its enterprise value, and to achieve new growth.

Approach and Voluntary Measurable Goals to Ensure Diversity in Core Human Resources
The Company places importance on creating an organization where employees with diverse perspectives and values can fully demonstrate their abilities and maximize their achievements, and actively and continuously hires and promotes diverse human resources such as women, non-Japanese employees, and mid-career hires with wide-ranging work experience. The Company will endeavor to further strengthen its composition by appointing diverse human resources to at least 20% of the leadership positions at senior manager level and above by 2030.

The Company is currently focusing on the promotion of women's activities and has set goals to double the number of female managerial staff to more than 116 by 2025 from the fiscal 2020 level, increase the ratio of female new graduates to at least 40% for administrative career-track positions and 15% for engineering career-track positions, and increase the rate of male employees taking childcare leave to 50%.

Further information is disclosed on our website and in the Kawasaki Sustainability Report.
Our website (Diversity)
https://global.kawasaki.com/en/corp/sustainability/society/diversity.html
Kawasaki Sustainability Report (p.190-200)
https://global.kawasaki.com/en/corp/sustainability/environment/23_houkokusyo.pdf

Implementation of Human Resource Development Policies and Internal Environment Policies to Ensure Diversity
The Company recognizes the importance of human resource strategies to ensure diversity, including human resource development and enhancement, and launched a new personnel system in April 2021 that eliminates age-based factors and reinforces treatment based on duties and performance.

The Company conducts engagement surveys of Group employees, including those of overseas subsidiaries, re-examining its personnel system and strengthening human resource information infrastructure using digital transformation as part of the Company's efforts to strengthen its human resource strategy. The Company discloses its human resource development policy and internal environment improvement policy for ensuring diversity on its website (*Kawasaki Report* and Sustainability Report).
Our website (sustainability>Society)
https://global.kawasaki.com/en/corp/sustainability/index.html#society
Kawasaki Sustainability Report (p.146-233)
https://global.kawasaki.com/en/corp/sustainability/environment/23_houkokusyo.pdf

(Principle 2-6 Roles of Corporate Pension Funds as Asset Owners)
The Company has adopted a defined benefit corporate pension plan.

The Company has established a Pension Committee consisting of relevant departments to assign and develop appropriate human resources, and to build a system to realize stable asset formation and an appropriate corporate pension system.

The Company has established a basic policy for the management of reserve funds and the optimal asset composition ratio for the future. Based on this and other policies, suitable institutions are entrusted to manage these assets, with regular monitoring conducted.

The Company confirms the approach to the exercise of voting rights of each investment fund manager to ensure there are no conflicts of interest between the Company and the beneficiaries of corporate pension plans.

(Principle 3-1 Full Disclosure)
1. Management Philosophy, Management Indicators and Management Plan
The Company's management philosophy and policies are announced on its website and in its Annual Securities Report.
Management Policies: https://global.kawasaki.com/en/corp/ir/policies/

2. Basic Stance and Basic Policy on Corporate Governance

The Company's basic policy on corporate governance is disclosed in “I. 1. Basic Views” and “II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of this report, as well as on the Company’s website, in the Annual Securities Report, *Kawasaki Report* (integrated report), and other publications.

Corporate Governance: https://global.kawasaki.com/en/corp/sustainability/governance/corporate.html

3. Policies and Procedures for Determining Remuneration for Directors and Corporate Officers

The policy and method of determining the remuneration of the Company’s directors are disclosed in “II. 1. Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” of this report and in the Annual Securities Report. Director remuneration is determined in accordance with the policy on the determination of the amount of remuneration, etc. for directors (excluding directors who are members of the Audit & Supervisory Committee) or the method of calculation thereof, which is delegated by the Board of Directors and decided by the President, based on the results of deliberations by the Compensation Advisory Committee, of which the presiding officer and the majority of members are Outside Directors.

4. Policies and Procedures for Nominating Candidates for Directors and Corporate Officers

5. Explanation for Individual Selection and Nomination of Candidates for Directors and Corporate Officers

The appointment of the President and Chief Executive Officer and other executive officers and the nomination of candidates for directors are based on the “Qualifications Expected of Executive Officers” and “Qualifications Expected of Directors” below, as determined by the Board of Directors. The nomination of executive officers is decided by resolution of the Board of Directors based on a comprehensive evaluation of the knowledge, experience, and ability to properly execute the role required of each position, as well as the performance of the Company and the individual, in accordance with the nomination criteria established in advance.

In addition, the backgrounds of candidates for directors and the reasons for their nomination are disclosed in the notice of the General Meeting of Shareholders.

The policies for the election and dismissal of executive officers and the nomination of candidates for directors, as well as the proposed election and dismissal of executive officers and the proposed nomination of directors, shall be deliberated by the Nomination Advisory Committee, of which the majority of the members shall be Outside Directors. Based on the results of deliberations by the Nomination Advisory Committee, the nomination of directors who are members of the Audit & Supervisory Committee is resolved by the Board of Directors after obtaining the consent of the Audit & Supervisory Committee.

Qualifications Expected of Executive Officers

1. Possess an in-depth understanding and support for the KHI Group’s management philosophy and vision.
2. Be able to make positive contributions towards sustainable growth and the enhancement of enterprise value over the medium and long term.
3. Possess a wealth and breadth of experience and a high level of insight and expertise for the appropriate execution of business.
4. Be able to demonstrate strong leadership and decisiveness from a Company-wide perspective to realize management policies and strategies.

Qualifications Expected of Directors

1. Possess in-depth understanding and support for the KHI Group’s management philosophy and vision.
2. Be able to make positive contributions towards sustainable growth and the enhancement of enterprise value over the medium and long term.

3. Maintain a Company-wide perspective and bring the wealth and breadth of experience, insight and expertise to do so.
4. Be able to supervise the management and execution of business operations from an independent and objective position as a member of the Board of Directors.
5. Be able to exercise one's authority in an active and positive manner, and appropriately voice opinions at Board of Directors meetings or to management.

* To ensure the effectiveness of audits, Directors serving as Audit & Supervisory Committee Members must be familiar with the Company's business or have deep insight and expertise in corporate management, legal affairs, finance and accounting, government and other fields. At least one Director serving as an Audit & Supervisory Committee Member must have sufficient knowledge of finance and accounting.

(Supplementary Principle 3.1.3 Initiatives on Sustainability)

Sustainability Initiatives

The Company discloses its sustainability initiatives through its website, the *Kawasaki Report*, *Kawasaki Sustainability Report*, and other publications. The Company will continue to enhance disclosure in the future.

Sustainability: https://global.kawasaki.com/en/corp/sustainability/index.html

Investments in Human Capital

We believe that appropriate management is necessary to develop human resources who can tackle the challenges of new business areas and produce results that go beyond the boundaries of internal and external organization and products and to motivate organizations in order to maximize results.

Accordingly, in 2021 we launched a personnel system based on the concept of challenge and commitment, which motivates and evaluates human resources who set high targets for themselves and achieve them with determination and speed. We recruit and assign human resources from inside and outside the company who can perform their expected roles and achieve results, without regard for age, gender, nationality, or other attributes, and we are working on suitable assignments based on assessment of behavioral characteristics and development of management levels through training for department and section managers.

We also believe that it is necessary to reinforce development of managers who can lead ongoing business transformation. We select successor candidates by visualizing the skills that managers need, employing external assessments, interviewing the president and vice president, and taking other measures. In addition, we take systematic action to develop managers by conducting manager development courses for a wide range of personnel divided into three different rank-specific programs.

Human Resource Management

https://global.kawasaki.com/en/corp/sustainability/society/h-management.html

Human Resource Development

https://global.kawasaki.com/en/corp/sustainability/society/h-development.html

Investments in Intellectual Properties

To sustainably increase enterprise value, the Group is creating innovation and leveraging its core competencies to develop businesses and brands with competitive advantages, and the results of research and development obtained through these initiatives, including patents, know-how, and brands, are regarded as intellectual property. These types of intellectual property are positioned as important management resources, and within our business strategies to realize Group Vision 2030, especially for our hydrogen business, the Company is actively promoting acquisition and utilization in conjunction with participation in standardization activities (rule-making, etc.). The policy is disclosed on the Company's website, and the Company will continue to enhance disclosure in the future.

Our website (Research and Development)

https://global.kawasaki.com/en/corp/sustainability/governance/rd.html#section_06

Kawasaki Group Policy on R&D:
https://global.kawasaki.com/en/corp/sustainability/pdf/policy-on-rd.pdf
Kawasaki Group Policy on Intellectual Property:
https://global.kawasaki.com/en/corp/sustainability/pdf/intelle-prop.pdf
Kawasaki Sustainability Report (Intellectual Property Management: p.102-104)
https://global.kawasaki.com/en/corp/sustainability/environment/23_houkokusyo.pdf

Disclosure Based on the TCFD Framework
The Group collects and analyzes data on the impact of climate change-related risks and opportunities on its business activities and earnings, and discloses such data in accordance with the TCFD framework. In the future, the Group will work to further enhance the quality and quantity of its disclosure.
Kawasaki Report (p. 43-48):
https://global.kawasaki.com/en/corp/sustainability/report/2023/pdf/23_houkokusyo.pdf
Kawasaki Sustainability Report (p.120-127)
https://global.kawasaki.com/en/corp/sustainability/environment/23_houkokusyo.pdf

(Supplementary Principle 4.1.1 Overview of the Scope of Delegation to Management)
The Board of Directors makes resolutions on matters related to medium- and long-term management policies and plans, matters related to the appointment, dismissal, and remuneration of officers, and other important investment and financing matters above a certain amount, in addition to the matters stipulated by laws and ordinances and the Articles of Incorporation, and in accordance with internal rules. Decisions on the execution of business operations are made in accordance with the Articles of Incorporation and internal regulations, and authority is appropriately delegated to executive officers appointed by the Board of Directors in order to expedite decision making.

(Principle 4-9 Independence Standards and Requirements for Independent Outside Directors)
The criteria for determining the independence of Outside Directors are resolved and disclosed by the Board of Directors as described in “II. 1. Matters Relating to Independent Directors.”

(Supplementary Principle 4.10.1 Views on the Independence of the Members of Nomination and Compensation Advisory Committees)
The Company has established Nomination and Compensation Advisory Committees independent of the Board of Directors, to ensure objectivity and deliberate the nomination and compensation of Corporate Officers and directors from the perspective of gender diversity and skills. The composition of each committee is determined by resolution of the Board of Directors, and the presiding officer and a majority of the members are Independent Outside Directors to strengthen the independence, objectivity, and accountability of the Board of Directors’ functions related to the nomination (including succession planning) and compensation of Corporate Officers and directors. For details of the composition of the committees, please refer to the corporate governance status section of the Annual Securities Report.
Annual Securities Report: https://www.khi.co.jp/ir/library/financial.html (Japanese)

(Supplementary Principle 4.11.1 Views on the Balance, Diversity, and Size of the Board of Directors)
Candidates for Director are nominated by the Board of Directors in accordance with its established “Qualifications Expected of Directors.”. As the Company has various business segments with different business activities, the Board of Directors appoints internal directors with broad experience as managers of each business and head office function, and external directors with rich experience in corporate management, legal affairs, and public administration, respectively. As a result, the Company has secured a diverse Board of Directors, taken on the whole, with the needed balance of knowledge, experience, and ability as well as gender, race, nationality, and other attributes, as summarized in the following table. The items listed in the skills matrix are based on the definition of the areas of supervision necessary to realize Vision 2030 as “vision, strategic thinking, and governance to increase enterprise value,” “business structure

transformation," and "growth initiatives related to infrastructure development." To realize Vision 2030, the following areas* designate expectation and experience required of each director.
* An area in which the Board of Directors is expected to use its knowledge and experience to lead discussions.

			Director								Director (Audit & Supervisory Committee Member)				
			Internal				Outside				Internal		Outside		
			Kanehana	Hashimoto	Yamamoto	Nakatani	Rogers	Tsujimura	Yoshida	Brock	Kato	Kakihara	Ishii	Tsukui	Amaya
Cognitive Diversity	Areas of expectation	Business strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
		Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
		Finance and accounting			✓		✓				✓				✓
		Personnel & organizational management		✓	✓			✓					✓		
		Monozukuri (technology, development, production & quality)	✓	✓		✓		✓							
		Sales & marketing	✓	✓				✓	✓	✓		✓			
		IT, DX & security		✓		✓									
	Required experience	Corporate management	✓	✓	✓	✓		✓	✓		✓				
		Global	✓	✓	✓		✓	✓		✓	✓	✓			
		Legal & administration					✓						✓	✓	✓
		Finance & research organizations				✓	✓								✓
Demographic Diversity		Foreign nationals					✓			✓					
		Women					✓			✓		✓	✓		✓

In addition, the Company appoints one or more Directors who are Audit & Supervisory Committee Members and who have appropriate experience, ability and necessary knowledge of finance, accounting and legal affairs, and who have sufficient knowledge of finance and accounting. The current composition of the Board of Directors is disclosed in "II. 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)."

(Supplementary Principle 4.11.2 Status of Concurrent Positions Held by Directors)
The Board of Directors stipulates that if a director of the Company is to serve concurrently as an officer of another listed company, the maximum number of concurrent appointments is limited to three companies excluding the Company. The Company discloses the status of concurrent positions held by each director in the notice of the General Meeting of Shareholders and in the Annual Securities Report.

(Supplementary Principle 4.11.3 Evaluating the Effectiveness of the Board of Directors)
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.

[Efficacy Evaluation Methods]
The evaluation was conducted via anonymous questionnaire to all directors with the advice and assistance of external experts. The specific evaluation procedure is as follows.

1. Confirm the status of initiatives to address issues identified via the previous evaluation of the Board of Directors and determine evaluation methods to be used, key items to be surveyed and other matters pertaining to the upcoming evaluation.
2. Conduct a survey of all of the members of the Board of Directors.
3. Compile and analyze the survey results for discussion at Board of Directors meetings.

4. Determine issues to be addressed at Board of Directors meetings and policies for countermeasures based on findings from analysis and results of the Board of Directors' discussion.

Items Surveyed
The survey questions (main items) are as follows, with a 5-point scale and free writing section.
Also, these questions take into account the changes made in the revision of the Corporate Governance Code while maintaining continuity with previous surveys.

Survey Question Items
• Optimal status of the Board of Directors
• Composition of the Board of Directors
• Operation of the Board of Directors
• Discussions of the Board of Directors
• Monitoring function of the Board of Directors
• Training
• Interactions with shareholders (investors)
• Actions by the respondent
• Audit & Supervisory Committee
• Summary

Evaluation Results and Results of Deliberation by the Board Based on those Results
The analysis of survey results found that the Board of Directors' operations were evaluated highly overall, as was the case in the previous year, and the additive average values for all questions (excluding the free writing section) were approximately the same as in the previous year.

Please refer to "Initiatives to Further Improve Effectiveness" for details.

The item with the highest score was "Does the Board engage in free and constructive discussions and exchanges of opinions?" Many of the respondents highly evaluated the active and non-formal discussions conducted by the Board of Directors. Also, the item with the greatest score improvement was "Approaches and targets for ensuring diversity of core human resources such as promoting women, foreign nationals, and mid-career hires to managerial positions, human resource development policies, and internal environment development policies." This result is recognition of the multiple discussions conducted during Board of Directors meetings and the actions taken based on the results of those discussions.

In addition, among the items raised as issues for the Board in fiscal 2023, the score for "Securing diversity among core human resources" improved significantly, and this is believed to be the result of steady progress in discussions and action to address this issue.

On the other hand, the item relating to "Overseeing the implementation of digital transformation" received the lowest score. As a result, it is desirable that the Board discuss management policies concerning the future and direction of the Company, including AI, recruiting human resources, and other issues. (For details of specific measures, refer to "Measures to Address Prior Issues.")

In light of these results, we will continue to make efforts for improvement.

As a result of discussions at the Board of Directors meeting based on the results of the above analysis and other factors, the operations of the Board of Directors have been deemed effective.

[Measures to Address Prior Issues]

The status of initiatives undertaken to address the four issues raised based on the results of last year's survey is as follows.

1. Firmly establishing leadership succession plans

We created various lists including short and long lists of candidates and defined the succession process. We evaluated shortlist candidates from the perspective of competencies and incorporated the evaluations into the job and human resource requirement statements for each executive position. We are also clarifying development issues in the process of evaluating candidates and allocating challenging assignments based on those points as appropriate. Going forward, we will continue to create opportunities to share information and hold discussions among Board members at appropriate times.

2. Securing diversity among core human resources

Within succession plans, we are investigating mechanisms that can select personnel from a pool of officer candidates through more diverse channels than ever before, and we are promoting the identification and promotion of diverse human resources on the executive level based on evaluation criteria (assessment of behavioral characteristics) with a focus on actions desired to achieve the Company's vision.

In addition, promoting the advancement of women is an important topic in terms of diversity, and the Board of Directors shared information on the current status and issues and discussed perspectives necessary for reinforcing promotion. Based on those discussions, we are investigating and have started implementing specific measures.

3. Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies

In fiscal 2023, management that focuses on strengthening group governance, reinforcing compliance, active participation by diverse human resources (promoting the advancement of women), organization of corporate principles, capital costs, and stock prices was raised and discussed as a priority issue.

4. Strengthening group-wide internal control systems within quality control

We promoted awareness among all employees by disseminating messages within the Company and conducting training through e-learning while taking action to identify issues at an early stage, such as conducting employee awareness surveys.

In addition, we are promoting the application of total quality management (TQM) methods as a foundation for streamlining business processes so that we can effectively utilize TQM methods in business activities.

[Initiatives to Further Improve Effectiveness]

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

1. Firmly establishing leadership succession plans

We will make improvements while ensuring stable operation of the structures for the human resource hiring process currently in use. We will also raise the effectiveness of training plans for future successor candidates (executive positions) through dialogue with company presidents. In addition, we will continue to take action to instill competencies (behavioral attributes) in all officers while employing job and human resource requirement statements and conducting evaluations.

2. Securing diversity among core human resources

In fiscal 2024, we will continue our efforts to diversify the pool of officer candidates with a focus on a systematic developmental scheme for female line managers and on identifying and developing business exploration human resources. We will also deepen awareness of the importance of ensuring diversity in relation to achieving management goals including achieving our vision through the HR Management Committee and reflect this in companywide and division initiatives in the future.

3. Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies

At its meetings, the Board will continue to select and discuss topics in line with important issues for achieving the Group Vision 2030, deploy the decided policies to the execution side, and further reinforce measures that will lead to specific action.

(Priority Themes That We Plan to Investigate This Fiscal Year)

Re-examination of business structures with an awareness of capital efficiency, active participation by diverse human resources, reinforcement of group governance, implementation of DX, intellectual property strategies, etc.

4. Reinforcing monitoring of initiatives to promote quality and compliance

In fiscal 2023, we continued efforts to reinforce company-wide quality management by streamlining and standardizing business processes centered on Total Quality Management (TCM), identifying similar matters relating to compliance, and taking other actions.

We are also creating systems to eliminate misconduct and errors by reviewing Group governance systems and internal control systems.

(Supplementary Principle 4.14.2 Training Policy for Directors)

The Company provides the following training to Directors according to their respective purposes, based on their expected roles and responsibilities and required qualifications and knowledge. In addition, the Company provides, arranges, and covers the cost of training opportunities required by each Director individually.

Full-Time Directors

・Training to understand the legal responsibilities of the position upon appointment

・External training

Outside Directors

・Explanation of company profile and information at the time of appointment

・Regular briefings for Outside Directors on matters before the Board of Directors and Management Committee

・Participation in key internal committees other than the Board of Directors

・Measures to deepen understanding of the Company's business (participation in various internal events, plant tours, interaction with Corporate Officers, etc.)

All Directors

・Lectures by external experts on social and economic conditions and issues to be addressed by the Company

・Provision of opportunities to participate in various online seminars on legal matters, finance, and other topics

(Principle 5.1 Policy for Constructive Dialogue with Shareholders)

We will actively engage in dialogue with our shareholders to explain our business strategies and management policies, as well as to reflect the knowledge gained through the dialogue in our management, in order to improve our enterprise value over the medium and long term. For this reason, except in unavoidable cases such as scheduling conflicts, appropriate persons such as Directors and Corporate Officers, including the president, will meet with shareholders who request dialogue, depending on their wishes and shareholding ratio. The policy regarding the development of systems and initiatives to promote constructive dialogue with shareholders is as follows.

- The Director in charge of corporate communication oversees dialogue with shareholders, and is actively involved in initiatives such as handling interviews from investors and holding various briefings.
- The internal departments assisting with the dialogue work together to hold regular liaison meetings and provide other support for constructive dialogue.
- Quarterly financial results briefings (including online conferences), business briefings, and tours are held on an ongoing basis.
- The opinions and concerns of shareholders identified through dialogue are reported to the Board of Directors in a timely and appropriate manner.
- In addition to setting up a silent period to limit dialogue with investors prior to the announcement of financial results, we prevent the leakage of insider information by having at least two people present, in principle, for the purpose of mutual monitoring.

State of Implementation of Dialogue with Shareholders, Etc.

In our website we disclose our dialogue system, results, main themes, feedback to management, etc. in more detail. Going forward, we will strive to further enhance information disclosure.

Communication with Shareholders and Investors

https://global.kawasaki.com/en/corp/ir/engagement/index.html

(Principle 5-2 Formulation and Disclosure of Management Strategy and Management Plan)

Response toward Realization of Management Mindful of WACC and Stock Price

The Company's weighted average cost of capital (WACC) as of the end of March 2024 was estimated to be in the 4% to 5% range. In addition, in our Group Vision 2030 we are aiming for a growth in net sales exceeding the growth rate of world GDP. As management policy, it stipulates that while continuing development investment in growth fields and new businesses, as indicators to measure reasonable profits, we will achieve a business profit margin of 8% by 2027 and more than 10% by 2030 and ensure after-tax ROIC of WACC + 3% or more. Furthermore, as a result of improvements in these management indicators, we will endeavor to boost return on equity (ROE). In addition, we encouraged action to improve corporate value through the director compensation system by introducing long-term incentives indexed to the share price starting in May 2024.

Regarding management policy based on WACC-oriented KPIs, business model and business portfolio reforms, investment in human capital and DX, etc., we disclose information in our Kawasaki Report and briefing materials for Group Vision 2030 Progress Report Meetings.

Kawasaki Report (p. 13-16):
https://global.kawasaki.com/en/corp/sustainability/report/2023/pdf/23_houkokusyo.pdf

Group Vision 2030 Business Report Meeting
https://global.kawasaki.com/en/corp/ir/library/pdf/etc_231212-1e.pdf

2. Capital Structure

Foreigner shareholding percentage	From 20% to less than 30%

[Status of Major Shareholders] Update

Name/Company Name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,382,500	15.71
Custody Bank of Japan, Ltd. (Trust Account)	14,014,720	8.34
Nippon Life Insurance Company	5,751,661	3.42
Kawasaki Heavy Industries Employee Stock Ownership Association	5,280,251	3.14
Kawasaki Heavy Industries, Ltd. Kyoueikai	4,145,719	2.46
STATE STREET BANK AND TRUST COMPANY 505001	3,483,164	2.07
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	2,476,657	1.47
Mizuho Bank, Ltd.	2,239,412	1.33
SSBTC CLIENT OMNIBUS ACCOUNT	2,109,167	1.25
STATE STREET BANK WEST CLIENT - TREATY 505234	2,040,600	1.21

Controlling Shareholder (except for Parent Company)	――
Parent Company	None

Supplementary Explanation Update

Although the Company has received a Substantial Shareholding Report, the exact number of shares actually held by each shareholder as of March 31, 2024 cannot be fully confirmed. Therefore, the status of major shareholders listed above is based on the registry of shareholders. The main content of the report follows.

Holder: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other
Date of reporting obligation: November 15, 2023
Number of shares held: 15,919,300
Shareholding ratio: 9.48%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange (Prime Market), Nagoya Stock Exchange (Premier Market)

Fiscal Year-End	March
Type of Business	Transportation equipment
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances That May Have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Business Execution and Management Oversight

1. Organizational Composition and Operation

Organizational structure:	company with an Audit & Supervisory Committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board (except when concurrently serving as president)
Number of Directors	13
Appointment of External Directors	Appointed
Number of External Directors	7

Number of External Directors That Are Independent Directors	7

External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Jenifer Rogers	From another company											
Hideo Tsujimura	From another company								△			
Katsuhiko Yoshida	From another company								△			
Melanie Brock	From another company								○			
Atsuko Ishii	Other											
Susumu Tsukui	Attorney											
Tomoko Amaya	Other											

* Categories for "Relationship with the Company"
* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past
* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Committee member (*kansayaku*)
g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (other than d, e or f above), but not including close relatives (only the director himself/herself)
i. Executive of a company with external directors/Audit & Supervisory Committee member (*kansayaku*) that are mutually appointed at the Company as well (only the director himself/herself)
j. Executive of a company or organization that receives a donation from the Company (only the director himself/herself)
k. Others

External Directors' Relationship with the Company (2)

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Jenifer Rogers		○	——	Ms. Rogers has served as an in-house lawyer and counsel at a financial institutions in Japan and overseas for many years. Since 2018, as an Outside Director of the Company, she has provided helpful opinions and advice on important management decisions based on her extensive international experience and deep insights into legal affairs, compliance, and risk management cultivated in those positions from a standpoint independent from the Company's business execution. In consideration of these points, the Company has determined that she is suitable as an Outside Director. Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.
Hideo Tsujimura		○	Although Suntory Beverage & Food Limited, for which Mr. Tsujimura previously served in an executive role, is not a current business partner of the Company, the Suntory Group and the Company have a history of business transactions. However, since the annual average transaction amount for the most recent five fiscal years is less than 1% of the annual average net sales of the Suntory Beverage & Food Limited group and the Company for the relevant period, and Mr. Tsujimura satisfies the criteria for determining the	Mr. Tsujimura has served as Senior Managing Director, in charge of Intellectual Property Department and R&D Division of Suntory Holdings Limited; Representative Director, President & Chief Executive Officer of Suntory Business Expert Limited; Director, Executive Vice President, Chief Operating Officer, MONOZUKURI Division; and Senior General Manager, Research & Development Department of Suntory Beverage & Food Limited; and in other important positions. Since 2020, as an Outside

			independence of officer established by the Company, the Company has determined that he is sufficiently independent and qualified to serve as an independent officer.	Director of the Company, he has provided helpful opinions and advice on important management decisions based on his extensive management experience and deep insights into product development and intellectual property from a standpoint independent from the Company's business execution. In consideration of these points, the Company has determined that he is suitable as an Outside Director. Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.
Katsuhiko Yoshida		○	Although Kao Corporation, for which Mr. Yoshida previously served in an executive role, is not a current business partner of the Company, Kao Corporation and the Company have a history of business transactions. However, since the annual average transaction amount for the most recent five fiscal years is less than 1% of the annual average net sales of Kao Corporation and the Company for the relevant period, and Mr. Yoshida satisfies the criteria for determining the independence of officer established by the Company, the Company has determined that he is sufficiently independent and qualified to serve as an independent officer.	Mr. Yoshida has served in such roles at Kao Corporation as a Representative Director, Senior Managing Executive Officer, with overall responsibility for the Consumer Products Business Department; and in addition to his abundant experience in management, he also has deep insight into sales and marketing, and since 2022, as an Outside Director of the Company, has provided helpful opinions and advice on important management decisions. In consideration of these points, the Company has determined that he is suitable as an Outside Director. Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.
Melanie Brock		○	The Company entered into a consulting agreement with Melanie Brock Advisory, Ltd., where Ms. Brock currently	Ms. Brock has been involved in international business support for many years, and based on her extensive international

			serves as an executive officer. The annual consulting fees are no more than 10 million yen, and Ms. Brock satisfies the criteria for determining the independence of officers established by the Company, and accordingly, the Company has determined that she is sufficiently independent and qualified to serve as an independent officer.	experience and high level of insight into business strategies and marketing from a global perspective, has provided valuable opinions and advice on important management decisions as an Outside Director of the Company from a perspective independent from business execution sense since 2023. In consideration of these points, the Company has determined that she qualified to serve as an Outside Director. Furthermore, the Company has appointed her an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.

Atsuko Ishii	○	○	——	Ms. Ishii has never been involved in the management of a company except as an outside officer, but has served in important positions at the Ministry of Health, Labour and Welfare, including as Director-General of the Osaka Labour Bureau, Deputy Director-General, Director-General of the Equal Employment, Child and Family Policy Bureau, Director-General for General Policy and Evaluation, and Director-General of Social Welfare and War Victims' Relief Bureau. Since 2017, as an Outside Audit & Supervisory Committee Member of the Company, Ms. Ishii has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value based on her abundant experience in and deep insight into Japan's labor administration. In consideration of these points, the Company has determined that she is suitable as an Outside Director serving as an Audit & Supervisory Committee Member. Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.
Susumu Tsukui	○	○	——	Mr. Tsukui has never been involved in the management of a company except as an outside officer but has served as President of the Hyogo-ken Bar Association and in other important positions, and based on his abundant experience as an attorney and deep insight

				into legal affairs, he has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value as an Outside Audit & Supervisory Committee Member of the Company since 2022. In consideration of these points, the Company has determined that he is suitable as an Outside Director serving as an Audit & Supervisory Committee Member. Furthermore, the Company has appointed him an independent officer, as it judges that he meets the Tokyo Stock Exchange's standards of independence and is not at risk of having a conflict of interest with general shareholders.
Tomoko Amaya	○	○		Ms. Amaya has never been involved in the management of a company other than as an outside officer, but has worked for the Financial Services Agency as the Deputy Commissioner of the Planning and Coordination Bureau, Secretary General of Certified Public Accountants and Auditing Oversight Board, Vice Commissioner for International Affairs of the Policy Bureau, and Vice Minister for International Affairs, gaining deep insight into financial supervision and international financial regulation. In consideration of these points, the Company has determined that she is suitable as an Outside Director serving as an Audit & Supervisory Committee Member. Furthermore, the Company has appointed her an independent officer, as it judges that she meets the Tokyo Stock Exchange's standards of independence and

				is not at risk of having a conflict of interest with general shareholders.

Audit & Supervisory Committee

Committee's Composition and Attributes of its Chairperson

	All Committee Members	Full-Time Members	Internal Directors	Outside Directors	Chairperson
Audit & Supervisory Committee	5	2	2	3	Internal Director

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee	Appointed

Matters Related to the Independence of Such Directors and Staff from the Executive Directors

The Company has established the Office of Audit & Compensation Advisory Committee Supervisory Committee, which has two full-time employees and one concurrent employee, to assist the Audit & Supervisory Committee in the execution of its duties. Such employees shall be subject to the direction and orders of the Audit & Supervisory Committee, and the prior consent of the Audit & Supervisory Committee shall be obtained for any personnel changes, evaluations, etc., to enhance their independence from the executive directors and to ensure the effectiveness of the instructions of the Audit & Supervisory Committee.

Cooperation Among the Audit & Supervisory Committee, Independent Auditor, and the Internal Auditing Department

The Audit & Supervisory Committee and the Auditing Department meet on a regular basis to share information on audit results and findings. In addition, the Audit & Supervisory Committee meets regularly with independent auditors, and the head of the Auditing Department attends these meetings in order to exchange necessary information and ensure mutual cooperation.

Voluntary Establishment of Nomination/Remuneration Committee

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination Advisory Committee	5	0	2	3	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Compensation Advisory Committee	5	0	2	3	0	0	Outside Director

Supplementary Explanation

As advisory bodies to the Board of Directors, the Company has established the Nomination Advisory Committee and the Compensation Advisory Committee, whose chairperson and majority of members are Outside Directors, in order to enhance the transparency and objectivity of the Board of Directors.

The members of both committees are selected by the Board of Directors based on their internal and external backgrounds and knowledge. The main deliberations of the two committees, the titles and names of the committee members, and the attendance at each committee meeting held in fiscal 2022 are as follows. The Human Resources Division of the Head Office serves as the secretariat for both committees.

・Main items for discussion

Nomination Advisory Committee: Policy on the election of directors and the appropriateness of the proposed election of Directors, etc.

Compensation Advisory Committee: Policy on compensation of directors and appropriateness of the Director compensation system, etc.

・Positions and Names of Committee Members (as of June 28, 2023)

Presiding Officer: Hideo Tsujimura (Outside Director)

Members: Yasuhiko Hashimoto (President), Katsuya Yamamoto (Vice President), Atsuko Ishii (Outside Director/Audit & Supervisory Committee Member), Katsuhiko Yoshida (Outside Director)

・Committee meeting attendance in fiscal 2023 (Members and positions are as of June 28, 2023.)

		Nomination	Compensation
Representative Director, President and Chief Executive Officer	Yasuhiko Hashimoto	10/10	7/7
Vice President and Senior Executive Officer	Katsuya Yamamoto	10/10	7/7
Outside Director	Ryoichi Saito	10/10	7/7
Outside Director	Hideo Tsujimura	10/10	7/7
Outside Director	Atsuko Ishii	10/10	7/7

Independent Directors

Number of Independent Directors	7

Matters Relating to Independent Directors

Independence Criteria for Outside Directors

If none of the following items apply, the Company judges that an Outside Director is sufficiently independent.

(1) In the event that a company (including an important subsidiary as defined by the Company) in which the Outside Director is currently employed or has been employed in the past 10 years as an executive director, executive officer, manager or other important employee (hereinafter referred to as the "originating company") conducts business with the Group, the average transaction amount for the past five fiscal years exceeds 2% of the average net sales of the Group and the originating company for the past five fiscal years.

(2) The average amount of compensation (excluding compensation as an officer of the Company) received by such Outside Directors directly from the KHI Group as a legal, accounting or tax specialist or consultant (or a corporation if the Outside Director has legal personality) for the past five fiscal years exceeds ¥10 million.

(3) The average amount of donations, etc. from the Group to the non-profit organization for which the Outside Director serves as executive officer for the past five fiscal years exceeds ¥10 million and exceeds 2% of the organization's total revenue or ordinary income/expenses.

(4) The company from which the Outside Director hails is a major shareholder holding 10% or more of the Company's total outstanding shares.

(5) A relative within the second degree of kinship of the Outside Director is a person who meets the conditions set forth in the preceding four items or is an executive director, executive officer, manager, or other important employee of the KHI Group.

Incentives

Incentive Policies for Directors	Performance-Based Compensation

Supplementary Explanation

The details of the performance-based compensation system are disclosed in the Annual Securities Report.
Annual Securities Report: https://www.khi.co.jp/ir/library/financial.html (Japanese)

Recipients of Stock Options	

Supplementary Explanation

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Director Remuneration

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation

The total amount of compensation paid by the Company within the limit based on the resolution of the General Meeting of Shareholders for fiscal 2022 (April 1, 2023 to March 31, 2024) is as follows

Directors (5 people, excluding Audit & Supervisory Committee Members and Outside Directors): ¥389 million
Audit & Supervisory Committee Members (3 people, excluding Outside Directors): ¥73 million
Outside Directors (8 people): ¥99 million

The total amount of compensation by type and the compensation of some Directors are individually disclosed in the Annual Securities Report in accordance with the provisions of the Cabinet Office Ordinance on the disclosure of corporate information.
Annual Securities Report: https://www.khi.co.jp/ir/library/financial.html (Japanese)

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Details of matters pertaining to the policy for determining the amount of compensation or its calculation method are disclosed in the Annual Securities Report.
Annual Securities Report: https://www.khi.co.jp/ir/library/financial.html (Japanese)

Support System for Outside Directors

The Corporate Planning Department of the Head Office holds regular briefings on agenda items for all Outside Directors, and provides necessary support such as distributing Board of Directors materials in advance. In addition to this, the full-time Audit & Supervisory Committee Members provide various information to the Outside Directors, who are members of the Audit & Supervisory Committee, through the Audit & Supervisory Committee and business audits. In addition, the Office of Audit & Compensation Advisory Committee Supervisory Committee staff provides various information to the Outside Director, who is an Audit & Supervisory Committee Member, through the Audit & Supervisory Committee and business audits.

Status of Persons Retired from Representative Director and President, etc.

Names, etc., of advisors ("*sodanyaku*," "*komon*," etc.) who have formerly served as Representative Director and President, etc.

Name	Title/Position	Duties	Working Arrangement / Conditions (Full-time /Part-time, Compensation etc.)	Date of Retirement from President, etc.	Term
Masamoto Tazaki	Honorary Advisor	Advice at the Company's request (non-management involvement)	Part-time Unpaid	6/29/2005	—
Shigeru Murayama	Special Advisor	Advice at the Company's request (non-management involvement)	Part-time Paid	6/25/2020	6/30/2024

Total number of advisors ("*sodanyaku*," "*komon*," etc.) who have formerly served as Representative Director and President, etc.	2

Other Matters

・The Company occasionally delegates advisors as persons who have experience as Representative Director and President, etc., and their duties are as follows. However, they are not involved in any decision-making process of management.

(1) To provide advice at the request of the Company based on their experience and knowledge of the Company's management over many years.

(2) Engage in activities in industry groups and business circles and social contribution activities.

・With regard to the system of advisors and counselors, based on the deliberations of the Nomination Advisory Committee, of which the presiding officer and the majority of the members are Outside Directors, the Board of Directors resolved to abolish the advisor system and establish a new special advisor system as of June 25, 2020. The Board of Directors has resolved to abolish the advisor system and establish a new special advisor system as of June 25, 2020. In addition, it was decided not to appoint any new Honorary Advisors.

・The appointment of Special Advisors is decided by the Board of Directors based on the results of deliberations by the Nomination Advisory Committee, and the term of office is one year in principle.

・Special Advisors are paid compensation commensurate with their responsibilities, as they are responsible for important external activities, such as activities in industry organizations and business circles, as well as social contribution activities, including serving as officers and committee members. Honorary Advisors are not paid any remuneration.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

(1) Overview of the current corporate governance system

KHI is a company with an Audit & Supervisory Committee and has voluntarily established a Nomination Advisory Committee and a Compensation Advisory Committee as advisory bodies to the Board of Directors as a well as a Management Committee, an Executive Officers Committee, and other business execution bodies. KHI's main deliberative bodies, their details, and the status of the activities are as follows.

The Board of Directors comprises 13 Directors (of whom five serve as Audit & Supervisory Committee Members), and seven of the 13 Directors are Outside Directors (of whom three serve as Audit & Supervisory Committee Members), comprising a majority of the Board. In addition, the Company's first female Internal Director (Audit & Supervisory Committee Member) was appointed to the Board in June 2024. Currently, five of the Directors are women and two are foreign nationals, providing a balance of knowledge, experience, and skills, promoting diversity, and creating a system that enables more multifaceted decision making. 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. Chairman of the Board serves as Presiding Officer pursuant to a resolution of the Board.

In addition to deliberating on individual proposals submitted in accordance with the decision-making rules, the Board of Directors also discusses topics set based on the results of evaluations of the effectiveness of the Board. In fiscal 2023, the Board discussed issues including promotion of management that focuses on strengthening group governance, reinforcing compliance, promoting the advancement of women, capital costs, and stock prices. We also created a system whereby the Board adopts resolutions on fundamental policies on key management issues, such as sustainability, compliance, risk management, and quality control, and can request reports on the status of these issues from the business execution side.

In addition to the above, the Nomination Advisory Committee and the Compensation Advisory Committee have been established for the purpose of improving the transparency and objectivity of its deliberations. The Nomination Advisory Committee deliberates on the policies and standards regarding the appointment and dismissal of Directors and the appropriateness of such, and the Compensation Advisory Committee deliberates on the policies and systems regarding the compensation of Directors and the appropriateness of the individual compensation, and reports or advises the Board of Directors, respectively.

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. To ensure the reliability of financial reports, at least one person with sufficient knowledge of finance and accounting is appointed to the Committee.

KHI 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 officers, who are appointed by the Board of Directors.

The Company established a Management Committee consisting of Representative Director, presidents of internal companies, and others as an advisory body to the President on overall Group management. The Committee deliberates on important matters related to business execution. The Company also established the Management Strategy Meeting and the Major Project Committee to engage in multifaceted discussions of strategies, action plans, and risk assessment and countermeasures

for each business and project, thereby creating a system that enables more appropriate and efficient decision making and business execution.

In addition to issuing business execution policies based on decisions made by the Board of Directors, Management Committee, etc., the Committee also exchanges opinions on management issues in an effort to unify decision making in Group management.

For a diagram of our corporate governance system, please refer to the attached "Corporate Governance System Diagram." In accordance with Article 427, Paragraph 1, of the Companies Act and Article 31 of the Articles of Incorporation, Directors who are Audit & Supervisory Committee Members and Outside Directors who are not Audit & Supervisory Committee Members have entered into an agreement with the Company that limits their liability to the higher of ¥10 million or the amount stipulated by law (two years' compensation for Directors).

(2) Activities of the Board of Directors

The Company holds monthly meetings of the Board of Directors, and extraordinary meetings of the Board of Directors are held whenever necessary. In addition to legally mandated resolutions, the Board of Directors focuses on medium- and long-term management policies and strategies, medium- and short-term management plans based on these policies and strategies, governance systems appropriate for the Company, and policies for dealing with matters that have a significant impact on management. The following table shows the members of the Board of Directors and their attendance at the Board of Directors meetings held in fiscal 2022.

・ Members of the Board of Directors (as of June 28, 2023)

Presiding Officer: Yoshinori Kanehana (Chairman of the Board of Directors)
Members: Yasuhiko Hashimoto (Representative Director, President and Chief Executive Officer), Katsuya Yamamoto (Representative Director, Vice President and Senior Executive Officer), Hiroshi Nakatani (Representative Director, Vice President and Senior Executive Officer), Jenifer Rogers (Outside Director), Hideo Tsujimura (Outside Director), Katsuhiko Yoshida (Outside Director), Melanie Brock (Outside Director)
Nobuhisa Kato (Director/Audit & Supervisory Committee Member), Atsuko Kakihara (Director/Audit & Supervisory Committee Member), Atsuko Ishii (Outside Director/Audit & Supervisory Committee Member), Susumu Tsukui (Outside Director/Audit & Supervisory Committee Member), Tomoko Amaya (Director/Audit & Supervisory Committee Member),

・ Attendance at Board of Directors meetings held in fiscal 2023 (Members and positions are as of June 28, 2023)

Representative Chairman of the Board	Yoshinori Kanehana	16/16
Representative Director, President and Chief Executive Officer	Yasuhiko Hashimoto	16/16
Representative Director/Vice President and Senior Executive Officer	Katsuya Yamamoto	16/16
Representative Director/Vice President and Senior Executive Officer	Hiroshi Nakatani	16/16
Outside Director	Jenifer Rogers	15/16
Outside Director	Hideo Tsujimura	16/16
Outside Director	Katsuhiko Yoshida	16/16
Outside Director	Melanie Brock	13/13
Director/Audit & Supervisory Committee Member	Akio Nekoshima	16/16
Director/Audit & Supervisory Committee Member	Nobuhisa Kato	16/16

Outside Director/Audit & Supervisory Committee Member	Atsuko Ishii	16/16
Outside Director/Audit & Supervisory Committee Member	Ryoichi Saito	16/16
Outside Director/Audit & Supervisory Committee Member	Susumu Tsukui	16/16

(3) Audit Status

(a) Internal Audits

The Auditing Department, which is an internal audit division and consists of 18 persons, works to improve the internal control function by, for example, conducting regular audits to confirm that the Group's execution of general business activities is properly conducted in accordance with laws and internal rules. Furthermore, the Audit & Supervisory Committee and the Auditing Department exchange information regarding their respective audit results and findings.

The general manager of the Auditing Department reports the results of individual audits to the President and Audit & Supervisory Committee through audit reports and submits comprehensive reports to the Board of Directors and the Management Committee twice annually.

(b) Audits Conducted by the Audit & Supervisory Committee

The composition of the Audit & Supervisory Committee is as described in "II. 2. (1) Overview of Current Corporate Governance System."

Nobuhisa Kato, a full-time Audit & Supervisory Committee Member, has sufficient knowledge of finance and accounting, having worked for the Company in the areas of finance accounting, management, and overseas-related operations. Also, Tomoko Amaya, who was appointed as a new Outside Audit & Supervisory Committee Member at the 201st Ordinary General Meeting of Shareholders held on June 26, 2024, has worked for Japan's Financial Services Agency, serving as Secretary General of the Certified Public Accountants and Auditing Oversight Board and Vice Minister for International Affairs, acquiring extensive knowledge of finance and accounting.

The Audit & Supervisory Committee Members carry out the following activities in accordance with the basic audit policy, audit system, and assignment of duties decided by the Audit & Supervisory Committee.

・Inspect important documents (full-time Audit & Supervisory Committee Members)

Derails of Activities	Full-time	Outside
Attend meetings of the Board of Directors	○	○
Attend meetings of the Management Committee and other important meetings (Management Conference, Management Strategy Meeting, Business Strategy Council, Executive Officers Committee, Sustainability Committee, Company-Wide Compliance Committee, Executive Officers Committee)	○	△(*1)
Meet with Directors (internal and outside)	○	○
Attend meetings of the Nomination Advisory Committee and Compensation Advisory Committee		△(*2)
Meet with internal company presidents and presidents of Kawasaki Railcar Manufacturing and Kawasaki Motors	○	○
Roundtable discussions with the President of Vice President and outside officers		○
Investigate the status of business execution (including the status of operations and evaluations of internal controls relating to financial reporting) by, and the financial status of, head office departments, internal companies, and divisions	○	△(*3)
Liaison meetings with the Auditing Department	○	○
Liaison meetings with the Compliance Department	○	
Meet with the fulltime Audit & Supervisory Committee Members of Group Companies (including Kawasaki Railcar Manufacturing and Kawasaki Motors)	○	△(*4)
Conduct surveys of subsidiaries in Japan	○	△(*3)
Conduct surveys of overseas subsidiaries	○	
Meet with accounting auditors	○	○
Viewing decision making documents and other important documents	○	

*1. Attendance depends on the importance of the topics.
*2. Two outside Audit & Supervisory Committee Members who have been appointed as members attend.
*3. One outside Audit & Supervisory Committee Member attends for each survey unit.
*4. All outside Audit & Supervisory Committee Members attends meetings with Kawasaki Railcar Manufacturing and Kawasaki Motors.

The full-time Audit & Supervisory Committee Members attend important meetings, such as those of the Board of Directors and Management Committee, voicing their opinions as needed. Through the above activities, they work to maintain the auditing environment, gather information within the Company, and build and regularly monitor the operation of internal control systems. The full-time members also share the information they collect internally with the Outside Directors serving as Audit & Supervisory Committee Members on a regular basis.

The Outside Directors serving as Audit & Supervisory Committee Members attend meetings of the Board of Directors and, when necessary, other important meetings, such as those of the Management Committee, voicing their opinions as needed based on their respective expert knowledge. They strive to obtain the information necessary for auditing through the above activities and to maintain the auditing

environment in cooperation with the other Audit & Supervisory Committee Members. They also share information with the full-time Audit & Supervisory Committee Members by such means as attending meetings of the Audit & Supervisory Committee.

(c) Independent Audits

With regard to independent auditing, we undergo audits of our financial statements by the independent auditor KPMG AZSA LLC.

a) Certified Public Accountants who Performed the Audit and their Auditing Firm

KPMG AZSA LLC Designated Limited Liability Partner, Managing Partner: Kazuhiro Matsuyama
Designated Limited Liability Partner, Managing Partner: Kazuhisa Horiuchi
Designated Limited Liability Partner, Managing Partner: Yasumasa Kyoi

b) Continuous Audit Period: 50 years

The above is for the period after Shinwa Audit Corporation became the Company's auditor. Shinwa Audit Corporation was one of the predecessors of KPMG AZSA LLC, the current auditor. As it was extremely difficult to determine the duration of the continuous audit, the actual time frame may exceed this period.

c) Assistants to the Auditing Work

Certified Public Accountants: 33 people
Other: 52 people

(4) Compliance Implementation System

The Group considers strict compliance to be the foundation of all business activities and has established a system for compliance. We established the Kawasaki Group Code of Conduct, which sets the ethical standards that all Group officers and employees must comply with when conducting business activities, and we are also enhancing education through the use of practical reference materials known as the Compliance Guidebook and e-learning. We have also designated the month of October as "Compliance Month" to raise awareness of compliance throughout the Group by sending out top management messages and including it in the Group newsletter. In addition, we increased the number of outside attorneys acting as contact points for the Compliance Reporting and Consultation System, creating a structure that enables the attorneys to respond to employee consultations in a more timely manner. Furthermore, in order to undertake appropriate compliance activities across the entire Group in an effective manner, we are taking action to establish routes for close communication with local sites including: (1) having the Compliance Departments of Business Segments hold regular meetings with the Head Office Compliance Department to exchange information, and (2) participating in regular meetings with overseas sites.

3. Reasons for Adoption of Current Corporate Governance System

The Company is continuously working to strengthen its corporate governance system with the aim of achieving sustainable growth and enhancing enterprise value over the medium to long term. The Company has chosen to establish the Audit & Supervisory Committee as a structure that can respond quickly and flexibly to rapid changes in the business environment and simultaneously further strengthen the oversight function of the Board of Directors.

Under the system of a company with Audit & Supervisory Committee, a considerable part of the authority to make decisions on business execution is transferred to the executive officers appointed by the Board of Directors to realize flexible decision making. The Company has adopted this as an appropriate system for conducting flexible and efficient management while ensuring management transparency by increasing the ratio of Outside Directors in the Board of Directors.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	In principle, the convocation notice is sent out earlier than the legally stipulated deadline (two weeks) so that shareholders can have sufficient time to consider the agenda. In addition, notice of electronic provision measures is similarly posted on the Company's website before the legally stipulated deadline (three weeks) (in English and Japanese).
Scheduling AGMs to Avoid the Peak Day	In order to have as many shareholders as possible participate in the General Meeting of Shareholders, the date of the General Meeting of Shareholders has been set to avoid peak days.
Allowing Electronic Exercise of Voting Rights	The Company has adopted a system for exercising voting rights via the Internet using personal computers and smartphones to improve convenience for shareholders who have difficulty attending the General Meeting of Shareholders.
Participation in Electronic Voting Platform and Other Efforts to Improve Exercise of Voting Rights by Institutional Investors	Since the Annual General Meeting of Shareholders held in June 2006, the Company has been ICJ, Inc.'s electronic voting platform for institutional investors.
Providing Convocation Notice in English	The English translation of almost the entire text of the convocation notice is posted on the Company's website to promote the exercise of voting rights.
Other	Starting with the Ordinary General Meeting of Shareholders held in June 2022, we have been conducting hybrid participation-type virtual general meeting of shareholders. (Questions are accepted in advance and a video recording of a part of the General Meeting of Shareholders is released on the company's website.)

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has created a Disclosure Policy and published it on its website.	
Holding Regular Briefings for Analysts and Institutional Investors	The Company holds financial results briefings four times a year, at the time of the announcement of each quarterly and full-year financial results, to explain its financial results, business forecasts, and future management strategies. Also, meetings are held at least once annually to report on the progress of the Group Vision 2030, which was established in November 2020, and explanations are provided on various measures to achieving corporate growth over the medium to long term. The main questions and answers raised at the briefings are posted on the Investors section of the Company's website.	Yes
Regular Investor Briefings for Overseas Investors	In consideration of the impact of COVID-19 on institutional investors in North America, Europe, and other regions, the Company is conducting interviews via web conference, etc.	Yes
Posting Investor Relations Materials on the Company Website	The Company has set up a dedicated IR site on our website, where the following corporate information (1–7) is available. (1) Financial information (2) Timely disclosure materials other than financial information (3) Annual securities report or quarterly securities report (4) Convocation notice for General Meeting of Shareholders (5) Kawasaki Report (integrated report) (6) Presentation materials for financial results (7) Other briefing materials for investors	
Establishment of Department and/or Manager in Charge of IR	The Investor Relations Department of the Corporate Communication Group are established.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Kawasaki Group Mission Statement sets forth the mission that the KHI Group should fulfill for its stakeholders as the Group Mission. In addition, the Kawasaki Group Code of Conduct stipulates the ethical standards that directors and employees should have and the responsibilities they should fulfill toward society and stakeholders in the course of their daily business activities.
Implementation of Environmental Activities, CSR Activities etc.	With the Board of Directors as the highest decision-making body on sustainability, we have clarified our position on sustainability in our mission statement, and are taking on the challenge of social issues, promoting responsible corporate behavior, strengthening the foundations of management, and encouraging dialogue with stakeholders. In addition, to address global environment issues that have become increasingly important in corporate activities in recent years, we are deploying the Environmental Management Activities Plan, which was established pursuant to a Board of Directors resolution, to the business execution side and taking Group-wide measures. To support the early achievement of a carbon neutral society, we seek to achieve Net Zero (Scope 1 and Scope 2) by the Company and its domestic consolidated subsidiaries in 2030, and through our products and services, we will provide carbon-free solutions from the Group to business partners, customers, and society. Specific CSR activities and the status of environmental management are reported on our website and in the Kawasaki Report (integrated report), Sustainability Report.
Development of Policies on Information Provision to Stakeholders	For the purpose of providing timely and appropriate corporate information in an accurate and fair manner, the Company discloses information in accordance with the timely disclosure rules set forth by the stock exchanges, and the handling of such information is stipulated in the internal rules and clarified in the disclosed information.
Other	To support the further diversification of employees, the Company is striving to accommodate diverse work styles to achieve a work-life balance for all employees, promoting the advancement of women, LGBTQ+ policies, promoting employment of people with disabilities, supporting childcare and nursing care, and creating a workplace that is considerate of the elderly.

IV Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

< Basic Internal Control System Policy >

The Kawasaki Group has established an appropriate organization, developed internal rules and regulations, communicated information, and executed business appropriately in order to realize its management philosophy of "Kawasaki, working as one for the good of the planet," as set forth in the Group Mission (mission and role to be fulfilled), Kawasaki Values, Kawasaki Group Management Principles, and Kawasaki Group Action Guidelines. In addition, by continuously reviewing and improving the internal control system, the Company will further strengthen the efficient and legitimate corporate system that contributes to the sound and sustainable growth of the Group. Based on the above, the Company has established an internal control system as follows.

a. Systems to Ensure the Appropriateness of the Company's Operations

1. Systems for ensuring that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation (Article 399-13, Paragraph 1, Item 1 (c) of the Companies Act; Article 110-4, Paragraph 2, Item 4 of the Enforcement Regulations of the Companies Act):

・The Company shall establish and disseminate the Kawasaki Group Code of Conduct (the "Code of Conduct"), which shall serve as the basis for the ethical standards on which Directors, executive officers, and employees shall base their decisions.

・In order to achieve the objectives of effectiveness and efficiency of business operations, reliability of financial reporting, compliance with laws and regulations, preservation of assets, and to ensure the appropriateness of business operations, the Company shall establish an internal control promotion system with the President as the Chief Internal Control Officer and each internal company presidents, the President of Kawasaki Railcar Manufacturing Co., Ltd. (Kawasaki Railcar Manufacturing), and the President of Kawasaki Motors, Ltd. (Kawasaki Motors) as the persons responsible for internal control, and shall operate the internal control system in a unified manner based on the roles and responsibilities of the Directors, executive officers, and employees.

・The Company shall establish a Company-wide Compliance Committee to deliberate and decide on various measures to ensure compliance with the Code of Conduct, various laws and regulations, and the Company's rules and regulations, and to monitor the operation of such committees. In addition, the Company shall establish a department in the Head Office, each internal company, Kawasaki Railcar Manufacturing, and Kawasaki Motors to promote compliance, and shall continuously conduct enlightenment and educational activities regarding compliance with the Code of Conduct, various laws and regulations, and the Company's rules and regulations, in order to raise understanding and awareness of compliance.

・The Company shall strengthen the compliance system by developing and enhancing a system that allows employees to report information on compliance violations.

・While delegating the execution of business to the executive officers appointed by the Board of Directors to an appropriate extent, the appointment of Outside Directors, who are independent officers as defined by the rules of the Tokyo Stock Exchange and who do not pose a risk of conflict of interest with general shareholders, will strengthen the oversight function of the Board of Directors with respect to overall management.

・The Internal Auditing Department ensures the appropriateness of operations and the reliability of financial reporting by auditing the Company's operations and evaluating and reporting on internal control over financial reporting.

2. Systems for retaining and managing information pertaining to the Directors' execution of their duties (Article 110-4, Paragraph 2, Item 1 of the Enforcement Regulations of the Companies Act):

・Information related to the execution of duties by Directors (minutes, records of decisions and their accompanying materials, accounting books and vouchers, and other information) shall be properly stored and managed in accordance with the Company's regulations. Directors, executive officers appointed by the Directors, and employees shall have access to such information at any time.

・Confidential information and personal information shall be appropriately stored and managed in accordance with company rules, and the effectiveness of such storage and management shall be ensured through business audits and other means.

3. Rules and other systems pertaining to the management of risk of loss (Article 110-4, Paragraph 2, Item 2 of the Enforcement Regulations of the Companies Act):

・To appropriately deal with various risks, the Company shall establish management methods and management arrangements in accordance with the type of risk, a system for uniformly monitoring the effectiveness and efficiency of each management arrangement, and a system for reporting important matters to the Board of Directors. Through their operation, the Company shall manage risks in an individual and integrated manner.

・To prepare for the emergence of risks, the Company shall establish Conduct Guidelines for emergency situations in advance, appoint a Crisis Management Officer at each business site, and establish a system to minimize losses.

・When a serious risk becomes apparent, it should be promptly reported to the president, who is the Chief Crisis Management Officer, based on the predetermined reporting route.

・In preparation for the occurrence of a large-scale earthquake, pandemic, or other disaster, the Company shall identify in advance the important operations to be continued or restored on a priority basis and establish a business continuity plan to minimize the impact on the Company's business and shorten the time required for restoration.

4. Systems for ensuring the efficient execution of the Directors' duties (Article 110-4, Paragraph 2, Item 3 of the Enforcement Regulations of the Companies Act):

・Based on the significance of the existence and role of the corporate group consisting of the Company and its subsidiaries ("the Group") as clarified in the Kawasaki Group Mission Statement, establish a long-term vision for the Group as a whole and share the goals to be achieved in the future.

・In order to realize the long-term vision, based on the management policy determined by the Board of Directors, the business execution departments will incorporate the policy into a concrete management plan, and each organization, executive officer and employee will set and implement their own goals to achieve the plan. In addition, the Board of Directors periodically receives reports on the progress of the management plan and supervises the execution of business.

・The Company shall appoint executive officers based on the resolution of the Board of Directors, determine their responsibilities, and clarify the business execution system by determining the division of duties of each organization in accordance with the Company's regulations. In addition, the Company will improve the efficiency of the execution of duties by the Directors by stipulating the authority for decision-making in the corporate rules and delegating authority to the executive officers to an appropriate extent.

・When exercising the authority delegated to the president in the corporate rules, the Management Committee, which is established as the advisory body to the President, shall deliberate on the matter

depending on the importance of the authority, thereby ensuring the appropriateness and efficiency of business execution. In addition, an Executive Officers Committee has been established as a forum for the dissemination of management policies and plans to the executive officers and for the exchange of opinions, etc., in order to align the management of the KHI Group.

・In accordance with the corporate regulations, each internal company, Kawasaki Railcar Manufacturing, and Kawasaki Motors shall make its own decisions under the authority and responsibility delegated to it, and shall conduct flexible business operations that adapt to changes in the business environment. In addition, each internal company, Kawasaki Railcar Manufacturing, and Kawasaki Motors will establish a management committee headed by the president of the internal company, the President of Kawasaki Railcar Manufacturing, and the President of Kawasaki Motors, who will be ultimately responsible for the execution of the business.

b. Systems necessary to ensure the appropriateness of the Group's business operations: The Company shall strive to develop the following systems in accordance with the nature, scale, region, and importance of each subsidiary's business to ensure the appropriateness of the Group's business operations.

1. Systems to ensure that the execution of duties by directors and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation (Article 110-4, Paragraph 2, Item 5 (d) of the Enforcement Regulations of the Companies Act):

・From its standpoint as the parent company, the Company shall oversee the internal control of subsidiaries and establish a system to ensure that the Group as a whole achieves its objectives, such as the effectiveness and efficiency of business, reliability of financial reporting, compliance with laws and regulations, and preservation of assets, as well as the appropriateness of business. The Company also shall supervise and guide this system's operation.

・The Company-wide Compliance Committee shall deliberate and decide on policies and various measures concerning the Code of Conduct and compliance for the entire Group. In addition, the relevant divisions of the Head Office that manage the subsidiaries, each internal company, Kawasaki Railcar Manufacturing, and Kawasaki Motors shall collaborate to monitor the operation status of the subsidiaries.

・The Company, as a shareholder of subsidiaries, shall exercise control through the exercise of voting rights at each the subsidiary's General Meeting of Shareholders, and shall supervise and monitor the management of the subsidiary by dispatching to the subsidiary, as appropriate, part-time directors or part-time Audit & Supervisory Members, or both ("part-time officers") who are not themselves engaged in the execution of the subsidiary's business. In addition, the Company shall establish rules such as rules for making final decisions related to the management of subsidiaries and develop a system to manage appropriate group management. The Company's Internal Auditing Department ensures the appropriateness of operations and the reliability of financial reporting by auditing the operations of subsidiaries and conducting assessments of internal control over financial reporting.

2. System for reporting to the Company on matters related to the execution of duties by directors of subsidiaries (Article 110-4, Paragraph 2, Item 5 (a) of the Enforcement Regulations of the Companies Act):

・The Company shall receive reports on the status of execution of duties by directors of subsidiaries through part-time officers dispatched to the subsidiaries.

・Subsidiaries shall periodically report their management status to the Company in the form of management reports and, in accordance with the Company's regulations, shall consult in advance with the Company's departments in charge regarding important management decision-making matters.

3. Rules and other systems for managing the risk of loss of subsidiaries (Article 110-4, Paragraph 2, Item 5 (b) of the Enforcement Regulations of the Companies Act):

・The Company shall establish a risk management system for the entire Group and strive to avoid and minimize risks or losses caused by risks.

・The Company shall instruct each subsidiary to formulate a policy for dealing with crises and to establish a system for crisis management in preparation for the emergence of risks in the subsidiary.

・When a serious risk becomes apparent, it shall be promptly reported to the Company in accordance with the predetermined reporting route.

4. System to ensure that the execution of duties by directors of subsidiaries is carried out efficiently (Article 110-4, Paragraph 2, Item 5 (c) of the Enforcement Regulations of the Companies Act):

・While respecting the autonomy of the management of each company of the Group, the Company shall share the basic ideas and visions expressed in the Kawasaki Group Mission Statement, long-term vision and management plan, etc., and shall establish a system for appropriate and efficient business execution by clarifying the goals of the Group as a whole.

・The Company shall ensure that its subsidiaries maintain decision-making standards to improve the efficiency of business execution.

c. Matters Necessary for the Execution of the Duties of the Company's Audit & Supervisory Committee

1. Matters concerning employees to assist the duties of the Audit Committee (Article 110-4, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act): Necessary full-time employees shall be assigned at the request of the Audit Committee.

2. Matters concerning the independence of employees who are to assist the Audit & Supervisory Committee from the Directors (excluding Audit & Supervisory Committee Members), and matters concerning the effectiveness of instructions given by the Audit & Supervisory Committee to employees who are to assist the Audit & Supervisory Committee (Article 110-4, Paragraph 1, Items 2 and 3 of the Enforcement Regulations of the Companies Act): Employees who are to assist the Audit & Supervisory Committee in its duties shall be subject to the direction and orders of the Audit & Supervisory Committee, and the prior consent of the Audit & Supervisory Committee shall be required for any personnel transfer, performance evaluation, and disciplinary action.

3. Systems for reporting to the Audit & Supervisory Committee by Directors (excluding Audit & Supervisory Committee Members) and employees, and systems for reporting to the Audit & Supervisory Committee of the Company's subsidiaries by the Directors, Audit & Supervisory Board Members and employees of the subsidiaries, or persons receiving reports from these persons (Article 110-4, Paragraph 1, Item 4 of the Enforcement Regulations of the Companies Act):

・The Audit & Supervisory Committee Members shall attend the internal committees of the Company, including the Board of Directors, Management Committee, Executive Officers Committee, Sustainability Committee, and the Company-wide Compliance Committee. Through these meetings, the Company's directors (excluding Audit & Supervisory Committee Members), executive officers and employees are informed of important matters concerning the Group's management and business operations, including matters related to compliance, risk management, and internal control, as well as the status of the execution of their duties.

・The Company's directors, executive officers, and employees shall immediately report to the Company's Audit & Supervisory Committee when they discover any facts that may cause significant damage to the Group.
・In the event that any Director, Audit & Supervisory Committee Member, or employee of a subsidiary discovers any fact that may cause significant damage to the Group, such fact shall be immediately reported to the relevant department of the Company. Upon receipt of such report, the relevant department of the Company shall report the contents to the Audit & Supervisory Committee.
・In accordance with the corporate rules, the Company's executive officers and employees shall report to the Audit & Supervisory Committee on the execution of the Group's business through internal circulars.
・The Company's Internal Auditing Department and independent auditors shall, on a timely basis, report to the Audit & Supervisory Committee on the status of audits of the Group and exchange information.

4. System to ensure that a person who has made a report as described in 3. above is not treated disadvantageously for having made such a report (Article 110-4, Paragraph 1, Item 5 of the Enforcement Regulations of the Companies Act):

The Company stipulates in its corporate rules the prohibition of unfair or disadvantageous treatment of those who have made reports as described in 3. above, and shall have its subsidiaries stipulate the same in their corporate rules.

5. Matters concerning the procedures for prepayment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Committee Members (limited to those related to the execution of duties by the Audit & Supervisory Committee) and other policies concerning the treatment of expenses or liabilities incurred in the execution of such duties (Article 110-4, Paragraph 1, Item 6 of the Enforcement Regulations of the Companies Act):

In the event that an Audit & Supervisory Committee Member makes a request to the Company for advance payment of expenses, etc. pursuant to the Companies Act in connection with the execution of duties (limited to those relating to the execution of the Audit & Supervisory Committee's duties), the Company shall promptly dispose of such expenses or liabilities unless the expenses or liabilities relating to such request are deemed to be unnecessary for the execution of the Audit & Supervisory Committee Member's duties.

6. Other systems to ensure that audits by the Audit & Supervisory Committee are conducted effectively (Article 110-4, Paragraph 1, Item 7 of the Enforcement Regulations of the Companies Act):

・Directors and Audit & Supervisory Committee Members shall exchange information and opinions on a regular basis in order to promote mutual communication. In addition, Audit & Supervisory Committee Members shall attend important meetings such as those of the Board of Directors and the Management Committee to express their opinions directly regarding the execution of duties by Directors (excluding Audit & Supervisory Committee Members) and executive officers.

・The Directors of the Company and its subsidiaries shall cooperate in establishing a system that enables the Audit & Supervisory Committee of the Company to conduct more effective and efficient audits through cooperation with the Internal Auditing Department of the Company and the Audit & Supervisory Members of the subsidiaries.

・From the perspective of ensuring efficiency and independence in the execution of duties by the Company's Internal Auditing Department, any transfer, evaluation, and disciplinary punishment of the head of auditing shall be carried out with the prior agreement of the Audit & Supervisory Committee.
・The Company and its subsidiaries shall obtain the consent of the Audit Committee or the auditors of the relevant company or the decision of the auditors of the relevant company, in accordance with laws and ordinances and the Articles of Incorporation, with respect to proposals for the appointment of auditors of the relevant company and the compensation of such auditors.

・The Audit & Supervisory Committee Members appointed by the Company shall be persons with appropriate experience and competence and the necessary knowledge relating to finance, accounting, and legal affairs; in particular, they should include at least one person with sufficient knowledge of finance and accounting.

2. Basic Views on Eliminating Anti-Social Forces

The Group resolutely rejects any unreasonable demands from anti-social forces, and specifies in the "Code of Conduct" that it shall not have any relations with anti-social forces and shall ensure that all Directors, Executive Officers, and employees are thoroughly aware of the matters contained in it. Furthermore, with respect to internal systems, the Company has established a department in the headquarters which is responsible for overseeing handling of expulsion of anti-social forces, established close cooperation with external specialized organizations such as the police force, and in collaboration with the concerned departments, the Company systematically handles unreasonable requests from anti-social forces.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	not adopted

Supplementary Explanation

The Company does not plan to introduce anti-takeover measures at this time, but will consider what measures it should take in order not to damage the interests of all stakeholders, including shareholders who support the Company's efforts. In addition, the Company is committed to improving enterprise value by planning and implementing management strategies based on a medium-term perspective, conducting highly transparent management with respect to shareholders, customers, employees, local communities, and other stakeholders, building smooth relationships, and maintaining efficient and sound management. The Company believes that it is important that these efforts to improve enterprise value and the results of these efforts are fairly evaluated in the stock market and correctly reflected in the stock price. To this end, the Company will continue to focus on appropriate information disclosure and deepening communication with our shareholders.

2. Other Matters Related to the Corporate Governance System

The Company has established the "Rules on Timely Disclosure of Corporate Information," which stipulate the matters requiring timely disclosure and the handling of such matters, for the purpose of providing accurate and fair corporate information to investors in a timely and appropriate manner in compliance with the timely disclosure rules established by the stock exchanges, and has established the following internal system for timely disclosure and discloses corporate information in accordance with such internal rules.

・Ensure that all employees are familiar with the "Rules for Timely Disclosure of Corporate Information."
・When an event specified in the "Rules for Timely Disclosure of Corporate Information" occurs, the head of the relevant department for the event ("the relevant department head") shall promptly report the event information to the General Manager of the Investor Relations Department of Corporate Communication Group (the General Manager of IR Department), who is responsible for handling the information.
・The General Manager of IR Department shall determine, in consultation with the senior manager of PR and the relevant department head, whether or not the relevant information is disclosed as required by the timely disclosure rules stipulated by the stock exchanges.
・If the information is determined to require disclosure, the General Manager of IR Department shall report the specific details of the event and the intention to disclose the information to the president, who shall approve the disclosure.
・The president shall report the contents of the disclosure to the directors without delay.
・The General Manager of IR Department will promptly disclose the information to investors.

・The Internal Auditing Department shall verify the appropriateness and effectiveness of the relevant internal systems and report to the Directors.

Corporate Governance System Diagram

