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Kawasaki Heavy Industries, Ltd.
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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 Updated

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 customers, shareholders and investors, suppliers, employees local communities and government agencies, 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 Updated

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 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.
Note that with respect to the promotion of women's empowerment, which the Company is currently focusing on, it has set the goal of achieving a proportion of women in managerial positions of 10% by fiscal 2030. In addition, in new graduate recruitment, the Company is keeping its ongoing commitment to achieving a ratio of female new graduates of at least 40% for administrative career-track positions and at least 15% for engineering career-track positions by fiscal 2026. Furthermore, in order to promote men's participation in childcare, the Company is considering the introduction of more effective indicators to replace the rate of male employees taking childcare leave (fiscal 2025 target: 50%; actual: 45.6%), which it has set as an indicator up to this point.

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.186-194)
https://global.kawasaki.com/en/corp/sustainability/environment/report/25_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).
Kawasaki Report (p.33-36, p.71-74)
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf
Our website (sustainability>Social)
https://global.kawasaki.com/en/corp/sustainability/index.html#society
Kawasaki Sustainability Report (p.177-205)
https://global.kawasaki.com/en/corp/sustainability/environment/report/25_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 disclosed on its website and in its Annual Securities Report.

Our website (Management Policies) https://global.kawasaki.com/en/corp/ir/policies/
Annual Securities Report https://www.khi.co.jp/ir/library/financial.html (Japanese)

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.
Our website (Corporate Governance)
https://global.kawasaki.com/en/corp/sustainability/governance/corporate.html
Annual Securities Report https://www.khi.co.jp/ir/library/financial.html (Japanese)
Kawasaki Report (p.84-92)
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf

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, etc. for Sustainability)

Sustainability Initiatives

The Company discloses its sustainability initiatives through its Annual Securities Report and website, the Kawasaki Report, Kawasaki Sustainability Report, and other publications.

Annual Securities Report https://www.khi.co.jp/ir/library/financial.html (Japanese)

Our website (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 the 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.

In 2025, we formulated the Kawasaki Group Human Resources Policy as our basic policy on human capital. Under that policy, we will build a strong foundation that enables employees to set ambitious goals and boldly take on challenges, and will focus further on nurturing a culture where the individual and organization can grow together.

Our website (Human Resource Management)

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

Our website (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 (rulemaking, etc.). The policy is disclosed on the Company's website and elsewhere.

Our website (R&D and Intellectual Property Activities)

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 Activities: p.86-88)
https://global.kawasaki.com/en/corp/sustainability/environment/report/25_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.
Kawasaki Report (p. 49-52)
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf

Kawasaki TCFD Report 2025
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo_tcfd.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.

(Supplementary Principle 4.1.3 CEO Succession Plan)
(Supplementary Principle 4.3.2 Appointment of CEO)
(Supplementary Principle 4.3.3 Dismissal of CEO)
Through the formulation of a CEO Succession Plan, the Company aims to promote the further reinforcement of its corporate governance as well as to methodically train candidates through growing their ability by giving them challenging assignments and, in doing so, have the KHI Group sustainably enhance its enterprise value. Through that CEO Succession Plan, going forward, the Company will continue to smoothly and firmly carry out succession to the next generation so that it may contribute to the solution of social issues. Human resource requirements for CEOs and determination criteria for the selection, training, and evaluation of CEO candidates as well as that for the replacement of CEOs and the extension of their terms are disclosed in the Annual Securities Report.
Annual Securities Report https://www.khi.co.jp/ir/library/financial.html (Japanese)

(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. Independent Directors 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. Details of the composition of the Nomination and Compensation Advisory Committee are disclosed under the “II. 1. Voluntary Establishment of Nomination/Remuneration Committee” of this report and the “Status of Corporate Governance” item in 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)
The Board of Directors defined the "Qualifications Expected of Directors" and selects directors with extensive and broad experience, insight, and expertise. Furthermore, it promotes diversity in gender, ethnicity, nationality, and so forth to create a system that enables more multi-faceted decision making. The status of that system is summarized in a skills matrix.
When selecting the skills and experience included in the skills matrix, we defined the areas of supervision as "vision, strategic thinking, and governance," "business structure transformation," and "growth initiatives related to infrastructure development" from the perspective of enhancing the Group's sustainable corporate value by providing solutions to social problems, and we defined the skills and experienced required in each supervisory area as follows.

(Skills and experience required in each area of supervision)

Area of Supervision	Expected Skills	Expected Experience
Vision, strategic thinking, and governance	Business strategy / Governance / IT, DX & security	Corporate management Global Legal & administration Financial services & corporate finance
Business structure transformation	Business strategy / Monozukuri (technology, development, production & quality) / Sales & marketing	
Growth initiatives related to infrastructure development	Business strategy / Finance & accounting/ Personnel & organizational management / Monozukuri (technology, development, production & quality) / Sales & marketing / IT, DX & security	

The reasons for selecting these required skills and experience are shown in the table below.

(Reasons for selecting required skills)

Expected Skills	Reasons for Selection
Business strategy	Because with regard to supervising growth strategies based on ambidextrous management, we expect knowledge and expertise in planning and implementing business strategies that entail reviewing business models, portfolio reform, and collaboration with national and local governments, other companies, and research institutions.
Governance	Because with regard to supervising the establishment of a governance structure that will be the foundation for continuous improvements to corporate value, we expect a broad range of knowledge and expertise in governance-related issues, including corporate governance, risk management, human rights, and compliance.
Finance & accounting	Because with regard to the laying of a firm financial base and supervising the furthering of growth investments and the strengthening relationships of trust with stakeholders such as shareholders, we expect knowledge and expertise regarding financial affairs and accounting.
Personnel & organizational management	Because with regard to supervising the formulation and implementation of personnel strategies for obtaining talented human resources and getting the most out of the talents of a diverse workforce, we expect knowledge and expertise regarding personnel and organizational management from a management perspective.

Expected Skills	Reasons for Selection
Monozukuri (technology, development, production & quality)	Because with regard to supervising the formulation and advancement of manufacturing strategies that will continue to present society with valuable solutions, we expect a broad range of knowledge and expertise regarding manufacturing including technology, development, intellectual property, production, quality, and safety.
Sales & marketing	Because with regard to supervising business development and information dissemination for innovations created from a "market-in" perspective, we expect knowledge and expertise in sales and marketing.
IT, DX & security	Because with regard to supervising the creation and advancement of solutions based on the use of AI and promotion of DX, we expect knowledge and expertise about IT, DX, and security.

(Reasons for selecting required experience)

Expected Experience	Reasons for Selection
Corporate management	Because the director will use their corporate management experience in order to supervise management of the entire company, including business strategies, corporate governance, sustainability, and personnel strategies.
Global	Because the director will use their experience in global strategy and policy formulation and their hands-on, overseas experience in business and organizational management to supervise global business growth and risk management.
Legal & administration	Because the director will use their experience in legal affairs at operating companies or their experience in legal circles and government institutions in order to supervise governance, risk management, business strategies, etc.
Financial services & corporate finance	Because the director will use their experience in corporate finance at operating companies or their experience at financial institutions to supervise financial strategies, manufacturing, business strategies, etc.

(Director skills matrix)
The skills matrix for current directors is shown on the table below. Furthermore, we check for those skills about which increased discussion is expected.

			Director								Director (Audit & Supervisory Committee Member)				
			Internal				Outside				Internal		Outside		
			Kanehana	Hashimoto	Yamamoto	Nakatani	Tsujimura	Yoshida	Brock	Ino	Kakihara	Imai	Tsukui	Amaya	Itagaki
Cognitive Diversity	Expected skills	Business strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
		Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
		Finance and accounting			✓					✓		✓		✓	✓
		Personnel & organizational management	✓	✓	✓		✓								
		Monozukuri (technology, development, production & quality)	✓	✓		✓	✓								
		Sales & marketing	✓	✓			✓	✓	✓		✓				✓
		IT, DX & security		✓		✓				✓					✓
	Expected experience	Corporate management	✓	✓	✓	✓	✓	✓		✓		✓			✓
		Global	✓	✓	✓		✓		✓	✓	✓			✓	✓
		Legal & administration											✓	✓	
		Financial services & corporate finance			✓					✓		✓		✓	✓
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 operates to ensure that its members, including independent Outside Directors, are able to engage in free, vigorous discussion based on their respective 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, question categories and other matters pertaining to this evaluation.
2. Conduct a survey of all of the members of the Board of Directors.
3. Have external experts compile and analyze the survey results for discussion at Board of Directors meetings.
4. Determine issues to be addressed and policies for countermeasures at Board of Directors meetings based on findings from analysis and results of the Board of Directors' discussion.

[Survey Question Categories]
The survey question categories (main items) are as follows. These were implemented using 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 and other factors while maintaining continuity with previous surveys.

Survey Question Categories
• Optimal status of the Board of Directors
• Composition of the Board of Directors
• Operation of the Board of Directors
• Management strategies and management plans
• Internal control and risk management
• Nomination and remuneration
• Support for Directors
• Interactions with shareholders (investors)
• Actions by the respondent
• Director performance
• Audit & Supervisory Committee
• Summary

[Evaluation Results and Results of Deliberation by the Board Based]
An analysis of survey results showed that the average value of the score for all questions rose slightly above that of the previous year, exceeded the level of the previous year for a large number of questions, and was generally at a high level relative to other companies as well. Also, for the question "Would you say the Board is functioning effectively as a whole," which indicates an overall evaluation, the Board of Directors maintained a high evaluation on the same level as that of the previous year, and gained the following opinion: "The transparency of information is also high, and a high-quality governance framework is in place."

The question with the highest score continued from the previous year to be that concerning free and constructive discussions and exchanges of opinions. One of the opinions given was, "There is a diversity of opinions at discussions by the Board as well. The atmosphere there, which is conducive to freely making remarks, is positive." Additionally, the most visible improvement was in the question concerning opportunities for training that include plant tours, etc. The score for the question greatly improved over that of the previous year, with many affirming opinions verified.

At the same time, issues that need to be remedied were also recognized. The question with the lowest score was that concerning reports and information-sharing by subsidiaries. The results pointed to room for improvement in comparison with other companies as well. Additionally, while the score for the question concerning reports by the Audit & Supervisory Committee did not reflect a low level, it fell somewhat from the score of the previous year, resulting in a relatively low evaluation in comparison with other companies as well. In addition, given that multiple questions concerning the further enhancement of discussions at the Board of Directors meeting were scored relatively low compared to other questions, and that multiple opinions on insufficient deliberation time at meetings of the Board were verified as well, it was confirmed that actions aimed at improving this area are needed.

As a result of discussions at the Board of Directors meeting based on the results of the above analysis and other factors, it was deemed that while there is room for improvement, the effectiveness of the Company's Board of Directors continues to be secured.

Going forward, we will continue to pursue actions aimed at issues based on evaluation results and commit ourselves to further improving the effectiveness of the Board of Directors. For the key issues addressed in fiscal 2025 and the specific details of accompanying initiatives, please see "Priority Issues and Details of Initiatives in Fiscal 2025." For the key issues addressed in fiscal 2026 and accompanying action policies, please see "Priority Issues and Action Policies in Fiscal 2026."

[Priority Issues and Details of Initiatives in Fiscal 2025]

Based on the results of the evaluation of the effectiveness of the Board of Directors and other factors in fiscal 2024, the priority issues addressed and specific details of accompanying initiatives in fiscal 2025 were as follows.

1. Reinforcing monitoring of initiatives to promote quality and compliance

With regard to quality assurance, the Board of Directors received reports on the details of activities and the status of their progress in fiscal 2024 as well as reports on activity policies in fiscal 2025. In addition, the Board discussed the company-wide quality assurance structure and gave advice to the executive side on mechanisms based on effectiveness at the working level.

With regard to compliance, the Board of Directors monitored progress in our three pillars of reform and provided observations and advice as appropriate. These three pillars are: "creating systems that prevent misconduct," including the automation of inspection processes; "strengthening detection capabilities for misconduct," which is conducted largely through requiring the use of corporate cards and analyzing expense settlement data from a number of angles, and "reforming our organizational culture and awareness," which is intended to foster an open workplace environment. In particular, regarding the establishment of a structure for further promoting initiatives for these three pillars, the Board held ongoing discussions and gave advice to the executive side on the appropriate organizational structure and mechanisms that emphasize effectiveness at the working level.

Based largely on the above-mentioned discussions and advice by the Board of Directors, we put our third-line structure in place through measures such as revising the audit organization structure of the Group and consolidating its audit functions. Additionally, in April 2026, we transferred expense settlement audits, which constitute a part of data audits, from the Internal Auditing Department to an administrative division in order to reinforce second-line functions, including preventing misconduct before it occurs and improving the effectiveness of recurrence prevention measures. Furthermore, alongside establishing the Corporate Quality Assurance Management Group as an organization reporting directly to the President in order to facilitate the improvement of quality assurance functions across the whole company, we established the Organizational Culture Transformation & Compliance Group in the Human Resources Division for the purpose of building an organizational structure to promote cross-departmental collaboration and appropriate problem-solving.

2. Firmly establishing leadership succession plans

Members of our Board of Directors have received regular reports on the details of deliberations by the Nomination Advisory Committee, the successor selection process and specific candidate selections. In fiscal 2025, they received reports on the status of initiatives aimed at establishing succession plans, and gave necessary advice. These initiatives included the revision of shortlists for President and Vice President candidates, the enhancement of longlists, and the disclosure of the CEO succession plan in our Annual Securities Report.

3. Securing diversity among core human resources

In fiscal 2025, as initiatives aimed at eliminating the gender gap, we shared the results of surveys on employee awareness regarding DE&I and discussed our future direction at meetings of the Board of Directors. At those meetings, we also verified and discussed the status of implementation of various initiatives aimed at securing diversity among core human resources, including the formulation of our DE&I Policy, the securing of diversity among officers, the introduction and implementation of the

Kawasaki Women's Advanced Program aimed at section managers for the purpose of promoting female career-track core human resources, and the implementation of unconscious bias training.

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

In fiscal 2025, we held discussions at meetings of the Board of Directors on policies for addressing the reinforcement of quality functions and compliance, the Company's business portfolio strategy and a revision of its dividend policy, among other topics. We shared the opinions gained through those discussions with the executive side and reflected them in specific initiatives.

5. Improving the environment for conducting effective discussions at Board of Directors meetings

Efforts were made to secure deliberation time and make discussions at Board meetings more active through setting Board meeting agenda in accordance with importance, and providing preliminary explanations at Outside Director briefings and management meetings.

Also, with regard to Board meeting materials, in addition to ensuring the distribution of those materials seven business days prior to the holding of meetings, we continued to work toward clarifying key points of deliberation by preparing agenda summaries.

[Priority Issues and Action Policies in Fiscal 2026]

Based on the results of this evaluation and the discussions at Board of Directors meetings, the priority issues to be addressed and accompanying action policies in fiscal 2026 are as follows

(1) Promoting the following initiatives and reinforcing monitoring by the Board of Directors

1. Reinforcing quality and compliance

For initiatives related to our three pillars of measures to prevent recurrence, namely "creating systems that prevent misconduct," "strengthening detection capabilities for misconduct," and "reforming our organizational culture and awareness," we will continue to have the Board of Directors regularly verify the content and status of those initiatives and provide observations and advice as appropriate.

In particular, with respect to the Corporate Quality Assurance Management Group and the Organizational Culture Transformation & Compliance Group that we newly established in April 2026 as departments to promote the reinforcement of quality and compliance across the Company, the Board of Directors will resolve those policies and plans as well as verify the progress and results of activities with priority.

Additionally, given that certain functions for data auditing have been transferred to an administrative division, the Board will regularly verify the status of establishment and operation of a control environment for accounting operations by the second line.

2. Securing diversity among core human resources

For fiscal 2026, in addition to the status of implementation of initiatives through work style reforms, various forms of training, and the uncovering and development of human capital, we will also monitor concrete progress, future plans, and challenges that concern the diversification of core talent and the enhancement of their abilities.

Additionally, we will verify analysis results for employee awareness surveys concerning DE&I at Board of Directors meetings on an ongoing basis, and will promote the revision and enhancement of the content of initiatives related to the securing of diversity by providing necessary instructions and advice.

3. Reinforcing internal controls over subsidiaries (information-sharing pertaining to subsidiaries)

We will proceed to examine general subsidiary management, including inspections and revisions of matters for final approval by the Company and matters for reporting that are sought of subsidiaries and the ascertainment and visualization of subsidiary information through data auditing and analysis, in order to reinforce a structure through which information-sharing pertaining to Group subsidiaries is conducted in a timely and appropriate manner.

The Board of Directors will regularly verify the progress and effectiveness of these initiatives and provide observations and advice as necessary.

(2) Enhancing the content of the Board of Directors' discussion regarding medium- to long-term management policies

Based on these evaluation results, management issues, and so forth, for fiscal 2026, we intend to hold discussions at Board of Directors meetings on areas such as organizational culture reform, business portfolio strategies that include cash allocation, and the reinforcement of governance in response to the revision of the Corporate Governance Code.

(3) Improving the environment for conducting effective discussions at Board of Directors meetings

With a view to conducting more effective discussions at Board of Directors meetings, we will proceed to consider and implement various initiatives with a particular focus on (1) securing time for deliberation, (2) improving materials submitted for review and methods of explanation, and (3) securing opportunities for the exchange of information and opinions in an informal setting by Directors, Outside Directors, and Audit & Supervisory Committee Members.

To be more specific, with respect to (1), we will consider measures such as omitting reports at Board meetings by providing advance notification of reporting matters, making greater use of written resolutions, and reviewing agenda items submitted to the Board. With respect to (2), we will proceed to consider and implement the sharing of matters to be explained at Board of Directors meetings with executive divisions and the enforcement of such matters among those divisions and the establishment and deployment of guidelines, etc. for materials submitted for review. With respect to (3), we will proceed to examine the establishment of, and subsequently implement, a forum where Internal and Outside Directors and Audit & Supervisory Committee Members engage in the exchange of information and opinions without any hesitation.

(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.
Our website (Communication with Shareholders and Investors)
https://global.kawasaki.com/en/corp/ir/engagement/index.html

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update **Updated**	June 25, 2026

Explanation of Actions **Updated**
The Company's weighted average cost of capital (WACC) as of the end of March 2026 was calculated as approximately 10% after accounting for shifts in the capital structure caused by fluctuations in share price. 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, under our director compensation system, we keep WACC in mind when setting target levels for profit indicators in short-term incentives and also introduced a share price metric in long-term incentives starting with performance assessments for fiscal 2024 and are currently promoting management mindful of capital costs and stock price.

Regarding management policy based on WACC-oriented KPIs, business model and business portfolio reforms, we disclose information in our Kawasaki Report.
Kawasaki Report (p.11-12)
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf

2. Capital Structure

Foreigner shareholding percentage **Updated**	30% or more

[Status of Major Shareholders] **Updated**

Name/Company Name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,794,100	13.57
Custody Bank of Japan, Ltd. (Trust Account)	13,430,691	8.00
Nippon Life Insurance Company	5,751,661	3.42
Kawasaki Heavy Industries Employee Stock Ownership Association	4,488,051	2.67
Kawasaki Heavy Industries, Ltd. Kyoueikai	3,569,719	2.12
STATE STREET BANK AND TRUST COMPANY 505001	3,507,791	2.08
JP MORGAN CHASE BANK 385781	2,255,866	1.34
Mizuho Bank, Ltd.	2,239,412	1.33
HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	2,096,583	1.24
NORTHERN TRUST CO.（AVFC）RE FIDELITY FUNDS	2,026,488	1.20

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

Supplementary Explanation Updated

Although the Company has received a Substantial Shareholding Report, the exact number of shares actually held by each shareholder as of March 31,2026 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: BlackRock Japan Co., Ltd. and four others
Date of reporting obligation: August 29, 2025
Number of shares held: 8,882,604
Shareholding ratio: 5.29%

Holder: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other
Date of reporting obligation: September 15, 2025
Number of shares held: 10,435,500
Shareholding ratio: 6.21%

Holder: Nomura Securities Co., Ltd. and two others
Date of reporting obligation: September 30, 2025
Number of shares held: 8,867,908
Shareholding ratio: 5.28%

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

—

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

—

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 **Updated**	13
Appointment of Outside Directors	Appointed
Number of Outside Directors	7

Number of Outside Directors That Are Independent Directors	7

Outside Directors' Relationship with the Company (1) Updated

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

* 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 outside 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

Outside Directors' Relationship with the Company (2) Updated

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Hideo Tsujimura		○	Suntory Beverage & Food Limited (including its significant subsidiaries; same applies hereinafter), for which Mr. Tsujimura previously served in an executive role, has a history of business transactions with the Company Group. However, since the average transaction amount for the last five fiscal years is less than 1% of the annual average net sales of the Suntory Beverage & Food Limited group and the Company Group for the last five fiscal years, and Mr. Tsujimura 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. Tsujimura has served as Senior Managing Director, in charge of Intellectual Property Department of Suntory Holdings Limited and other important positions, and as such possesses extensive management experience and deep insight into product development and intellectual property. Since 2020, as an Outside Director of the Company, he has provided helpful opinions and advice on overall management based on his past experience upon important management decisions by the Company and has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value from a standpoint independent from the Company's business execution. Additionally, as the chair of the Nomination Advisory Committee and Compensation Advisory Committee, he conducts discussions on revisions to the director compensation system and evaluation system and on succession plans and fulfills important responsibilities in reporting to the Board of Directors. 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.

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Katsuhiko Yoshida		○	Kao Corporation (including its significant subsidiaries; same applies hereinafter), for which Mr. Yoshida previously served in an executive role, has a history of business transactions with the Company Group in the last five fiscal years. However, since the annual average transaction amount for the last five fiscal years is less than 1% of the annual average net sales of Kao Corporation and the Company Group for the last ive fiscal years, 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 as such possesses abundant experience in management and deep insight into sales and marketing. Since 2022, as an Outside Director of the Company, he has provided helpful opinions and advice, particularly with his remarks that aid with marketing, upon important management decisions by the Company and has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value from a standpoint independent from the Company's business execution. Additionally, he fulfills important responsibilities as a member of the Nomination Advisory Committee and Compensation Advisory Committee. 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 on hydrogen trends, etc. in Australia with Melanie Brock Advisory, Ltd., where Ms. Brock currently serves as an executive officer. The annual consulting fees are no more than 10 million yen, and Ms.	Ms. Brock has been involved in international business support for many years, and as such possesses extensive international experience and high level of insight into business strategies and marketing from a global perspective. Since 2023, as an

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
			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.	Outside Director of the Company, she has provided valuable opinions and advice that aid with overseas business development in particular upon important management decisions by the Company and has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value from a standpoint independent from the Company's business execution. 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.
Setsuko Ino		○	Amazon Japan G.K. (including its significant subsidiaries; same applies hereinafter), for which Ms. Ino previously served in an executive role, has a history of business transactions with the Company Group. However, since the annual average transaction amount for the last five fiscal years is less than 1% of the annual average net sales of Amazon Japan G.K. and the Company Group for the last five fiscal years, and Ms. Ino satisfies the criteria for determining the independence of officer established by the Company, the Company has determined that she is sufficiently independent and qualified to serve as an independent officer.	Ms. Ino has served in successive posts with overall responsibility for the finance department of Sun Microsystems K.K., SAP Japan Co., Ltd., Amazon Japan G.K., and Asurion Japan K.K., and as such possesses deep insight into the fields of corporate finance, accounting, and IT from a global perspective. She has brought the operational processes of the finance departments of each of those companies up to global standards through devising, operating, and managing accounting and corporate finance plans and sophisticating business administration in those departments, thereby contributing to the enhancement of enterprise

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
				value. 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 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 possesses abundant experience as an attorney and deep insight into legal affairs. He has provided useful opinions and advice on legal affairs and compliance upon important management decisions by the Company, and has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value as an Outside Director serving as an 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

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
				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 served in important positions at the Financial Services Agency as the Deputy Commissioner of the Planning and Coordination Bureau, Secretary General of Certified Public Accountants and Auditing Oversight Board, and Vice Minister for International Affairs, gaining deep insight into financial supervision and international financial regulation. She has provided useful opinions and advice on corporate finance, financial services, and compliance upon important management decisions by the Company, and has made significant contributions to ensuring the soundness of the Company's management and enhancing its enterprise value as an Outside Director serving as an Audit & Supervisory Committee Member of the Company since 2024. 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.

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Toshiaki Itagaki	○	○		Mr. Itagaki has served in such roles at Chugai Pharmaceutical Co., Ltd. as the Head of the Marketing Planning Department, Head of the Finance & Accounting Department, Head of the IT Supervisory Division, and Chief Financial Officer, and as such possesses abundant insight into marketing, finance and accounting, IT, and digital platforms and has demonstrated his expertise in the formation of management and financial strategy through inter-company collaboration and M&As and the promotion of IT solutions. He also possesses extensive management experience as an Executive Officer and Director. 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 Updated

	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 **Updated**	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 several full-time employees and one concurrent employee (hereinafter collectively referred to as "assistants"), to assist the Audit & Supervisory Committee in the execution of its duties. Such assistants 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 Audit Group 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 Audit Group 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 Updated

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 2025 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 25, 2026) Presiding Officer: Hideo Tsujimura (Outside Director)

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

・Committee meeting attendance in fiscal 2025

		Nomination	Compensation
Representative Director, President and Chief Executive Officer	Yasuhiko Hashimoto	12/12	12/12
Vice President and Senior Executive Officer	Katsuya Yamamoto	12/12	12/12
Outside Director	Hideo Tsujimura	12/12	12/12
Outside Director	Katsuhiko Yoshida	12/12	12/12
Outside Director Audit & Supervisory Committee Member	Atsuko Ishii	2/3	2/3*
Outside Director Audit & Supervisory Committee Member	Susumu Tsukui	8/9	8/9*

* As Ms. Ishii has retired as of the conclusion of the 202nd Ordinary General Meeting of Shareholders (June 26, 2025), the number of meetings of the Advisory Committee that she was required to attend differs from that of the other members.
As Mr. Tsukui was appointed as a member of the Nomination Advisory Committee and the Compensation Advisory Committee by a resolution at the Board of Directors meeting held on the day of the 202nd Ordinary General Meeting of Shareholders (June 26, 2025), the number of meetings of the Advisory Committees that he was required to attend differs from that of the other members.

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

Director Remuneration

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation Updated

The total amount of compensation paid by the Company within the limit based on the resolution of the General Meeting of Shareholders for fiscal 2025 (April 1, 2025 to March 31, 2026) is as follows

Directors (4 people, excluding Audit & Supervisory Committee Members and Outside Directors): ¥548 million
Audit & Supervisory Committee Members (2 people, excluding Outside Directors): ¥68 million
Outside Directors (8 people): ¥130 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 Member provides various information to the Outside Directors, who are members of the Audit & Supervisory Committee, through the Audit & Supervisory Committee and business audits.

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

Total number of advisors ("*sodanyaku*," "*komon*," etc.) who have formerly served as Representative Director and President, etc. **Updated**	0

Other Matters Updated

・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 officers 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. In addition, it was decided not to appoint any new Honorary Advisors. Note that Mr. Masamoto Tazaki has retired from the post of Honorary Advisor as of March 31, 2026.

・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.

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

(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 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. Through this composition, the Board of Directors endeavors to reinforce its management oversight function. In addition, four of the Directors are women and one is foreign national, providing a balance of knowledge, experience, and skills, promoting diversity, and creating a system that enables more multifaceted decision making. Chairman of the Board serves as the Presiding Officer pursuant to a resolution of the Board.

The Board of Directors deliberates individual proposals submitted in accordance with the internal rules as well as discusses topics set based on the results of evaluations of the effectiveness of the Board. In fiscal 2025, the Board discussed issues that included its business portfolio strategy, action policy for reinforcing its quality function and compliance, and the improvement of diversity among core human resources. With respect to key management issues, such as sustainability, compliance, risk management, and quality control, the Board adopts resolutions on fundamental policies, and also receives regular reports on associated concrete measures and their status from the business execution side and monitors those measures on an ongoing basis.

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 presiding officers and a majority of members of both committees are Outside Directors. The Nomination Advisory Committee deliberates on the policies and standards regarding the appointment and dismissal of Directors and the appropriateness of proposals for such appointments and dismissals, while the Compensation Advisory Committee deliberates on the policies and systems regarding the compensation of Directors and the appropriateness of individual compensation. Both committees provide recommendations and advice to the Board of Directors.

The Audit & Supervisory Committee comprises five Directors, including three Outside Directors. To secure effective oversight, 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 Directors, 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.
The Executive Officers Committee, chaired by the President and consisting of all executive officers, has been established. In addition to issuing business execution policies based on decisions made by the Board of Directors, 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 “Corporate Governance System Diagram” contained in the last page of this report. 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 meetings of the Board of Directors with a frequency of roughly once per month,

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 2025.

- Members of the Board of Directors (as of June 25, 2026)
  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),
  Hideo Tsujimura (Outside Director),
  Katsuhiko Yoshida (Outside Director),
  Melanie Brock (Outside Director)
  Setsuko Ino (Outside Director)
  Atsuko Kakihara (Director/Audit & Supervisory Committee Member),
  Imai Ichiro (Director/Audit & Supervisory Committee Member),
  Susumu Tsukui (Outside Director/Audit & Supervisory Committee Member),
  Tomoko Amaya (Director/Audit & Supervisory Committee Member),
  Toshiaki Itagaki (Director/Audit & Supervisory Committee Member)

- Attendance at Board of Directors meetings held in fiscal 2025

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	16/16
Director/Audit & Supervisory Committee Member	Nobuhisa Kato	13/13*
Director/Audit & Supervisory Committee Member	Atsuko Kakihara	16/16
Outside Director/Audit & Supervisory Committee Member	Atsuko Ishii	3/3*
Outside Director/Audit & Supervisory Committee Member	Susumu Tsukui	16/16
Outside Director/Audit & Supervisory Committee Member	Tomoko Amaya	16/16
Outside Director/Audit & Supervisory Committee Member	Toshiaki Itagaki	13/13*

*As Mr. Kato has retired as of January 22, 2026, the number of meetings of the Board of Directors that he was required to attend differs from that of the other members.
As Ms. Ishii has retired as of the conclusion of the 202nd Ordinary General Meeting of Shareholders (June 26, 2025), the number of meetings of the Board of Directors that she was required to attend differs from that of the other members.
As Mr. Itagaki assumed his post on the day of the 202nd Ordinary General Meeting of Shareholders (June 26, 2025), the number of meetings of the Board of Directors that he was required to attend differs from that of the other members.

(3) Audit Status

The Audit & Supervisory Committee, the Audit Group serving as the Internal Auditing Department, and the independent auditor mutually provide briefings on audit plans and key audit matters and reports on audit results while also endeavoring to collaborate through means such as exchanging information and opinions through meetings and other opportunities.

(a)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."

Tomoko Amaya, an Outside Audit & Supervisory Committee Member, has served in important positions at Japan's Financial Services Agency, including Secretary General of the Certified Public Accountants and Auditing Oversight Board and Vice Minister for International Affairs, acquiring extensive knowledge of finance and accounting. Also, Toshiaki Itagaki, Outside Audit & Supervisory Committee Member has served in such roles at Chugai Pharmaceutical Co., Ltd. as the Head of the Finance & Accounting Department and Chief Financial Officer, and as such possesses extensive knowledge of finance and accounting. Also, Ichiro Imai, who assumed the post of newly-appointed Audit & Supervisory Committee Member at the 203rd Ordinary General Meeting of Shareholders held on June 25, 2026, has been mainly engaged in duties relating to corporate planning, corporate finance, and accounting at the Company for many years, and as such possesses extensive knowledge of corporate 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.

Details 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)
Special Investigative Committee		(*3)
Special Compliance Promotion Committee		(*4)
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	○	(*5)
Liaison meetings with the Audit Group	○	(*1)
Compliance Liaison meetings between the Audit & Supervisory Committee Members and the Compliance Department	○	(*1)

Details of Activities	Full-time	Outside
Meet with the full-time Audit & Supervisory Committee Members of Group Companies (including Kawasaki Railcar Manufacturing and Kawasaki Motors)	○	(*6)
Conduct surveys of affiliated companies in Japan	○	
Conduct surveys of overseas affiliated companies	○	
Topic audits (*7)	○	○
Meet with accounting auditors	○	○
Viewing decision making documents and other important documents	○	

*1. Attendance depends on the topics.

*2. One outside Audit & Supervisory Committee Members who have been appointed as members attend.

*3. One outside Audit and Supervisory Committee Member attended as an observer.

*4. Two outside Audit and Supervisory Committee Members attended as observers.

*5. One outside Audit & Supervisory Committee Member for each survey unit engages in surveys of the status of business execution by internal companies and divisions.

*6. All outside Audit & Supervisory Committee Members attends meetings with Kawasaki Railcar Manufacturing and Kawasaki Motors.

*7. Starting this fiscal year, audits narrowed down to key topics are conducted in order to reinforce Group governance. All outside Audit and Supervisory Committee Members are required to attend.

The full-time Audit & Supervisory Committee Member attends important meetings, such as those of the Board of Directors and Management Committee, voicing opinions as needed. Through the above activities, the member works to maintain the auditing environment, gather information within the Company, and build and regularly monitor the operation of internal control systems. The full-time member also shares the information the member collects 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 Member by such means as attending meetings of the Audit & Supervisory Committee.

Note that with respect to the submarine repair incidents and incidents of misconduct in the marine engine business, the Audit and Supervisory Committee closely monitors the status of implementation and effectiveness of activities and recurrence prevention measures implemented by the President-chaired Special Compliance Promotion Committee, both of which reflect the recommendations of the Special Investigative Committee made up of outside experts.

(b)Internal Audits

With regard to internal audits, we have consolidated the internal audit function under the Audit Group (38 members) and, by promoting collaboration with the second line, are bolstering the effectiveness of Group governance, thereby helping to preserve and elevate the enterprise value of the Company Group. Additionally, we carry out risk-based internal audits as well as promote measures that lead to the prevention of misconduct and its early detection, such as the extraction of the risk of misconduct through data analysis. Through these efforts, we are endeavoring to improve the internal control function.

(c)Independent Audits

The Company undergoes audits of its financial statements by the independent auditor KPMG AZSA

LLC based on an audit agreement.

a) Certified Public Accountants who Performed the Audit and their Auditing Firm
KPMG AZSA LLC Designated Limited Liability Partner, Managing Partner: Kazuhisa Horiuchi
Designated Limited Liability Partner, Managing Partner: Shinpei Takeshita
Designated Limited Liability Partner, Managing Partner: Yasumasa Kyoi

b) Continuous Audit Period: 52 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: 42 people
Other: 84 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: the holding of regular meetings to exchange information between Compliance Departments of Business Segments and the Head Office Compliance Department. In addition, to guarantee the independence of Compliance Departments, we hold regular liaison meetings between Audit & Supervisory Committee Members and the Head Office Compliance Department, thereby securing a reporting channel to Audit & Supervisory Committee Members separately from the channel of reporting by the Head Office Compliance Department that is based on the conventional chain of command.

Based on the inappropriate incidents at the submarine repair workplace and improper marine engine inspections, the Company established a Special Compliance Promotion Committee chaired by the President to create systems that prevent misconduct, strengthen detection capabilities, and reform organizational culture and awareness across the entire Group. In doing so, the Company is endeavoring to rebuild its compliance and governance systems and prevent the reoccurrence of misconduct. More specifically, regarding the creation of systems that prevent misconduct, the Company is largely pursuing initiatives to automate inspection processes. Regarding the strengthening of detection capabilities, the Company established the Corporate Defense Business Management Division in its Head Office to reinforce governance in that business, and has also undertaken initiatives to put its second-line and third-line structures in place, including upgrading its legal affairs organization to the Legal Division, consolidating its auditing section at its Head Office, and establishing the Corporate Quality Assurance Management Group as a Head Office section. Regarding the reforming of organizational culture and awareness, with the aim of building an organization whose members work with each other across sectional boundaries even when facing difficult challenges to effectively solve problems, the Company established the Organizational Culture Transformation & Compliance Group within the Human Resources Division on April 1, 2026, thereby establishing a structure to continuously advance organizational culture and awareness reforms.

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 in principle held at least once annually to report on the progress of 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	The Company is conducting briefings in person on site, via web conference, and by other means for institutional investors in North America, Europe, and other regions.	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	Handled by the Investor Relations Department of the Corporate Communication Group with the Vice President supervising the Head Office administrative division as the officer in charge.	
Other	Details that include the Company's IR system and status of implementation of IR activities are published on the Company's website. https://global.kawasaki.com/en/corp/ir/engagement/index.html	

3. Measures to Ensure Due Respect for Stakeholders Updated

	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) in our business operations 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 and work ethics, the Company is working to “realize workstyles with an awareness of work-life balance, results, and efficiency,” “promote the active participation of women,” “promote understanding of LGBT issues,” “promote employment of people with disabilities,” “support employees balancing work with childcare and nursing care,” and so forth.

IV Matters Related to the Internal Control System

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

< 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, executive officers 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. Moreover, the President, with his strong determination, shall personally lead the "Basic Policy on Legal Affairs and Compliance" resolved by the Board of Directors largely for the purpose of enhancing company-wide functions and awareness pertaining to legal affairs and compliance, and shall enforce its dissemination among executive officers and employees.

・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.

・For its whistle-blowing system intended to detect compliance violations and other risks of misconduct at an early stage and rectify them, the Company shall endeavor to foster awareness of the nature of the system, including how it prohibits the disadvantageous handling and searching of whistle-blowers and maintains secrecy, and to enforce the system's proper operation, and shall facilitate the further manifestation of its functions.

・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, executive officers 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 entire Group, including all its subsidiaries within and outside Japan, shall endeavor to foster awareness and the penetration of the whistle-blowing system and facilitate the further manifestation of its functions.

・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 asystem 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), executive officers and employees, and systems for reporting to the Audit & Supervisory Committee of the Company's subsidiaries by the Directors, Audit & Supervisory Board Members, executive officers 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, executive officer 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 Updated

The Company does not plan to introduce anti-takeover measures at this time, but continues to engage in repeated discussions on 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, investors, suppliers, employees, local communities, government agencies 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 ofthe 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 Updated

