

Compliance **M**Management  
Approach**Material Issues and Our Approach**

The Kawasaki Group Management Principles, part of the Kawasaki Group Mission Statement, extol the corporate virtue of recognizing social responsibility and coexisting harmoniously with the environment, society as a whole, local communities and individuals, and in the Kawasaki Group Action Guidelines, we ask each and every member of the Group to “earn the trust of the community through high ethical standards and the example you set for others.”

We have established the Kawasaki Group Code of Conduct and set ethical standards to be the basis of decisions.

In accordance with the Code, the Kawasaki Group is committed to further strengthening its corporate culture of not tolerating compliance violations.

Furthermore, because a large portion of our business comes from the sale of made-to-order products for such customers as national governments, municipalities, government ministries and publicly run corporations, we put great emphasis on preventing corruption and maintaining fair business practices.

**Focus Activities and Medium-term Targets**

Our aim is to establish a state where the risks of compliance violations are checked as accurately as possible, and where comprehensive and effective compliance structures for addressing applicable risks have been put in place, are implemented on an ongoing basis and are regularly updated.

Furthermore, we aim to establish a state where all officers and employees have an in-depth understanding of the corruption issue and the need for its prevention. A sufficiently effective structure for keeping the Group from becoming involved in corruption in its business activities has also been established and is being updated regularly.

● **Goals for the MTBP 2019**

- Zero serious violations and incidents.
- Expand the use of internal reporting systems at overseas subsidiaries.
- Carry out employee compliance awareness survey (in and outside Japan).
- Carry out e-learning on the Code of Conduct (in and outside Japan).

**Progress, Results and Challenges**● **Goals for Fiscal 2019**

- Zero serious violations and incidents.
- Begin operating internal reporting systems at overseas subsidiaries.
- Distribute Code of Conduct booklets (second version) and hold awareness-building activities in workplaces.
- Hold compliance liaison meetings at overseas sites.

● **Fiscal 2019 Results**

- Zero serious violations and incidents
- Advanced preparations for operating internal reporting systems at overseas subsidiaries
- Distributed Code of Conduct booklets (second version) in Japan and overseas in local languages
- Held awareness-building activities on the Code of Conduct in workplaces (in Japan)
- Held compliance liaison meetings at overseas sites

● **Goals for Fiscal 2020**

- Zero serious violations and incidents.
- Begin operating internal reporting systems at overseas subsidiaries.
- Amend the *Compliance Guidebook*.
- Hold awareness-building activities on the Code of Conduct in workplaces (in Japan and overseas).
- Hold compliance liaison meetings at overseas sites.
- Implement the employee compliance awareness survey (parent company).

**KPI**

● **Frequency of Serious Compliance Violations per Year**

- Target: Zero serious compliance violations
- Progress

	(FY)	2015	2016	2017	2018	2019
Number of cases	0	0	0	0	0	0


**Compliance Policy**

In July 2017, we established the Kawasaki Group Code of Conduct as a set of ethical standards to guide the decision making of Kawasaki Group officers and employees. The code was amended in January 2019, and a second version was established in April.

In the statement by the president at the beginning of the Code, he implores all Group officers and employees to work as one and uphold the Code, stating, “the Kawasaki Group Code of Conduct shall serve to help all Group officers and employees in each country and region come together in unity, with a deep awareness that the Code will serve as the foundation for ensuring the highest standards of conduct in our business activities at all times and that we shall maintain steadfast compliance, engage in dialogue with stakeholders and adhere to the Code in making decisions and taking action, even in difficult circumstances.”

● **Scope of Policy Application**

All Kawasaki Group officers and employees



**The Kawasaki Group Code of Conduct**  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

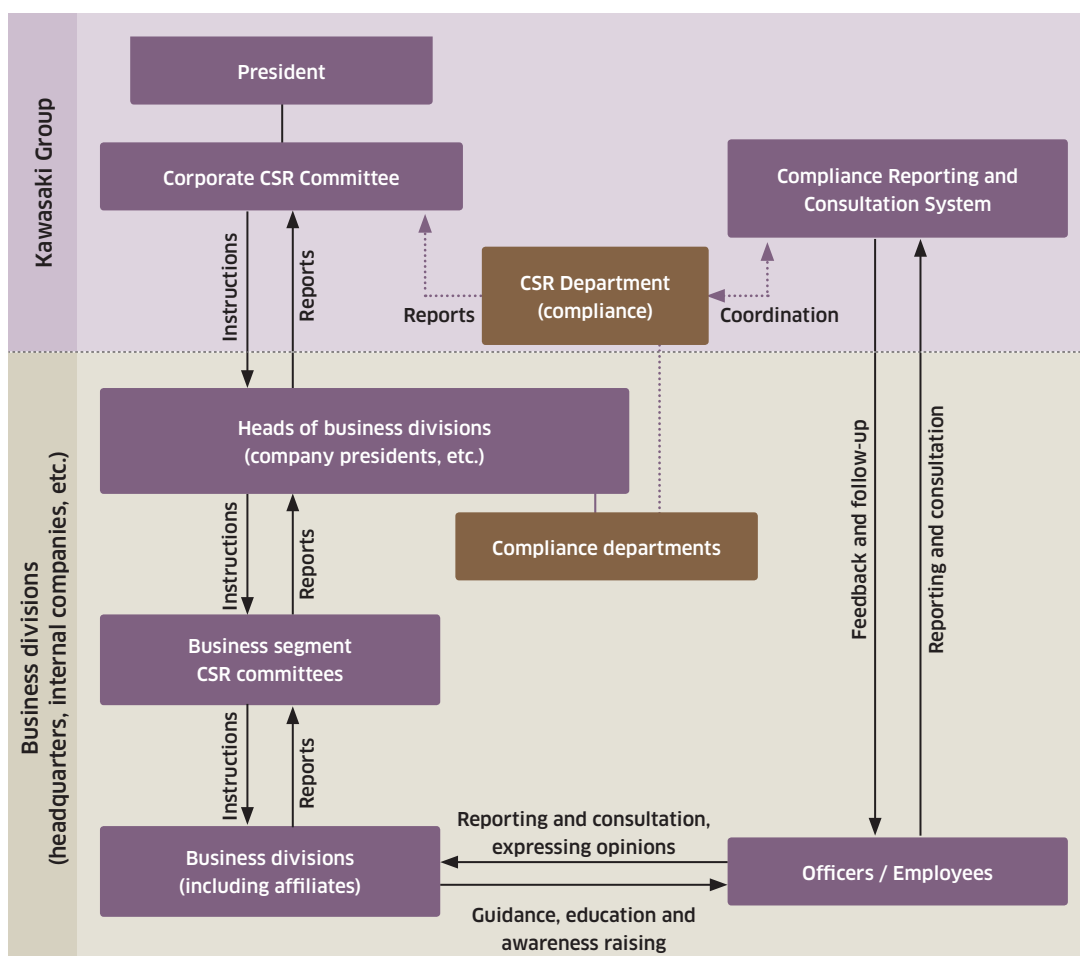
**Structure**

The Corporate CSR Committee is chaired by the Kawasaki president. The committee meets at least twice a year (three meetings in fiscal 2019). Its functions are to discuss and determine measures to ensure that the Kawasaki Group fulfills its corporate social responsibilities and maintains thorough compliance, and to monitor compliance efforts. To ensure that the objectives of the Corporate CSR Committee extend to all corporate structures, business segment CSR committee meetings are held at the Head Office, internal companies and business divisions at least twice a year to promote compliance throughout the Group.

Because of the diversity of the Group’s businesses, some of the compliance activities required in the business divisions are specific to their respective forms of business and may vary from those of other divisions. At the same time, many measures are best implemented across the entire Company in a unified manner.

For this reason, the Kawasaki Group formulates annual Group-wide compliance activity plans that, following the approval of the Corporate CSR Committee, it carries out. In addition, the internal companies and business divisions each formulate annual activity themes that they use to carry out compliance-related initiatives.

## Compliance Promotion Structure



- **Responsible Officer**

Chair of Corporate CSR Committee: Yasuhiko Hashimoto, Representative Director, President and Chief Executive Officer

- **Responsible Executive Organ and/or Committee**

The Corporate CSR Committee is the executive organ responsible for compliance. With the president of Kawasaki as the chair, the committee is composed of Directors, internal company presidents, Director in charge of CSR and Head Office division heads. The attendance of Outside Directors is requested so that the committee can glean the benefits of their external expertise and opinions and reflect them in its decision-making process. Also, Audit & Supervisory Committee Members participate in the committee as part of their auditing of the execution of business.

- **Audits and Third-Party Certification of the Compliance System by Third Parties**

The state of compliance is audited by Audit & Supervisory Committee Members and independent auditors.

Compliance **M**  
Performance Data

**State of Affairs Regarding Compliance**

**Efforts to Promote Compliance**

● **President’s Declaration of Compliance**

Soon after taking office, each of our presidents announces the Presidents Declaration of Compliance to Group employees.

● **Declaration to Observe Laws and Regulations**

Each officer and managerial staff of the Company, at his or her appointment, is required to prepare and submit to the Company a completely handwritten Declaration to Observe Laws and Regulations to reconfirm the awareness that he or she will never commit a violation and will cause other employees to ensure compliance. This Declaration includes the representation that they understand that they may be subject to a penalty or punishment if they commit a violation.

● **Compliance Guidebook**

The *Compliance Guidebook* provides information that is necessary and useful for ensuring thorough compliance within the Company in an easy-to-understand way. The guidebook is distributed to all officers, employees and temporary staff at all Group companies in Japan. The *Compliance Guidebook* outlines the Group’s compliance system and activities as well as the Compliance Reporting and Consultation System, which serves as the Group’s internal whistle-blower system. The guidebook uses illustrations to present easy-to-understand examples of important compliance-related matters. It is divided into 20 sub-sections within six sections: “Securing the Trust of Customers and Business Partners,” “Matters to Be Observed as a Corporate Citizen,” “Data Protection,” “Handling Financial Transactions,” “The Workplace” and “Responsibilities of Managers.” The guidebook also contains an index of the corresponding sections of the Kawasaki Group Code of Conduct and serves as a text for increasing compliance awareness. The *Compliance Guidebook* is used in internal compliance training and educational activities. Since the first edition was issued in 2003, its content has been constantly updated in light of evolving compliance requirements around the world.

 **The President’s Statement on Compliance**  
[https://global.kawasaki.com/en/corp/sustainability/bcg\\_eng\\_202008.pdf](https://global.kawasaki.com/en/corp/sustainability/bcg_eng_202008.pdf)

● **Kawasaki Group Code of Conduct**

In fiscal 2019, we revised the Kawasaki Group Code of Conduct and took steps to ensure awareness of the Code and increase compliance awareness. Specifically, we held group readings and discussions of the Code within departments for domestic Group employees and temporary staff. During the period of these activities, 97.3% of targeted employees took part.

**Employee Awareness Surveys**

The Kawasaki Group implements periodic employee awareness surveys to monitor internal compliance violation risks. Surveys aimed at measuring compliance awareness among employees were implemented in fiscal 2011, 2014 and 2018. Survey results are analyzed and reflected in subsequent initiatives.

In fiscal 2016, we carried out compliance awareness surveys of certain executives and managers at Group companies outside Japan and made the results available to employees, including those in Japan. These results will also be reflected in subsequent initiatives.

● **Compliance Awareness Survey Results (consolidated domestic)**

	(FY)	2015	2016	2017	2018	2019
Survey response rate	%	–	–	–	93.8	–
The percentage of respondents who replied that their company was being managed in a compliant manner	%	–	–	–	78.6	–

## Whistle-Blowing System and Consultation Points

### Kawasaki and Domestic Consolidated Subsidiaries

We have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact, so that officers and employees (including contract employees and temporary staff) of the Company and domestic consolidated subsidiaries can report or seek consultation regarding suspected violations of compliance practices relating to their operations. The system has been easier to use since October 2019, when the capability to accept anonymous reports and consultations was added with the aim of fostering a corporate culture and mechanisms that effectively self-correct.

Under the Compliance Reporting and Consultation System, employees report to or consult with an outside lawyer directly. For anonymous reports, as the lawyer cannot follow up with the individual, responses are determined based solely on the content of the reports themselves. The lawyer investigates to determine whether or not there is in fact a compliance problem, and if a problem is found, advises the Company on how to remedy it. During investigations based on reports that are not made anonymously, the employee's name is not disclosed to the Company without his or her permission.

The lawyer contacts the person who made the report or sought consultation directly to explain the results of the investigation. For anonymous reports, summaries of the reported issues and progress in addressing them are posted on the Company intranet.

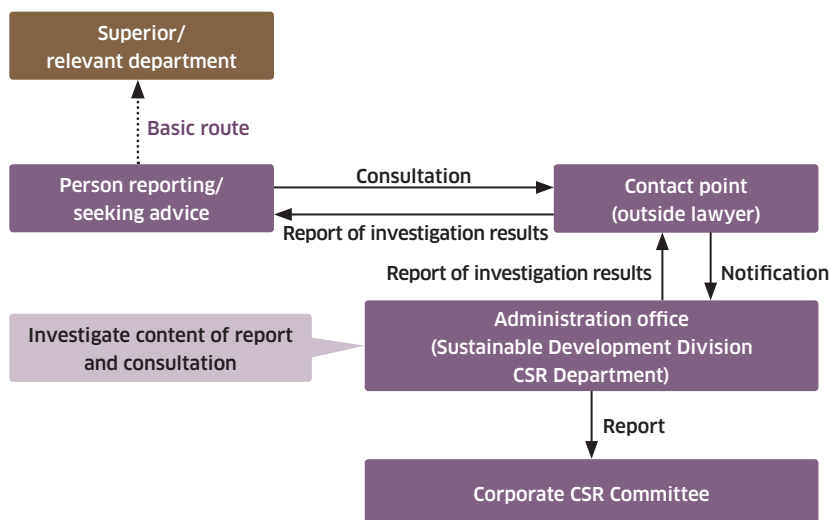
The Group works to ensure that employees know how to use this system by providing information on it via such means as the Company intranet, leaflet inserts in Kawasaki Group Code of Conduct pamphlets, Compliance guidebooks and Group newsletters.

To enhance the efficacy and reliability of this system, we revise it as needed, working to make it easier for employees to use.

### Overseas Consolidated Subsidiaries

Beginning in 2020, we are advancing preparations to introduce a Global Internal Reporting System for some overseas consolidated subsidiaries. Under the Global Internal Reporting System, external law firms and internal administrative offices will function jointly as contact points, accepting both anonymous and non-anonymous reports.

### Compliance Reporting and Consultation System Flow Chart (domestic)



### ● Number of Reports or Consultations (Domestic Kawasaki Group)

	(FY)	2015	2016	2017	2018	2019
Number of reports or consultations*		19	20	27	29	47
Abuse of authority		8	5	7	13	12
Labor issues		6	4	10	5	14
Financial fraud		–	2	1	4	–
Sexual harassment		1	2	3	1	1
Threats and harassment		–	–	1	3	–
Bribery and corruption		–	–	–	–	–
Others		4	7	5	3	20

\* The numbers of cases listed above refer to reports and consultations received, not those identified as actual compliance violations.

### Handling Reports Made outside the Whistle-Blowing System

When reports are delivered in writing, by email or by other means to persons or offices other than the Compliance Reporting and Consultation System contact points, if a compliance violation is suspected, the matter is investigated and corrective measures taken as needed.

### Number of Compliance Violations, Details of Violations and Actions Taken

Over the most recent five years, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.

## Anti-Corruption

To prevent corruption, the Kawasaki Group maintains compliance systems, conducts business activities in line with related policies and provides education for employees.

In fiscal 2019, the Corporate CSR Committee invited an outside attorney as a guest speaker to give a lecture to corporate officers about the nature of the compliance required of global companies, with a focus on anti-corruption. The chairman of the committee (the President), as well as all the Directors and internal company presidents, attended this lecture, engaging in a question and answer session with the lecturer and deepening their understanding of the compliance risks faced by global companies and the challenges associated with addressing such risks.

### Bribery Prevention

#### Bribery Prevention Policy

The Kawasaki Group Code of Conduct defines “Actions to Be Taken by Individuals” to ensure that each individual officer and employee acts correctly to prevent bribery.

Taking an even tougher stand against bribery, we established the Bribery Prevention Regulations in August 2013, the basic policy of which states that the Kawasaki Group will uphold laws in the execution of business activities and that bribes to public officials in Japan or overseas will not be tolerated. In May 2020, to further reinforce anti-bribery initiatives, we revised our internal regulations as follows.

#### ● Newly Established Rules on Entertainment and Gifts to Public Officials in Japan

In line with Japan’s laws and regulations concerning public official ethics (including the National Public Service Ethics Act and the National Public Service Ethics Code), these rules establish application procedures, approval guidelines, and record keeping for entertainment and gifts.

#### ● Newly Established Rules on Preventing Bribery of Foreign Public Officials

These rules establish check list items for the application procedures for entertainment, gifts and other expenses, the approval guidelines and the record keeping as well as for the selection and maintenance of intermediaries, such as retail outlets and consultants.

In fiscal 2020, we established and published the Kawasaki Group Anti-Bribery Policy, which lays out the Group’s systems and initiatives to prevent bribery.

### ● Scope of Policy Application

All Kawasaki Group officers and employees



#### The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

#### The Kawasaki Group Anti-Bribery Policy

<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/anti-bribery.pdf>

### Focus Activities and Medium-term Targets

#### ● Goals for the MTBP 2019

- Zero bribery violations.
- Revise internal rules on entertainment and gifts (Group-wide reinforcement).
- Implement ongoing overseas bribery prevention training (group training and e-learning).

### Progress, Results and Challenges

#### ● Goals for Fiscal 2019

- Zero bribery violations.
- Revise internal rules on entertainment and gifts.
- Implement overseas bribery prevention training (group training and e-learning).

#### ● Fiscal 2019 Results

- Zero bribery violations.
- Advanced considerations of proposed revisions to internal rules on entertainment and gifts.
- Implemented overseas bribery prevention training (group training for 178 participants and e-learning for 303 employees stationed overseas).

#### ● Goals for Fiscal 2020

- Zero bribery violations.
- Establish internal rules on entertainment and gifts as internal regulations at the Head Office and domestic subsidiaries.
- Implement overseas bribery prevention training (group training and e-learning).

### Anti-Bribery Training for Employees

We provide overseas bribery prevention training for employees involved in overseas businesses every year in Japan. In fiscal 2019, 178 employees took part in overseas bribery prevention training, and 303 took part in e-learning for employees stationed overseas. We conduct surveys of participants in this training and e-learning to gauge their understanding of the material. Furthermore, compliance training with a focus on bribery prevention is included in training programs for employees in charge of overseas businesses.

### Number of Anti-Bribery Violations, Details of Violations, and Actions Taken

Over the most recent five years, there have been no cases of bribery that were subject to administrative disciplinary action or sanction.

#### Expenditures to External Organizations

##### Political Contributions

	(FY)	2015	2016	2017	2018	2019
Total political contributions	Millions of yen	3.0	3.0	3.0	3.0	3.0

##### Expenditures to Industry Organizations

	(FY)	2015	2016	2017	2018	2019
Total expenditures to industry organizations	Millions of yen	50	50	50	50	50

##### Other Expenditures for Donations, Support Funding, etc.

	(FY)	2015	2016	2017	2018	2019
Total expenditures for donation support funding, etc.	Millions of yen	211	255	208	173	145


**Compliance with Antimonopoly (Competition) Laws**

**Policy Regarding Compliance with the Antimonopoly Act**

The Kawasaki Group is focusing efforts on compliance with the Antimonopoly Act. Since 2006, the Board of Directors has adopted a resolution to comply with the Antimonopoly Act and strive to maintain and improve the Company's enterprise value in society at the first Board of Directors meeting held immediately following each year's general meeting of shareholders. The Kawasaki Group Code of Conduct also states that the Group will not obstruct free and fair competition and will work to maintain a healthy market.

● **Scope of Policy Application**

All Kawasaki Group officers and employees

 **The Kawasaki Group Code of Conduct**  
<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

**Employee Training on Compliance with Antimonopoly (Competition) Laws**

The Company publishes a variety of guidebooks on the Antimonopoly Act for employees to ensure a broader awareness of situations at the Kawasaki Group that could become problematic and conducts regular training on the Antimonopoly Act. In fiscal 2019, 85 employees took part in Antimonopoly Act compliance training. Furthermore, regarding overseas antimonopoly (competition) laws, in addition to overseas bribery prevention training, we carry out overseas antimonopoly (competition) law training, which 178 employees took part in fiscal 2019.

**Number of Violations Relating to the Antimonopoly Act, Details of Violations, and Actions Taken**

Since 2010, there have been no serious violations that were subject to administrative disciplinary action by the Fair Trade Commission. Since 2006, there have been no serious violations that were subject to criminal penalties.


**Tax Compliance**

**Tax Policy**

The Kawasaki Group has established the Kawasaki Group Policy on Tax Affairs and works to promote awareness of the policy internally as part of efforts to manage tax risk related to business globalization.

● **Scope of Policy Application**

The Kawasaki Group

 **Kawasaki Group Policy on Tax Affairs**  
<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/tax.pdf>


**Export Control**

**Export Control Policy**

In fiscal 2020, we established and published the Kawasaki Group Policy on Export Control, laying out basic principles of conduct regarding export control.

The Kawasaki Group recognizes that compliance with laws and regulations on export control is an integral part of its corporate social responsibilities (CSR) and essential to maintaining peace and security in the international community and supporting humanity's harmonious coexistence with the global environment. In line with this recognition, the Group shall establish and maintain a strict export control system and implement appropriate security trade control so as to ensure that its products and services are not provided for transactions aimed at such purposes as the development of weapons of mass destruction or the excessive accumulation of conventional arms.

To ensure legal compliance, we carry out export control with consideration given not only to Japan's Foreign Exchange and Foreign Trade Act, but, because our businesses have significant ties with the United States, also to U.S. reexport regulations and economic sanctions. By doing so, we work to reduce the risks of violations of these laws and of government sanctions.

 **Kawasaki Group Policy on Export Control**  
<https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/export.pdf>



### Focus Activities and Medium-term Targets

#### ● Goal for the MTBP 2019

Consider implementing export management systems aimed at improving the quality of classification,\* making transaction screening more efficient, and better maintaining export control information and making it more accessible.

\* Classification refers to the process of determining or confirming whether a particular cargo or technology is a specified important cargo requiring export approval.

### Progress, Results and Challenges

#### ● Goals for Fiscal 2019

- Zero serious legal violations.
- Provide training:  
Executive training, Group-wide training, level-specific education (newly appointed managerial staff and assistant managers), practical training (key departments, key departments of internal companies, staff), training for employees working in overseas businesses and e-learning for managerial staff and others

#### ● Fiscal 2019 Results

- Zero serious legal violations.
- Provided training:  
Executive training (on August 6), Group-wide training (500 participants), level-specific education (newly appointed managerial staff and assistant managers; 553 participants), practical training (601 participants, including those at internal companies), training for employees working in overseas businesses (16 participants), e-learning (6,030 participants), and support for obtaining CISTEC certification (83 successfully certificated)

#### ● Goals for Fiscal 2020

- Zero serious legal violations.
- Provide training:  
Executive training, Group-wide training, level-specific education (newly appointed managerial staff and assistant managers), practical training (key departments, key departments of internal companies, staff), training for employees working in overseas businesses, and e-learning

### Structure

To ensure Group-wide compliance with export control laws and regulations, we have formulated a set of corporate export control regulations for goods and technologies relevant to security maintenance and have put in place an export control system in which a Representative Director acts as Chief Export Control Officer.

As a first measure, we set up the Export Control Laws and Regulations Compliance Screening Committee ("Screening Committee"), chaired by the Chief Export Control Officer, at the Head Office. The Screening Committee undertakes the final assessment of export transactions across the Group to confirm compliance with export control laws and regulations and provides guidance and supervision regarding the export control systems of the internal companies and business divisions. In addition, the Trade Compliance Department was set up within the Head Office Sustainable Development Division to provide secretariat services to the Screening Committee and to coordinate export control at the Group-wide level. In addition, we have established the Working Level Committee, comprising the departments responsible for export control of the internal companies and business divisions, under the control of the Screening Committee. The Working Level Committee undertakes preliminary screening ahead of final assessments by the Screening Committee, discusses matters delegated to it by the Screening Committee, reports to the Screening Committee and undertakes the horizontal rollout of export control-related information.

Next, each internal company and business division operates an export control committee that screens all the export transactions of the company or division and refers the screening results to the Screening Committee for discussion.

Furthermore, to promote legal compliance, we have set up export control systems at consolidated subsidiaries in and outside Japan that engage in exporting through their respective overseeing internal companies or business divisions.



## Other Important Compliance Risks

### Prevention of Insider Trading

For the purpose of preventing insider trading, Kawasaki has established company regulations titled the Insider Trading Control Rules that it uses to implement and regulate related actions. In addition, to further ensure the prevention of insider trading, the Company established a new system in fiscal 2013 that obligates Company officers and employees who intend to trade Company shares to notify the Company by a prescribed date (the Treasury Stock Trading Prior Notification System). Also, the Kawasaki Group Code of Conduct forbids insider trading.

#### ● Number of Violations, Details of Violations and Actions Taken

Since 1989, when the amended Securities and Exchange Act which regulates insider trading was enacted, there have been no serious violations by the Group or Group employees that were subject to penalties or administrative monetary penalties.



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

### Elimination of Antisocial Forces

The Company resolutely rejects inappropriate requests from antisocial forces and undertakes various measures to break off any relationship with such forces.

Specifically, in addition to what is described in the Kawasaki Group Code of Conduct and the *Compliance Guidebook*, we publish the Manual of Responses to Antisocial Forces and strive to promote awareness and full compliance with established internal practices and systems as well as with prescribed procedures of response. In addition, we have established a unit at the Head Office to supervise responses associated with the elimination of antisocial forces. This unit works closely with the police and other external specialist organizations to establish an internal structure to systematically deal with inappropriate requests from antisocial forces.

#### ● Number of Violations, Details of Violations and Actions Taken

According to our survey of the period from 1997 to present, all inappropriate requests and requests for meeting appointments from antisocial forces and other similar organizations have been denied and eliminated during this period, and there have been no violations.



The Kawasaki Group Code of Conduct

<https://global.kawasaki.com/en/corp/sustainability/business-conduct-guideline.html>

### Measures to Prevent Money Handling Risks at Small-Scale Operating Sites

Certain situations are unique to small-scale operating sites, such as regional offices and satellite branches. These organizations may be ill-equipped to perform sufficient checks or may have particular individuals within the organization who have become fixed to a particular position due to difficulties in implementing personnel rotation. Based on such circumstances, the Company has carried out reviews, improved the manuals for checking procedures and enhanced audits in order to reduce risks, particularly as they relate to the handling of money.

#### ● Number of Violations, Details of Violations and Actions Taken

Over the five years in the immediate past, there have been no cases of corporate misconduct that were subject to administrative disciplinary action or sanction.