

No. 2024073

Kawasaki Heavy Industries, Ltd., announced today that it has collated the findings of its internal investigation into misconduct in the testing of marine engines—first announced in a press release published on August 21, 2024 (“Notice Regarding Misconduct in the Testing of Marine Diesel Engines”)—and has compiled these results in a report, which has been submitted to Japan’s Ministry of Land, Infrastructure, Transport and Tourism (MLIT). The Company takes this incident very seriously and offers its assurances to stakeholders that it will take resolute steps to ensure that such misconduct does not happen again.

In addition to the information contained in the interim report submitted to the MLIT on September 27, 2024, the report includes information on the impact of this misconduct on compliance with regulations governing NOx emissions*1 and CO₂ emissions, namely, the energy efficiency design index (EEDI)*2 and the energy efficiency existing ship index (EEXI),*3 based on the Company’s ongoing internal investigations, and an analysis of the

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engines installed in ships the keels of which were laid on or after January 1, 2011, and January 1, 2016, respectively.
Tier III

(2) Verification of Category D

- Investigations continue with the aim of confirming actual measured values that make it possible for the Company to calculate NOx emissions. If no such values can be confirmed, the Company cooperates with relevant organizations to explore technical approaches to determining compliance with NOx emissions regulations.

If confirmed actual measured values deviate from NOx emissions regulation values, discussions are held with relevant organizations, as well as with customers, on how to

(2) Corporate culture— and mindset-related issues

- (a) The corporate culture discouraged the acknowledgment or reporting of incidents, even if they were recognized as a

- (f) Beginning in 2021, the internal company set a limit on the term of service for line managers at five years and is implementing personnel rotations that prevent employees becoming entrenched in one place.
- (2) Measures to prevent the recurrence of corporate culture– and mindset-related issues
- In response to issues identified through the internal investigation, the internal company will implement a thorough review of its corporate culture and foster a new culture as follows.
- (a) Executives and managers will seek to build closer relations with employees, as well as to promote more open communication.
 - (b) Measures will be implemented to foster a compliance-first mindset on the part of executives and managers.
 - (c) Employees will be encouraged not to conceal mistakes, but rather to acknowledge them without fear, with the understanding that the act of honestly revealing any mistakes will be commended and that they are not solely responsible for rectification.
 - (d) Employees will be urged to speak up about issues in their own departments. Moreover, rather than viewing issues in other departments as someone else's problem, they will be encouraged to recognize the potential for similar issues in their own department, and to express their views and raise constructive points.

The Special Investigative Committee for Marine Engines created to probe this specific incident, which comprises neutral third-party experts, continues to examine the details and will advise the Company going forward regarding its analysis of causes and recommended measures for preventing recurrence. Taking into account causes cited by this committee, as well its recommendations for measures to ensure such misconduct does not happen again, the Company will take decisive steps to prevent recurrence along with the above actions.

3. Groupwide measures

Cognizant of the gravity of this and other recently identified incidents of misconduct, the Company has established the Special Compliance Promotion Committee, which is chaired by Representative Director, President and CEO Yasuhiko Hashimoto. This committee is working diligently not only to clarify and eradicate the problems that led to these specific incidents, but also to prevent recurrence by scrupulously reforming the Company Group's compliance and governance framework through the building of systems that prevent misconduct, strengthening of detection capabilities and reform of its corporate culture.

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