

# To Our Stakeholders

We are pursuing Group Vision 2030 to continue to be a company that society needs.

**Yasuhiko Hashimoto**  
Representative Director  
President and Chief Executive Officer



## Providing solutions to societal issues and the needs of the times in a world facing challenges

Two years have passed since I assumed the post of president. Countries around the world are settling into a society that coexists with COVID-19 while prioritizing reactivating economic activity. At the same time, each country is endeavoring to address various issues that are strongly impacting the global economy, including disrupted logistics, the situation in Ukraine, accelerating inflation, and sharp fluctuations in exchange rates.

In November 2020, the Kawasaki Group introduced the Group Vision 2030 with the vision statement “Trustworthy Solutions for the Future.” The vision set the three focal fields of “a safe and secure remotely connected society,” “near-future mobility,” and “energy and environmental solutions” as our prime areas of focus as we seek to fulfill our growth scenario to 2030.

As president, I believe the three focal fields we are focusing on are becoming increasingly important as the world confronts the challenges it is facing. Our efforts to create “a safe and secure remotely connected society” and improve “near-future mobility” will enable a wider variety of work styles and transportation methods that will contribute substantially to eliminating the current disorder in logistics. Our hydrogen business is front and center of our pursuit of “energy and environmental solutions.” Hydrogen is not only essential to making society carbon neutral, it’s also become clear that it is extremely important for economic security.

The Kawasaki Group’s businesses span energy, transportation, defense, and industrial infrastructure, and I believe that the rapidly changing international environment is making our role in society increasingly important. We are advancing our strategies with a sense of urgency because we believe that Group Vision 2030 is the right direction for us and that our efforts will provide solutions to societal issues and the needs of the times.

## President-led projects setting the model for business development

Our efforts to advance toward the Group Vision 2030 are focused in three main areas: using the Group’s wide range of technological capabilities to create innovative solutions for addressing global social issues, forming partnerships and other new business structures, and reforming the Group itself to create the optimal corporate structure for achieving our vision.

We created the Presidential Project Management Division as part of the Company-wide reform to better position us to fulfill Group Vision 2030. I myself manage the division, and the division’s primary objective is to serve as a role model for the quick development of new businesses. One of my mottos is “speed is value.”

Kawasaki has accumulated and possesses a vast range of technologies and operates businesses in numerous fields, and we have always sought to take advantage of that variety to create new synergies. However, no synergy can be created without a clear target. To reach that target will take more than just the technology from one business, the know-how and sales channels of other businesses are also indispensable. When we bring those together and then carefully explore how to connect and integrate the separate businesses, that’s when we can begin the trial and error that leads to new synergies.

By defining the three focal fields, we have set our targets. The President Project brings together motivated employees and provides a structure for bold and innovative business plans that were not possible under the existing organization. Each project has team members with diverse expertise and skills from across our company framework and also brings in strengths from outside the Group to accelerate the development of new businesses.

In less than two years, several projects have already advanced to the stages of demonstrating commercial feasibility and engaging in full business operations. Projects at this stage include an automated PCR viral testing business using robotic technology; unmanned high-speed delivery helicopters, self-driving delivery robots combining robotics with our expertise in transportation equipment and, in a collaboration with Pasona, Inc.,

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solution for indoor positioning system.

These projects give me a strong sense that the spirit of embracing new challenges is gradually permeating throughout the Group. As president, it is gratifying to see that employees are being given opportunities to play an active role and apply their talents, and that the projects are being tackled with enthusiasm and speed as well as producing results.

### Reforming the personnel system to encourage employees to embrace new challenges

As we reform the business organization, we are also revising the personnel system. Our human capital is our greatest asset. However, no matter how outstanding our human capital is, we cannot improve our business structure or create new businesses without an effective structure and system for recognizing employees that boldly take on risks and challenges. I am seeking to foster an organizational culture where fear of failure is not a concern and everyone can propose new ideas and take on new challenges.

To create a system to proactively recognize employees embrace challenges, our first step was to eliminate the seniority-based elements in personnel evaluations. We changed the system so employees who volunteer to commit to high targets and who

propose new ideas, irrespective of their age or history in the company, can be selected for positions that allow them to pursue those activities. We also changed the evaluation criteria for targets and outcomes. Employees who set high targets are evaluated solely in terms of the specific targets, and employees are also recognized for remaining committed and not giving up even if the targets are not reached.

Work environment reform is also being carried out following our new concept of the “highly effective employee.” We define a highly effective employee based on the two axes of individual motivation and creating a motivating work environment. By quantifying these characteristics and continuously tracking the value for all employees, we can then create a score for each department. Managers of departments with low scores are asked to receive input from their department members about ways to improve motivation, and the managers are then evaluated by how well they are able to raise the department’s score.

This new personnel system has been gradually producing more employees who are eager to take on new challenges while also creating workplace environments to support their ambitions. I believe this has been a major achievement of the past two years.

This year, we also broadened our fellowship program, which appoints people with outstanding skills and knowledge to specialized fields. The program now provides a clearer career path to Executive Fellow that will enable us to identify

highly qualified employees with advanced expertise at an early stage and give them extra motivation through ample opportunities that are matched to their potential.

### Growth strategies for the medium and long term

We significantly improved business performance from the previous fiscal year in fiscal 2021 with increases in both sales and profits. Splitting off the former business divisions and establishing Kawasaki Motors and Kawasaki Railcar Manufacturing as separate wholly-owned subsidiaries in October 2021 proved particularly productive as both companies generated strong results in their initial fiscal years under autonomous management focused specifically on their individual markets. Kawasaki Motors’ performance benefited from the new living conditions during the Covid-19 pandemic as more people are using private vehicles for transportation. Kawasaki Railcar Manufacturing continued improving its management and reestablished profitability for the first time in five years.

We are progressing in line with growth scenarios for the medium- and long-term growth strategies set in the Group Vision 2030. The mass-production businesses of precision machinery, industrial robots, motorcycles, and energy products are currently providing revenue. The Company will expand earnings and free cash flow as the Aerospace Systems business recovers. For the future, we are developing the hydrogen, medical robots, and other new businesses into new revenue pillars to establish a steady growth trajectory.

In our focus area of creating “a safe and secure remotely connected society,” the PCR testing business that we got up and running in just one year has posted many successes, including providing free testing for local governments and setting up testing sites in the departure terminals of the Kansai and Narita international airports. We are considering expanding the business’s capabilities to combat potential future epidemics. Mediaroid Corporation, our joint venture with Sysmex Corporation, has been steadily increasing the number of patients that have benefited from its *hinotori*™ surgical robot system. The system brings the future of telemedicine one

step closer, and Mediaroid has already begun testing remote surgery using next-generation telecommunications. Remote Robotics Inc., a joint venture with Sony Group Corporation is combining Sony’s strengths in image processing, sensing, and communication technology with our robot technology and teleoperation\* expertise and know-how to create a platform for new work styles that will enable all people to take advantage of remote work technologies.

In the second focus area of “near-future mobility,” we are combining our robotics technology for automating manufacturing operations with our land, sea, and air mobility technology to develop new hardware for automated and more efficient movement of people and goods. These technologies include new services using the unmanned high-speed delivery helicopters mentioned earlier.

\* Teleoperation is remotely operating a robot with the same dexterity and precision as if the operator were at the site.

### Creating a society where hydrogen is always convenient

We are positioning the hydrogen business at the core of our energy and environmental solutions with the intention of developing it into a major pillar for the Group in the future. Hydrogen will be a prominent energy source as the world seeks to achieve carbon neutrality to mitigate climate change and address energy problems, such as depleting fossil resources. Hydrogen offers numerous advantages, particularly because it can be produced anywhere from various domestic resources and because it is storable. In addition to its many benefits and the fact that it is important for national economic security, I believe the Kawasaki Group has an important role to play in ensuring that our country has reliable supply of hydrogen in the future. Because of its importance, we expanded and fortified our hydrogen business structure by creating the Hydrogen Strategy Division and more than tripling our staff by bringing in personnel from research and development departments and the Head Office as well as professional talent from outside our organization.

In the spring of 2022, Kawasaki and six other companies successfully completed the world’s first maritime transport of liquefied hydrogen between



An effective structure and system for recognizing employees that boldly take on risks and challenges so we can improve our business structure and create new businesses



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Japan and Australia, using a liquefied hydrogen carrier. The project, which is supported by the New Energy and Industrial Technology Development Organization (NEDO), is a collaborative effort with other companies that we have been working on since 2016. Kawasaki designed and built *Suiso Frontier*, the world's first liquefied hydrogen carrier, and Hy touch Kobe, the world's first liquefied hydrogen cargo handling demonstration terminal. The Japan Society of Naval Architects and Ocean Engineers recognized the *Suiso Frontier* with the Ship of the Year Award 2021.

After demonstrating the technology, the next step is to demonstrate commercial viability for what is projected to be a ¥300 billion project. In 2021, the NEDO Green Innovation Fund selected the project to conduct commercial demonstration of a liquefied hydrogen supply chain and granted a subsidy of ¥220 billion. Kawasaki is in charge of constructing the entire supply chain from hydrogen liquefaction facilities to the loading terminals and liquefied hydrogen carriers, for which it has already obtained approval in principle for a 160,000 m<sup>3</sup> liquefied hydrogen carrier. We are fully committed to successfully establishing the operation's economic feasibility, including costs, with the aim of beginning commercial operations around 2030.

We are also establishing a position as a global leader in internal combustion engines for mobility with the development of the "Kawasaki safe and clean hydrogen combustion technology" used in our hydrogen power generation systems.

While we are making great strides toward making hydrogen convenient for society, we also know that one company cannot do it all. We have collaborated with numerous Japanese and overseas companies to conduct demonstrations, and we will join with new partners in the mobility arenas of ships, aircraft, automobiles, and motorcycles to create a hydrogen society in Japan and around the world. We recently conducted a demonstration run of an off-road four-wheel research vehicle equipped with a direct injection, hydrogen fuel motorcycle engine. The vehicle will be used in research conducted jointly with motorcycle and automobile-related companies on hydrogen fuel engines for compact mobility.

### Strengthening the management foundation of non-financial aspects

Our compliance measures in 2021 discovered inappropriate conduct in quality tests at subsidiary Kawasaki Thermal Engineering. We sincerely apologize for the inconvenience that we may have caused our customers and other concerned parties. A special investigation committee consisting of third parties is conducting a thorough investigation to determine the cause of this incident. The investigation finding will be used as the basis for corrective measures and to further strengthen the test management system and compliance structures throughout the Group to prevent recurrence.

We recognize the importance of non-financial aspects, such as environmental, social and governance (ESG), to achieving sustainable growth. Our hydrogen business helps customers reduce their CO<sub>2</sub> emissions, we believe we are obligated to show our environmental leadership by reducing our own CO<sub>2</sub> emissions. We are planning to install our own hydrogen power generation systems to provide green energy to our domestic facilities with the aim of becoming carbon neutral well ahead of the Japanese government's target of 2030.

We are also taking steps to lower CO<sub>2</sub> emissions across our supply chain as well as from the use of our products with the aim of achieving carbon neutrality for the entire Group as early as possible. In addition, we are incorporating the circular economy concept into our manufacturing processes and implementing measures to reduce waste and effectively use water resources in our production activities.

Our social initiatives start with placing the highest priority on our human resources (human capital) and revising our personnel system to foster an environment where all employees regardless of age, gender, or nationality can be fully active and feel free to express their ideas. We are also using our robot, communications, and remote telecooperation technologies to support diverse work styles and enable employees with children or who are providing nursing care to carry out their work duties remotely.

Our basic governance policy is to engage in highly transparent management and to improve corporate value for all stakeholders. We are

Helping address social issues is always at the core of management, and rigorously reassessing if we are providing effective solutions



constantly seeking to strengthen the effectiveness of the Board of Directors. In fiscal 2020, we transitioned to the Company with Audit & Supervisory Committee format, and in fiscal 2022, we reduced the number of internal directors by one to establish an equal number of external and internal directors. I am seeking to strengthen the supervisory function of the Board of Directors and to make greater use of external perspectives in our management.

### Building our future with employees who diligently take on challenges

I believe that a company that society needs will always survive. After nearly losing his life at sea twice, Kawasaki founder, Shozo Kawasaki realized the need for shipbuilding and built Japan's first Western-style ship. Kojiro Matsukata, the first president of Kawasaki Shipyard, foresaw the future of the aviation industry just 15 years after the Wright Brothers' invention and took the first steps to create the aircraft business. The robot business, where I worked during the 39 years I have been in the Company, began in the 1960s when we formed an early technical alliance with a company in the United States and developed Japan's first industrial robot.

Kawasaki Heavy Industries has become what it is today because our leaders have always asked what the time and what society needs and then

boldly ventured into uncharted fields. To ensure we continue growing in the future, it is essential that our management always remain centered on addressing issues in society and continue to rigorously question whether we are providing effective solutions. Above all, the key to the Company's growth is employees who feel pride and confidence that their work is contributing to society, and who never give up and remain earnestly committed to their work.

The reason our business performance recovered in fiscal 2021 is because so many of our employees carried out their work diligently and performed to their full potential. Management's top priority is to encourage and cultivate more employees—even if it's just one—with those characteristics.

We at the Kawasaki Heavy Industries Group believe in the future and will continue to work as one to achieve our Group Vision 2030. We would like to ask all of our stakeholders for their continued understanding and support of our Group.

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