



Yasuhiko Hashimoto

Representative Director
President and Chief Executive Officer

Trustworthy Solutions for the Future

The management team and employees are working together to make us an even more important corporate group to society.

Record sales and profits as we advance toward Group Vision 2030

We significantly increased our sales and profits in fiscal 2022 on record highs in orders received, net sales, and profit. Since becoming president in 2020, I noticed that the biggest factor in our Group's ability to overcome the impact from the COVID-19 pandemic and reestablish our earnings performance has been the ability of our employees to get fully behind and actively implement the management's strategies.

I believe it's the "dedicated commitment" of employees that determines a company's ultimate performance. The key to business growth is whether a company is truly making and delivering what the customer wants and whether each employee has that clearly in mind as they do their job. The world was faced with an unprecedented global crisis in the last three years with the pandemic, but we were still able to grow our business because not just management but also our frontline employees were highly motivated and put in their full effort to overcome the challenges.

A prime example is our automated PCR testing service business. With an unknown virus spreading around the world, ensuring the safety and protection of medical workers from contact infection was a vital issue. When I appealed to the Company saying, "Now is the time to help society by using our robot technology we have cultivated to take the human element out of the testing process," the number of employees who stepped forward to help exceeded expectations. The large number of employees who were actively working during the crisis gave us the courage to launch the new business right away,

while the pandemic was still among us. The Company received much praise for its effort.

Since we introduced Group Vision 2030 in 2020, the Group has worked together to steadily fulfill the Vision's growth scenario, and in fiscal 2022 we achieved record profits. We must remember, however, that we are only part way toward our goal, and there are still profitability issues that need to be addressed. We raised our business profit margin to 4.8% in fiscal 2022, bringing us very close but still short of the Vision target for 5-8%. Based on the progress we have already made, I would like us to aim to reach 8% as quickly as possible. I'm looking further ahead, I consider it my mission as top management to make us the Company that can sustain profit margin of 10%.

Developing an organizational culture where ambitious employees can take on challenges

I believe that for a company to survive, it must be needed in society. Many employees think about what society needs, but there is a wide gap between wanting to do what society needs and actually taking action to do it. Someone may have a good idea or the ability or talent, but people often give up because of organizational barriers or a corporate culture that makes it difficult to take action.

A company must have as many people as possible taking action for it to make significant growth. That is why I believe that as an organization we should be very open and visible about supporting employees who are taking on challenges.

When I became president, one of the first steps



I took was to reform the personnel system with “Challenge & Commitment.” I wanted to make it widely known that we appreciate people who are willing to take risks and take on challenges, and I wanted to create an environment that would encourage people who had abandoned their efforts or were hesitating to start would want to take the first step. I believe reforming the system has indeed increased the number of people who are taking their own initiative and participating in new projects. Of course, we still have to make some adjustments to the system and the concept still needs time to penetrate deeper. I also recognize that those of us in management need to continue communicating to employees the true objectives for the personnel system reform.

Changing an organization’s culture takes time. All we can do is keep spreading the message throughout the organization that we encourage people to take on challenges and gradually change people’s mindset so that they have the courage to take action. The people who take the first steps to climb a mountain pave the way for others to follow. As more people follow the route, the path grows wider and easier to climb. Eventually we will be a company with many people taking on challenges and creating new businesses that are needed by society.

Steadily pursuing challenges in the three focal fields

Group Vision 2030 has set our three focal fields as “a safe and secure remotely-connected society,” “near-future mobility” and “energy and environmental solutions.”

In the field of energy and environmental solutions, the worldwide movement to attain carbon neutrality is gaining momentum as a key component in solving climate change.

Kawasaki Heavy Industries has been developing hydrogen technologies for over a decade, including R&D and efforts geared toward commercialization. In 2021, we fortified our hydrogen operations by bringing in personnel from inside and outside to form a new Hydrogen Strategy Division. In 2022, with the support of the New Energy and Industrial Technology Development Organization (NEDO), we conducted a technology demonstration of transporting hydrogen produced and liquefied in Australia to Japan using the liquefied hydrogen carrier, *SUIISO FRONTIER*. The demonstration

attracted worldwide attention as the world’s first international maritime transport of liquefied hydrogen. This year, the *SUIISO FRONTIER*, the world’s first and still the world’s only liquefied hydrogen carrier, was visited by governmental officials from around the world when it was displayed at the G7 Hiroshima Summit and the G7 Ministers’ Meeting on Climate, Energy and Environment in Sapporo.

In June 2023, for the first time in six years, the Japanese government revised its Basic Hydrogen Strategy, announcing that it envisions a framework for public and private investment in the hydrogen and ammonia supply chain to exceed ¥15 trillion within 15 years. With the support of the Green Innovation Fund, our affiliate Japan Suiso Energy, Ltd. is conducting a commercialization demonstration project for an international supply chain of liquefied hydrogen that would form a foundation for stable and large-volume supply. At Kawasaki Heavy Industries, we are currently engineering and preparing to build a large-scale liquefied hydrogen carrier. In addition, we are examining the potential to build a supply chain for liquefied hydrogen with the Kansai Electric Power Company, Inc. Given the current international situation, access to hydrogen energy is becoming increasingly important from the perspective of economic security. We will continue working to make a hydrogen society a reality as quickly as possible.

In the focal field of a safe and secure remotely-connected society, Medicaroid Corporation, our joint venture with Sysmex Corporation, has been steadily increasing the number of surgeries carried out by the *hinotori™* surgical robot system. The system was approved for use in general surgery and gynecological applications in October 2022, and can perform about 90% of robotic surgeries currently conducted in Japan. The system was approved for sale in Singapore in September 2023, marking the first authorization for sale outside Japan. The system has been widely praised, including receiving the Prime Minister’s Award at the Ninth Monodzukuri Nippon Grand Awards. The ability of medical robots to remotely perform high-precision medical procedures will help address various problems facing the Japanese medical care industry, such as regional disparities in medical care capabilities and the shortage of medical professionals due to the country’s super-aging society. We believe that our technologies and services can be developed to help countries around the world with medical issues,

including countries with less-developed medical industries.

During the pandemic, our automated PCR testing service business provided support for medical professionals and helped revive the movement of people in society. The service’s high level of accuracy was highly evaluated, and created relationships of trust with medical professionals as well as with governments, medical device manufacturers, and testing service companies. We plan to use the knowledge and know-how we accumulated in the PCR testing business to develop in-hospital testing and logistics and other new businesses in the healthcare field.

One of the newer businesses we have launched is *Remolink*, a service enabling users to explore new possibilities for remotely operated robots launched by Remote Robotics Inc., a joint venture with the Sony Group. Another promising business is the indoor positioning service *iPNT-K™*.

In the field of near-future mobility, we are advancing development of the *K-RACER* unmanned vertical take-off and landing (VTOL) aircraft. Engineered for practicality, *K-RACER* offers payload capacity and flight maneuverability far surpassing standard drones. The VTOL aircraft is currently being used in a project to transport items to lodges in the mountains around Ina, Nagano Prefecture, and we are looking forward to using the aircraft to transport items to more remote mountain areas and islands in the near future. We are also approaching medical institutions about using the *K-RACER* to transport medical supplies to disaster-stricken areas in the event of a disaster. Other businesses we are developing in the near-future mobility field include service robots for hospital internal cargo transport and “last mile” cargo transport and *Z-Leg™*, an easy-to-use internet-based transportation service using helicopters.

Reforming the business portfolio around our current domains

I believe that the reforms we have made are steadily improving the fundamental profitability of each business. The orders-based businesses, particularly the Aerospace Systems and Rolling Stock, are much improved, which is giving us a more balanced profit structure.

Measures are also continuing to make all of our businesses more resilient to external factors. As we

Message from the President

broaden our reach in the three focal fields, we are also fortifying the structures of our existing businesses and reforming our business portfolio.

Developing businesses in a wide range of fields is one of the Group's strengths, but to continuously improve our corporate value, we need to concentrate our management resources in areas that are in high demand—businesses society needs. We are therefore selecting, concentrating, and shifting businesses on the product and service level. At the same time we are looking at the overall industry and modifying the way we do business. Internally, we are changing the mindset throughout the Company so we can approach creating value from multiple angles, not just in manufacturing but also in sales with our planning, consulting, coordination, and maintenance activities. Our reforms are designed to create a virtuous cycle where taking a new approach to providing high value to society changes our mindset and leads to a culture of taking on challenges throughout the Company.

Strengthening non-financial capital to enhance our corporate sustainability

ESG initiatives are becoming increasingly critical. In the environmental field, because we provide customers with decarbonization solutions, particularly through our hydrogen business, we believe we have a duty to exhibit environmental leadership as a company that is actively reducing the CO₂ emissions from its business activities. With our hydrogen power generation systems at the center of our efforts, we have accordingly set an ambitious target to achieve carbon neutrality in Japan by 2030 for Scope 1 and 2 emissions, which account for more than 70% of our total emissions from our direct emissions and from the fuel and electricity we use. We are also seeking to be Zero-Carbon Ready in Scope 3 emissions related to the goods we procure and supply. By 2040, we aim to offer a complete lineup of CO₂-free products for our customers at all times. We will contribute to creating a carbon negative society by helping establish a hydrogen-based society and creating businesses in the carbon capture, utilization, and storage (CCUS) field. While decarbonizing our own products and services, we also intend to increase cooperation with our customers and business partners to accelerate the reduction of CO₂ emissions throughout the value chain.

In the social field, our main focus is on

strengthening our human capital. Since becoming president, I have spent a considerable amount of time each year meeting with executives and employees and listening to their frank opinions about the current situation and the future. In developing human resources, education and training programs are essential, but I also believe it's extremely important for people to have opportunities to gain a wide variety of experience early in their careers. In my own career, I was put in charge of overseas business in my 20s and posted overseas in my 40s, where I was responsible for negotiating with local partners, giving presentations to clients, launching new businesses, and recruiting personnel. At the time, I didn't know why I was being made to take on so much work on my own, but looking back I can see that everything I experienced then has become useful now. Experience is important, but it is also important to have a strong awareness that there are people who do mundane and difficult work. Even if the work is mundane and difficult, it is still indispensable, and the Company is supported by the people who do such work. I believe that to be a manager you must be able to perceive and understand that fact, and that is why we seek to provide that perspective as we develop management candidates.

Our corporate governance emphasizes management transparency and the effectiveness of the Board of Directors. Recent steps have included adding another independent outside director in June 2023, so the majority of the board is now outside directors, and also increasing the number of female and non-Japanese directors. I believe these moves have made the board more independent and that the balance of knowledge, experience, and abilities as well as the increased diversity gives us a wider perspective when making management decisions. The Board of Directors discusses its regular agenda items and also actively discusses business reform, compliance enhancement, and other topics in response to the evaluations of the board's effectiveness.

In March 2023, we announced the results of the Special Investigation Committee's investigation into the quality-related misconduct discovered at our subsidiary, Kawasaki Thermal Engineering Co., Ltd. in 2022. Thorough measures are in force to prevent recurrence, and we are continuing to strengthen compliance and governance throughout the Group.



Kawasaki Heavy Industries can still grow stronger, can still move forward

From when I was relatively young, I have been involved in the several business launches. My experience has taught me that the most important thing when taking on a new business challenge is that the core people are fully dedicated to succeed and that they never give up. Of course, even if the core people are doing the best they can, that doesn't necessarily mean those around them are doing the same. But if the core people give up, then the endeavor will certainly fail.

My experience has also taught me that our Group has innumerable employees who never give up. Yet, I also see those employees often moving in different directions. I believe that if we align our targets and combine our strengths, we can bring out even greater power from the Group. In other words, I believe Kawasaki Heavy Industries still has unharnessed power, which is why I often tell people inside the Company that we still have more future potential. We have not fully realized our power. If we align our strengths, we can contribute a lot more to society.

The Group Vision 2030 slogan is Trustworthy Solutions for the Future. We will continue providing innovative solutions in a timely manner to an ever-changing society. I want to build the trust that stakeholders have in our Company even further by transcending boundaries, moving swiftly to execute plans and take on challenges, and increasing our potential.

We would like to ask all of our stakeholders for their continued understanding and support of our Group.

Representative Director
President and Chief Executive Officer