



I sincerely apologize for the compliance violations that occurred in the submarine repair and marine diesel engine businesses. We take this situation very seriously and will do our utmost to prevent a recurrence and quickly restore the trust of our stakeholders. We are making steady progress fulfilling the growth scenario that we have been promising for some time, so I would like to begin by talking about this progress, after which I will explain our compliance-first initiatives.

In 2020, the Kawasaki Heavy Industries Group announced the Group Vision 2030 and has drawn up a three-step growth scenario to exceed the projected 3% global GDP growth rate by achieving annual business growth rate of 5%. The first step is to establish the Powersports & Engine, Precision Machinery & Robot, and other mass production businesses as our earnings foundation. The second step is to establish consistently growing earnings and cash by expanding the orders-based businesses such as Aerospace Systems as the market recovers. The third step is to create a steady growth trajectory by developing new businesses, such as the hydrogen and medical robot businesses, into new earnings pillars. Currently, four years after the establishment of the vision, we are starting to move from the second to third steps and are exceeding our 5% growth target by expanding our business at a 7–8% annual pace.

Our profit performance has also been improving since we adopted the vision in 2020. We have been targeting a return on invested capital (ROIC) 3% over the cost of capital and a business profit margin of 5% to 8% regardless of the external environment.

Our efforts to improve cash flow and profit margins are gradually beginning to bear fruit and in December 2023, we raised our targets to a business profit margin of 8% by fiscal 2027 and above 10% by fiscal 2030. Profits dipped in fiscal 2023 due to operating issues with commercial aircraft engines, but in fiscal 2024 we expect to reestablish the growth trajectory and set new all-time highs in orders received, revenue, and business profits. To date, our efforts to fulfill the Group Vision 2030 have been steadily transforming our corporate structure to improve our ability to provide solutions to various social issues in a timely manner.

Japan's economy is emerging from its long-standing deflationary spiral and shifting into a virtuous cycle. While the economy has been in a deflationary phase, products had to be made cheaply in order to be able to sell them, which caused our Company and our suppliers to lower contract unit prices and run our businesses on thin margins. As the economy moves into an inflationary phase, we need to price our products appropriately so we can generate reasonable profits and create a system for sharing the profits with our employees and suppliers. We increased base pay by the full amounts negotiated by the Japanese labor union in both 2023 and 2024. While we believe it is important to raise wages to ensure the livelihood of our employees, we are also aware that our suppliers must also deal with rising costs from employee wages as well as for raw materials and transport. We also must make sure our clients understand the situation and our need to improve the trade conditions. I believe the earnest negotiations

with clients, and our sales segment's efforts to highlight the value-added features of our products and services are beginning to produce results. With the Japanese economy at a turning point and both our Company and our clients gradually recognizing each other's added-value, we will continue seeking to improve our trade conditions with our clients.

As mentioned, our earnings are moving back onto a growth trajectory, but we recognize that there are still many profitability and cash flow issues that we must address. As a Japanese company, we are determined to continue improving profitability and cash flow and adamant about working with our employees, clients, and suppliers to create a virtuous cycle for the Japanese economy.

Transforming our businesses is another way we are enhancing our earning power. As we select and concentrate our existing business, it is my conviction that we "will not eliminate or sell business units." The vast range of technologies we possess in various fields is one of the Group's strengths and will be a source of future growth. By selling off a business unit, we would lose some of our strength. However, keeping the technology does not mean maintaining the status quo of the business.

For example, when I was appointed president, there was talk that we should withdraw from the shipbuilding business. Instead, we refocused on the business to specialize in LPG-fueled LPG/ammonia carriers in the short term and liquefied hydrogen carriers in the long term. The shipbuilding business has now become highly profitable and a driver of Group earnings. In this way, if management is able to look ahead and prepare an effective mission and business structure in the current conditions, I believe we can transform our businesses in ways that our clients will welcome.

People outside the Company have told me how Kawasaki has a reputation as a "friendly" company. I take this to mean that people respect our sincere corporate culture, but I also think it has a sense that we are not good at pursuing profits.

Kawasaki has a wealth of human resources who love our technologies and products. That's absolutely wonderful, but I also think that we have had a strong tendency to put more emphasis on

technology and developing technologies than on profits. However, in today's rapidly changing market, the only way for our business to succeed is to continue our development activities but while constantly watching and exploring what the markets need and changing along with the market.

With Group Vision 2030, I am showing the entire Company how we will use the technology we have inherited, how we will earn profits commensurate with our value creation, and how we will change our business to achieve these goals.

As we enter the fourth year since adopting the vision, I believe the stricter scrutiny we have been putting on marketability, cash flow, and profitability has permeated the way our employees think.

Kawasaki founder Shozo Kawasaki had the philosophy of "contributing to the nation and to society through expertise." This will be our guide as we transform our Group to meet the needs of the markets and vigorously pursue cash and profits. Group Vision 2030 will ensure we succeed.

The objective of Group Vision 2030 is to provide new value by integrating our extensive technologies and expertise in our three focal fields.

In the fields of "a safe and secure remotely connected society" and "near-future mobility," we have been increasing the number of medical departments and the number of cases for the *hinotori*TM surgical robot system since it was introduced to the market by Medicaroid Corporation, our joint venture with Sysmex Corporation, in 2020. We have also launched several new businesses, including the Remote Robotics Inc. joint venture with Sony Group Corporation and development of K-RACER unmanned vertical take-off and landing (VTOL) aircraft. More recently, the newly developed FORR31.1ertice RoboeK(tivitinc)15.1 (e)đ (ak)13 (e-icial thr sinc)14.93.9e (w v)17.1 ((VT)18 (OL))TJO TcF(wly ujd pr)15 (HealntuUn(obo)R.1 (e14.9o (fiporAprilr)14ese

