

Q&A at the Group Vision 2030 Progress Report Meeting (December 2023)

Defense business

Question	Answer
Q1: The Ministry of Defense has announced a five-year defense development plan. How much orders do you expect to receive in next several years?	A1: We expect our orders received to increase roughly in proportion to the increase in the government's defense budget.
Q2: What aero engines do you plan to sell overseas? And what kind of sales activities are you going to do?	A2: We assume KJ10 series engines, which are installed in target planes. Scarcity of small sized engine is highly appreciated, and the number of inquiries is increasing. Within the framework of the transfer of defense equipment and technology, we promote sales activities in line with the Japanese government's policy
Q3: Do you have any plans to increase personnel and equipment when the defense business is expected to expand?	A3: As we have been developing and mass-producing P-1 patrol aircraft and C-2 transport aircraft since the 2000s we have accumulated substantial technology and spare production capacity. No significant capacity expansion is expected currently. We are actively promoting personnel exchanges in our group, and when personnel are needed, we coordinate personnel across divisions.

Hydrogen and carbon neutral business

Question	Answer
Q4: What is your strength in the direct air capture business?	A4: Our system uses a solid absorbent material to capture CO ₂ more efficiently. The liquid adsorbent method requires 120 °C of steam to separate CO ₂ after capturing, while our method can separate the CO ₂ at 60 °C. Our system can use of various waste heat and reducing operating costs. It can also be disassembled into modules, providing excellent transport, installation, and inspection. Another feature is that production costs can be reduced because the same products are manufactured in large quantities.
Q5: What is your strength in the hydrogen business when you say there are inquiries from all over the world?	A5: We consider the following three strengths. <ul style="list-style-type: none"> • Proven thermal insulation technology which is developed through the successful transportation of liquefied hydrogen in the Japan-Australia pilot demonstration. • Cooperation system with other companies, including Shell, which has extensive LNG transportation experience. • Acquisition of class approval for large liquefied hydrogen carriers.

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Robot Business

Question	Answer
<p>Q6: What do you think about the risk of slowing market growth in China and severe competition with local Chinese manufacturers?</p>	<p>A6: China expects further growth in robot demand in the medium to long term, given that the robot adoption rate is less than half that of Japan and the expected decline in the working population. Despite the rise of local manufacturers in China, we will strengthen cooperation with our partners in China and select areas where we can demonstrate our strengths.</p>

Other

Question	Answer
<p>Q7: How do you plan to improve profitability in Rolling Stock and the Precision Machinery business, which continue to have low profits? *Kawasaki plans to achieve 8% business profit margin by 2027 and more than 10% by 2030</p>	<p>A7: Rolling Stock: R211 project in the U.S. will drive future growth. In addition, we are working on selective orders at fair prices, and the profit margin of each project in progress is improving. Precision Machinery Business: Although the construction machinery market in China remains sluggish, progress in electrification and automation in construction machinery may be an opportunity. We will focus on new technologies and high value-added fields.</p>
<p>Q8: How do you expect to increase R&D expenses in the future?</p>	<p>A8: It will remain at about 3% against revenue. We are not considering a significant increase in the ratio against the revenue.</p>