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A united, motivated, and skilled workforce leading us to the future

—Tackling social issues and earning trust—

I sincerely apologize for the incidents of compliance violations that were found last year in the submarine repair and marine diesel engine businesses. We are fully committed to preventing any recurrence and to fully restoring trust in our operations as quickly as possible. We have launched a comprehensive Compliance First initiative, which I will introduce later in this report. First, I would like to highlight the progress we have made toward achieving the growth scenario that we have long pursued and promised.

Record-high sales and profits Enhancing corporate value with a virtuous cycle of venture and growth

The Kawasaki Heavy Industries Group achieved record levels of orders received, revenue, and business profit in fiscal 2024, with orders reaching ¥2,630.7 billion, revenue ¥2,129.3 billion, and business profit ¥143.1 billion. All businesses were profitable, and we delivered a record return to shareholders.

Group Vision 2030 was adopted the year I became president, and we are now entering the fifth year of the plan. In the first stage, our mass production operations drove our recovery following the COVID-19 pandemic, and in the second stage, earnings from the Aerospace Systems business and other order-based businesses supported steadily rising profits. In the third stage that will deliver us to 2030, our growth scenario is driven by cultivating the new hydrogen and robot-related businesses. These efforts have advanced from their own second to third stages and are generally progressing as planned.

The increase in revenue in fiscal 2024 also boosted the business profit margin, which rose 4.2 percentage points from the previous year to 6.7%. Under Group Vision 2030, we aim to raise the margin to 8% by fiscal 2027 and over 10% by fiscal 2030. We attribute this steady progress toward our profitability targets largely to internal changes implemented within the Company.

Improving profitability is a management priority for the Group, and several measures are underway. As president, I have focused on fostering a culture in which all employees understand that their actions are directly linked to profits, and that they are recognized for taking initiative and for contributing improvements. Achieving this requires indicators that are clearly linked to employee actions and easy to understand. We also use ROIC as a key management indicator, with a Vision target of ROIC 3% above WACC. To reach this target, however, we still need to raise the profit margin significantly. A major contributor will be the business profit margin, and increasing it above 10% will play a key role in achieving the ROIC target. Because business profit margin is easier to understand than ROIC, we have been clearly communicating the 10% target throughout the Company. This has helped employees in sales, manufacturing, and other departments, even those less directly involved, understand that every effort contributes to moving closer to the goal.

Our efforts have been commendable, and we have made significant progress. However, the business profit margin of 6.7% remains well short of the 10% target, which represents the minimum level necessary to ensure the Group's sustainable growth. We must continue pushing forward and be careful not to lose momentum. Our true success will be defined by what we achieve from this point on. I sense that this awareness is spreading throughout the Company. Everyone is focused on improving profit margins and eagerly sharing their successes, inspiring others to take further steps. Each small win encourages the next, creating a positive cycle of

change that shows our corporate culture is truly beginning to evolve.

I often tell employees that profits provide the foundation for taking on new challenges. Profits enable us to pursue new businesses and R&D, improve the working environment, and open paths to future growth. We are creating an environment where employees take pride in knowing that their efforts make the Company stronger and that their personal aspirations are connected to its future. This virtuous cycle of venture and growth enhances our corporate value.

Our view on social issues Setting our business mission and continuing to reform

Our company's founder, Shozo Kawasaki, held a philosophy of "contributing to the nation and society through expertise." Throughout our history, we have boldly taken on challenges and pioneered new businesses to meet society's needs. However, before becoming president, I had the impression that Kawasaki was a relatively conservative company, firmly rooted in its traditional business and not especially adventurous about exploring new directions. There are also perceptions that Kawasaki, as a large conglomerate encompassing countless businesses, allows its business divisions so much independence that it can sometimes be detrimental to the organization as a whole.

When I became president, I introduced Group Vision 2030 to guide the Company back to its founding spirit. The Vision identifies the social issues we face, outlines how we should address them, and sets the strategic themes that will guide our management approach.

At that time, the Company faced in a dire situation, having been hit hard by the COVID-19 pandemic and our business deteriorating into unprofitability. Viewing this adversity as an opportunity for change, Group Vision 2030 inspired many employees to take on the PCR testing business and other new initiatives to overcome the crisis both in society and the Company. That moment sparked a broader awareness that we could create value beyond the boundaries of the business divisions that could contribute to society and create new value.

Our Company is engaged in a wide range of businesses, and moving forward with a shared purpose requires us to look beyond our individual activities. They must also understand the major social issues underlying their businesses, recognize the mission of their work, and consider the actions needed for the future.

A prime example I often refer to is the shipbuilding business. In Japan, where energy resources are limited, Kawasaki has long been a pioneer in building large vessels for transporting LNG and other essential resources. The mission of this business extends beyond shipbuilding to include the transportation of vital energy resources. From there, our next step was to focus on developing liquefied hydrogen carriers. Another major trend is decarbonization of energy sources used in gas turbines, engines, and motorcycles. For more than a decade, the Group has focused on hydrogen as a next-generation energy source and has been working to bring its use into society. Achieving great things, however, requires more than the efforts of a few dedicated businesses. The hydrogen business now permeates our whole organization, and we believe the momentum it generates will have the power to transform the entire Group.

Two recent significant changes in our business portfolio were Kawasaki Motors Ltd. receiving investment from ITOCHU Corporation in fiscal 2024, and in fiscal 2025, the start of discussions and negotiations regarding the transfer of shares of EarthTechnica Co., Ltd. Both decisions were made with careful consideration of how each business could best pursue growth and contribute to society. Achieving this requires exploring various possibilities, and identifying the most effective path is a key role of management. In addition, we recognize that enhancing business value at the speed needed for success in today's fast-changing and uncertain environment is something we cannot achieve on our own.

In November 2024, we opened KAWARUBA, a social innovation co-creation hub in Haneda, Tokyo, where we collaborate with a wide range of partners to advance businesses that will bring hydrogen energy, carbon neutrality, and social robots into social implementation. Our business portfolio transformation and the KAWARUBA venture both stem from the same guiding idea of transforming Kawasaki and opening pathways for future growth by fully harnessing our strengths, addressing challenges from a social perspective, bringing together knowledge from diverse partners, and using the advantages of an open forum to generate new value.

Progress of Group Vision 2030 Contributing to national security

Group Vision 2030 identifies three focal fields: a safe and secure remotely connected society, near-future mobility, and energy and environmental solutions. While tackling global challenges such as environmental issues, an aging society, and labor shortages, we are also stepping up efforts to address increasingly critical issues of national security, including defense, disaster preparedness, and the stable supply of resources and food amid growing international uncertainty.

In the first focus area, a safe and secure remotely connected society, our joint venture Medicaroid Corporation's *hinotori*™ Surgical Support Robot has now been used in over 10,000 cases. The Company is steadily accumulating achievements as it prepares to enter global markets, highlighted by the first successful remote surgery demonstration between Europe and Japan. We are also developing social robots with Foxconn, the world's largest contract manufacturer of electronic devices, to help address labor shortages in nursing care. In January 2025, we launched the MINATOMAÉ Project, a closed-sea aquaculture system for trout salmon at Kobe Port. This project applies our proprietary technologies for water treatment and industrial plants to enable high-density, sustainable aquaculture and help ensure a stable food source in suburban areas.

In near-future mobility, we are developing applications for the unmanned K-RACER helicopter in logistics and disaster response. In 2025, we successfully demonstrated the helicopter's 200-kilogram cargo capacity, the largest by an unmanned aircraft developed in Japan, and participated in the Nankai Rescue practical training exercise of the Japan Self-Defense Forces for a major earthquake on the Nankai Trough, realizing fully automatic transportation.

Our efforts to develop energy and environmental solutions focus primarily on hydrogen. Globally, however, inflation and renewed interest in natural gas have dampened investment in green hydrogen production projects suffering from high cost.

We believe that the growing use of blue hydrogen, which is highly compatible with natural gas, will ultimately drive wider adoption of green hydrogen. During this transition to a hydrogen-based society, we provide gas turbines

and engines capable of running on both natural gas and hydrogen, and demand for and sales of these products has remained steady.

We also see significant business opportunities during the transition period for our CO_2 separation and capturing technologies, which are essential for equipment that uses blue hydrogen generated by using natural gas. Although natural gas is gaining attention again as a renewable fuel source, we believe the push for carbon neutrality and energy security will ultimately refocus attention on hydrogen as a key energy source.

The Kawasaki Group, with support from the Japanese government, is making a concerted effort to commercialize a liquefied hydrogen supply chain in the 2030s. After a successful technology demonstration in Kobe, we are now constructing the world's first commercial-scale facility in Ohgishima Area, Kawasaki City, equipped with a liquefied hydrogen storage tank, marine loading facilities, and hydrogen liquefaction system. In September 2025, we signed a "Memorandum of Understanding for cooperation to develop a Japan-Germany hydrogen supply chain" with Toyota Motor Corporation, The Kansai Electric Power Company, Incorporated, Daimler Truck Holding AG, and the Hamburger Hafen und Logistik AG. Establishing a "new hydrogen corridor" that serves demand of both Japan and Europe will accelerate the international expansion of our hydrogen business and contribute to global carbon neutrality.

Eliminating every factor in the misconduct

We sincerely apologize for the concern and inconvenience caused to our customers, shareholders, and all stakeholders regarding the compliance violations that occurred last year in the submarine repairs and marine diesel engines businesses.

We take these incidents very seriously. Following a resolution of the Board of Directors, we established a Special Investigative Committee of outside experts to investigate the facts, analyze causes, and recommend measures to prevent recurrence. I lead the Special Compliance Promotion Committee, which is investigating the facts of each incident, analizing causes, considering measures to prevent recurrence, and is driving the rebuilding of our compliance and governance systems. In light of the fact that these incidents were not discovered despite a thorough review of past incidents, the committee is using its findings on the governance system and organizational culture as the basis for Group-wide reform aimed at creating systems that preclude occurrences of misconduct, enhancing misconduct detection, and reforming our organizational culture and mindsets.

The years of chronic non-compliance stemmed from an organizational culture that relied on precedent, avoided confrontation, and internalized problems. We are reforming this culture by fostering an open workplace environment, objectively assessing conditions, engaging in dialogue with management, valuing insights from diverse perspectives including new and mid-career hires, and promoting talent exchange.

I believe the most important priority is ensuring employees feel comfortable speaking up, asking questions, and expressing concerns. After the recent incidents, we constantly shared information about our efforts to change the organizational culture and mindsets, and this helped improve the overall scores on several items on the WinDEX employee engagement survey. This suggests that while the incidents left a negative impression, our efforts to create an atmosphere where employees can speak freely about any issue are being seen as a positive step. Many employees feel the incidents have hurt the company's reputation, but I believe they also feel that the workplace is moving toward meaningful change. To meet those expectations, we are implementing reforms in three areas and are committed to fundamentally transforming the organizational atmosphere and culture.

Establishing governance standards for the next generation

Stronger governance is essential for the sustainable growth of corporations. We have strengthened governance by establishing the Nomination Advisory Committee and Compensation Advisory Committee, increasing the ratio of outside directors, and introducing the Skills Matrix. In fiscal 2024, we revised the executive compensation system to expand the performance-based component, linking it to net income and the degree of achievement of specific targets. Performance evaluations now also reflect employee engagement index and index related to contributions to reducing CO_2 emissions. To increase focus on enhancing corporate value, the evaluation framework now incorporates awareness of sustainable growth and shareholder value, using stock price metrics to encourage consideration of long-term corporate performance.

Steps for fortify governance including developing a succession plan, which the Senior Corporate Executive Officer and I began assembling when I became president. Guided by the principle that developing future leaders is crucial to the company's long-term competitiveness, we believe it is important to identify potential management candidates early in their careers. We prepare and annually review near- and long-term candidate lists. To broaden their experience, candidates are given challenging assignments across diverse areas from design to sales, domestic to overseas, and head office to Group companies. They may also be assigned responsibility for guiding a business in difficult circumstances or leading operations during restructuring. This process aims to cultivate managers who are willing to take responsibility and who understanding different perspectives.

We also believe that it is important to broaden the perspective of the entire executive team. We are raising awareness among executives, particularly executive officers, that they are managers of all employees, not just specialists in their own areas. To help them address management issues from the perspective of the entire Group, we are supporting the development of their conceptual, execution, and communication skills. Discussions at the Board of Executive Officers have become increasingly dynamic and now extend beyond individual company operations to cover Group-wide issues and strategies.

Corporate value grows when employees feel pride and work with enthusiasm

From early in my career, I have been involved in new ventures and technology development centered on robotics, and I find it encouraging to see the fresh ideas that our younger employees continue to generate. Two recent examples are the CORLEO four-legged off-road personal mobility vehicle and the ALICE SYSTEM concept, which offers comfortable and seamless public transportation. Both were featured at Expo 2025 Osaka, Kansai. Seeing the pride and enthusiasm of employees working on future-focused concepts unique to Kawasaki reminded me that this is precisely the kind of company we aspire to be.

As president, my top priority is to make Kawasaki a company where every employee can work with a positive attitude. We are building structures and systems that support all individuals who believe in our Company and are eager to actively contribute to its success, regardless of age, gender, or physical ability. While upholding strict compliance and drawing on the strengths of employees who strive to grow and realize their potential, Kawasaki Heavy Industries will continue pursuing solutions to social challenges and meeting society's expectations.

We appreciate your continued understanding and support.

Yasuhiko Hashimoto
Representative Director
President and Chief Executive Officer