

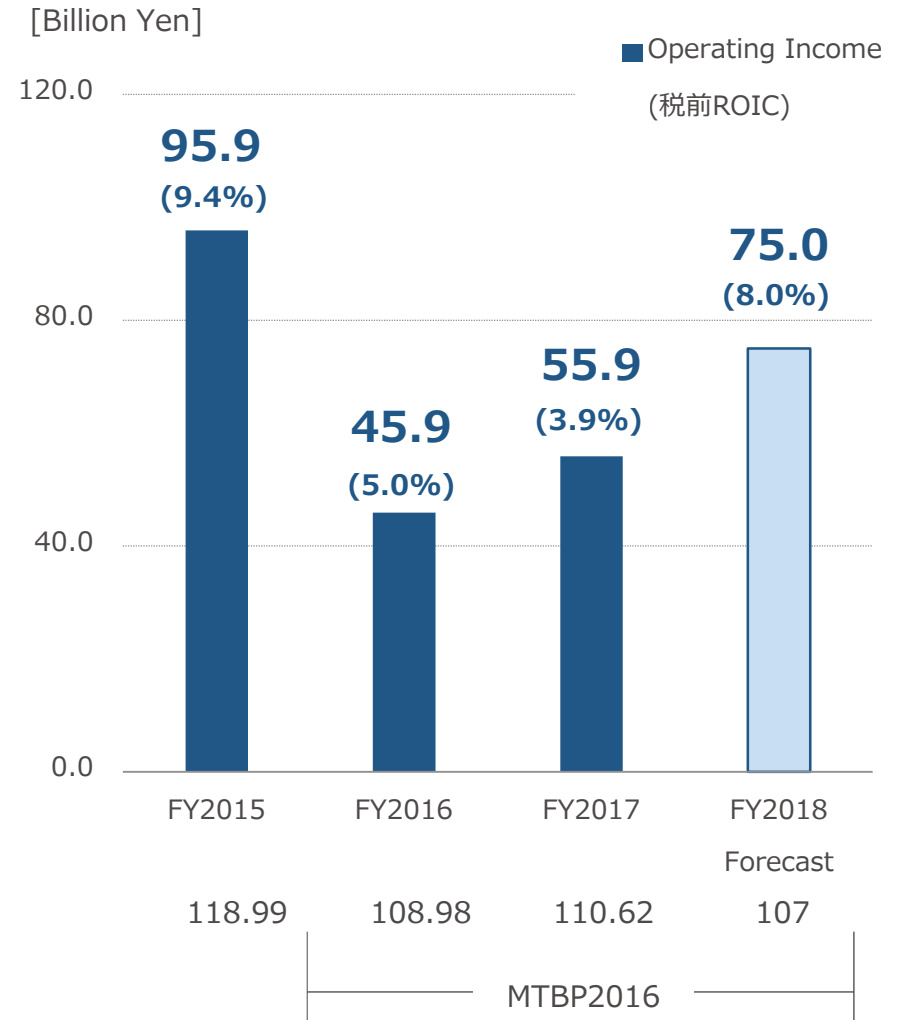
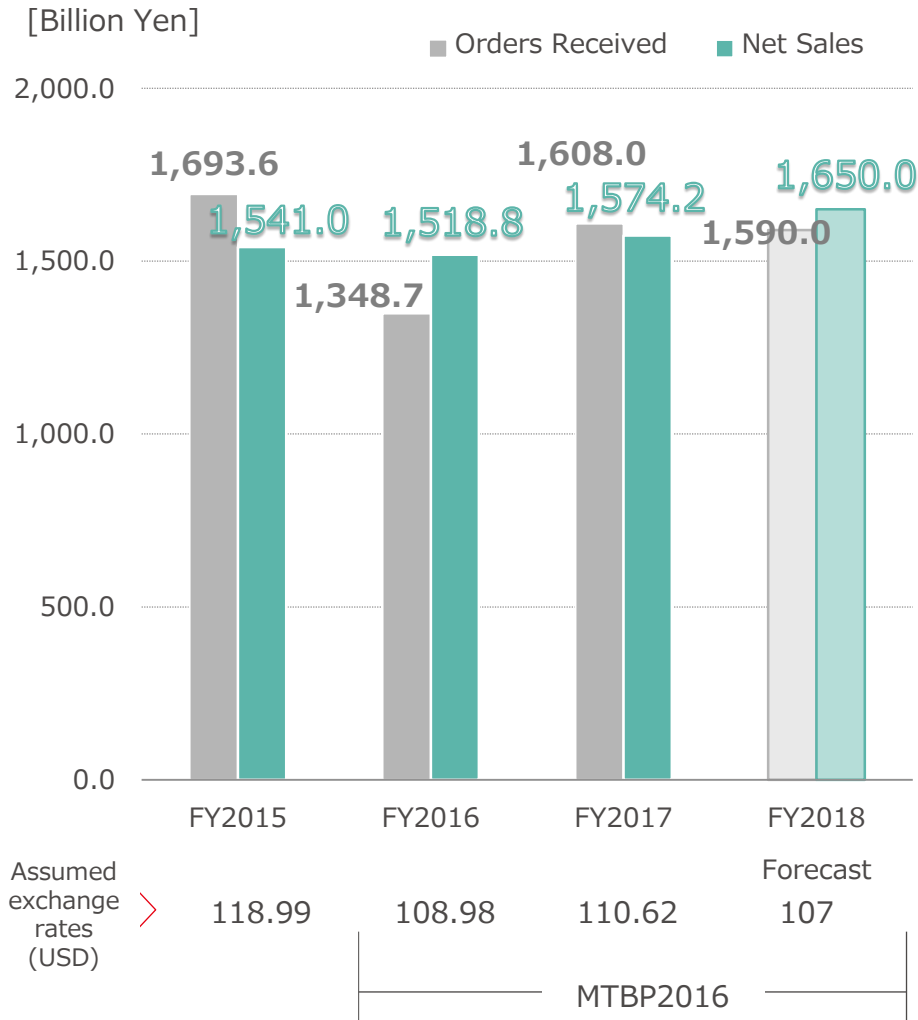
# Management Overview

April 26, 2017

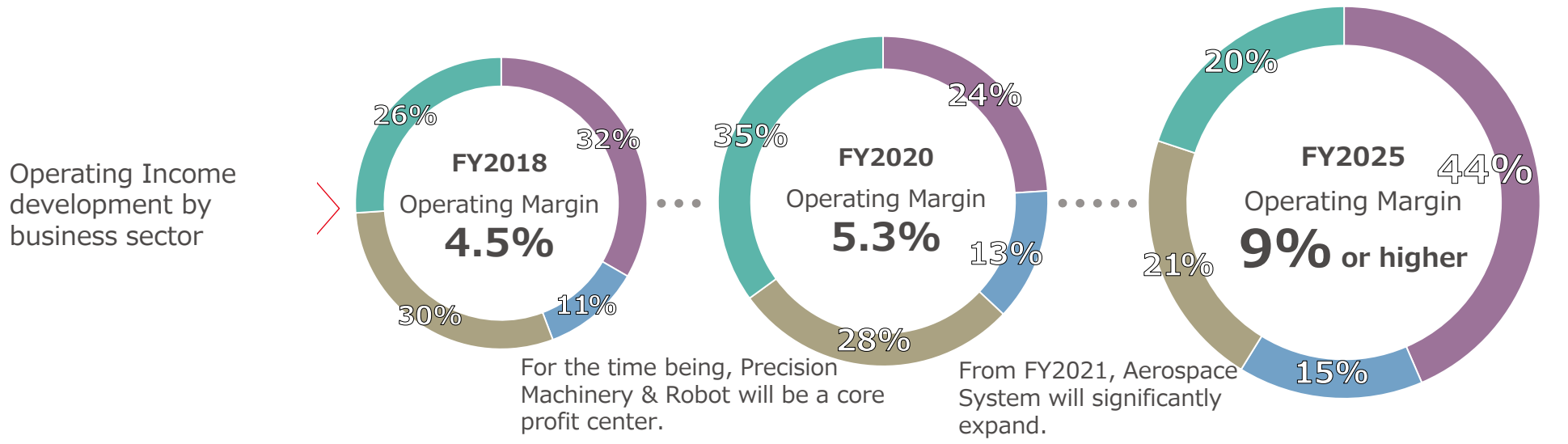
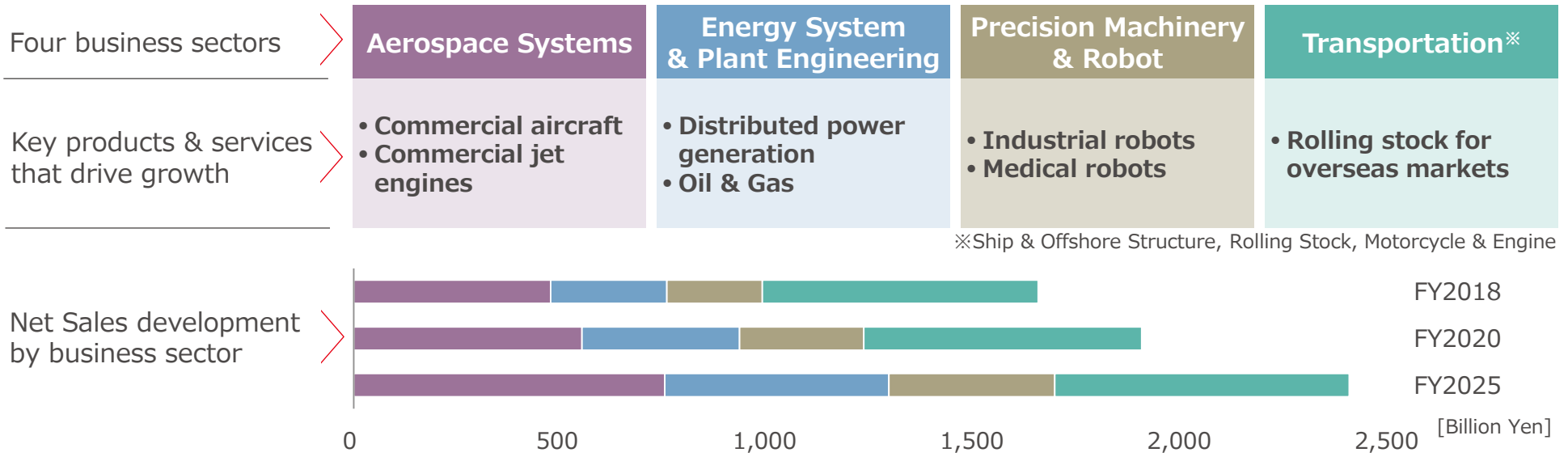
Kawasaki Heavy Industries, Ltd.



# Progress of Medium-Term Business Plan "MTBP2016"



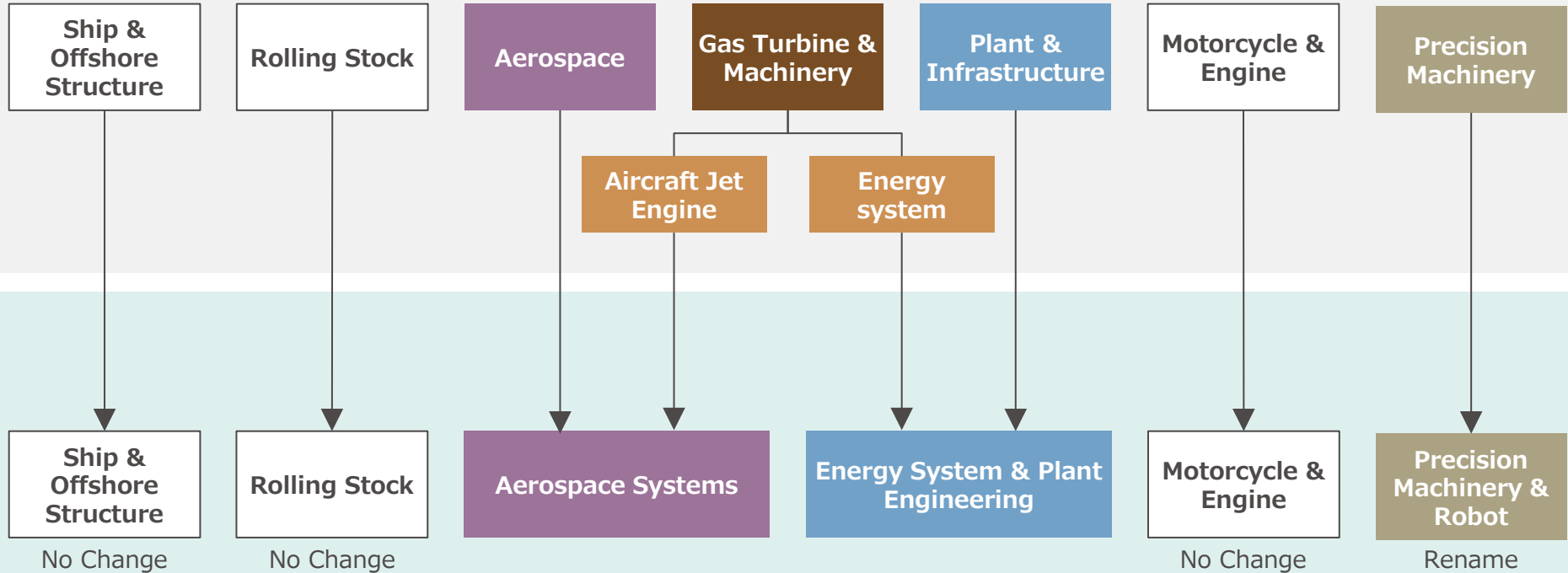
# Business Portfolio Strategy



# Organizational Restructuring

## (Structure·Rename)

### 【 Former structure 】



### 【 New structure (as of 1<sup>st</sup> April, 2018) 】

# Organizational Restructuring

(Aerospace Systems Company 1/2)

## Business Direction and Synergies

### Aerospace Systems Company

#### Strengthen global cost competitiveness

Sharing of production bases and supply chain

Sharing of outcome of KPS improvement activity and advanced manufacturing technology

#### Business Expansion/ Enhancement through Cooperation

Cooperative Business between Aircraft and Engine/Transmission

MRO Business (Maintenance, Repair and Overhaul)

#### Creation of New Business

Linkage between Aircraft related Technologies and Engine related Technologies

### ➤ Past efforts in collaboration between Aircraft and Engine/Transmission



P-1 / C-2



Generator

Aircraft Co-Development



BK117



Transmission

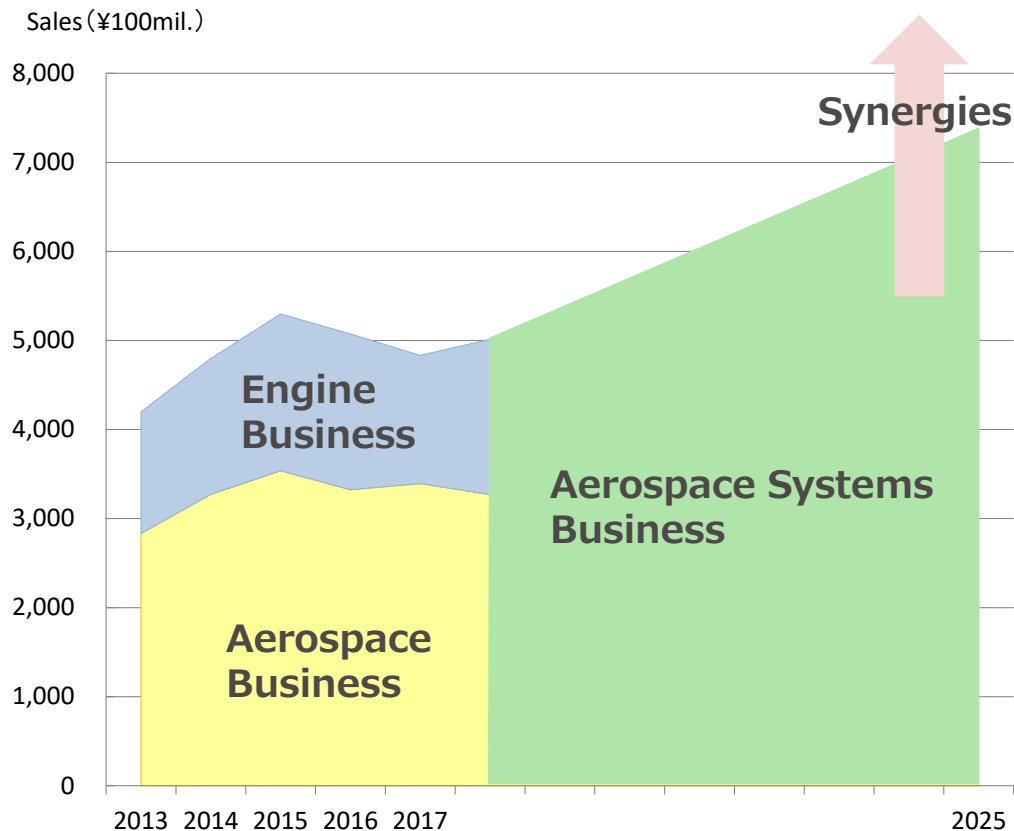
Helicopter Co-Development

# Organizational Restructuring

## (Aerospace Systems Company 2/2)

➤ **Aerospace systems Company's sales target in 2025 is ¥700bil .**

- Fusing fundamental tech as Aircraft System integration tech to create new business.
- Aiming business expansion through cooperation.



### Engine related Technologies

- Engine module tech (Compressor, Combustor, Gear)
- Small Engine tech
- Engine related equipment tech (such as electrical power system)
- Transmission tech

### Aerospace Technologies

- Aircraft system integration tech
- Composite material application tech
- Aerodynamic design tech
- Advanced manufacturing tech (such as IoT)

# Organizational Restructuring

## (Energy System & Plant Engineering Company 1/2)

### Business Direction and Synergies

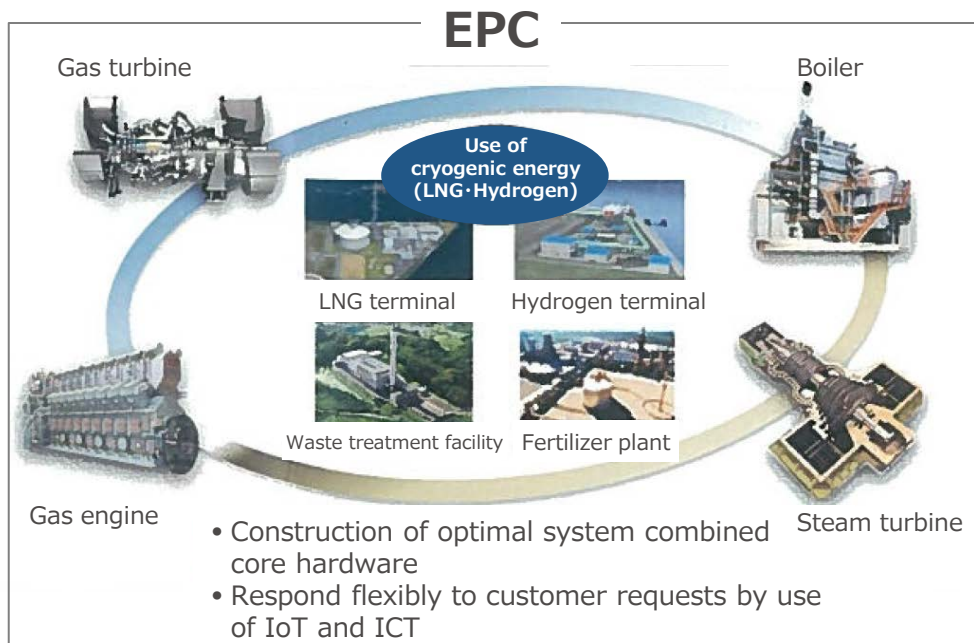
#### Energy System & Plant Engineering Company

#### Enhance core hardware and develop business by proposal of system combined core hardware

Enhancement of core hardware and construction of optimal system by combination of core hardware

Proposal of distributed energy supply system

Formation of system contributing to CO<sub>2</sub>-free society



#### ➤ Develop CCPP standard package

(Combined Cycle Power Plant ※)

- Manage projects more efficiently by standardization, increase the accuracy of the estimate and promote cost reduction
- Provide optimum plants which meet customer needs by combination of KHI's high-efficiency hardware and optimal control
- Roll out 100MW class power generation equipment across the Southeast Asia, and further, global market

※ Combined Cycle Power Plant consists of two-stage power generation system that a gas turbine and a steam turbine are used in combination. Gas turbine recovers high temperature and high pressure exhaust emissions' energy generated by gas turbine power generation as steam by using heat recovery steam generator and generates power through steam turbine. It is a power generation system of low energy loss.



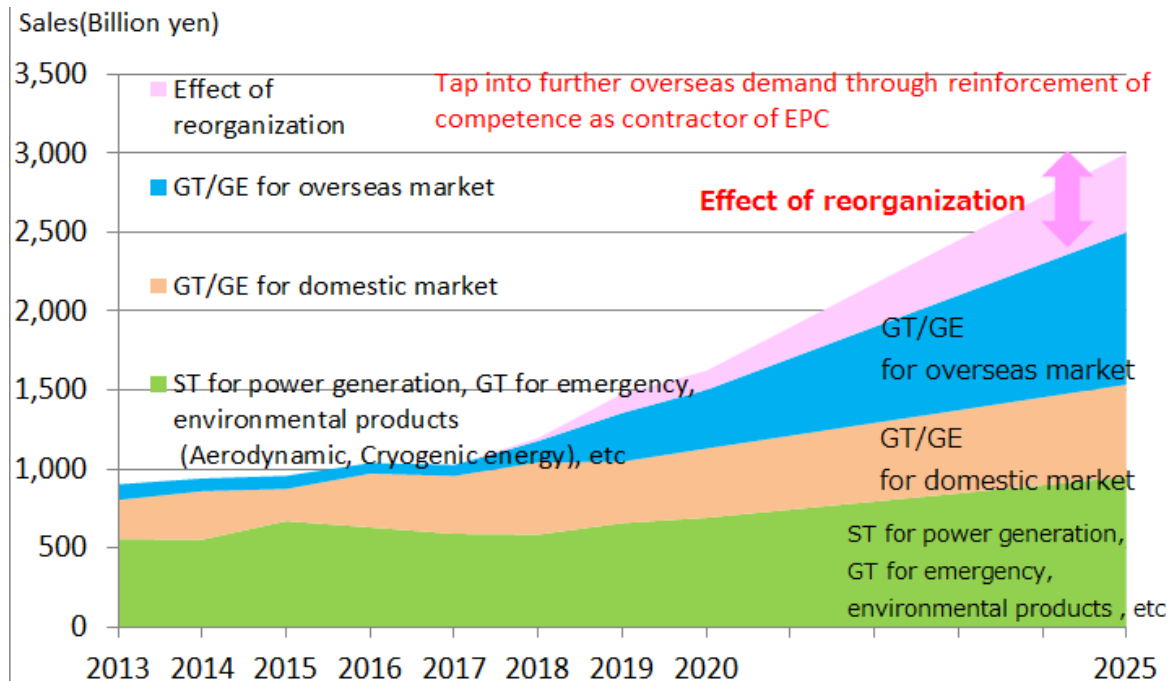
Bird's-eye view of CCPP standard package

# Organizational Restructuring

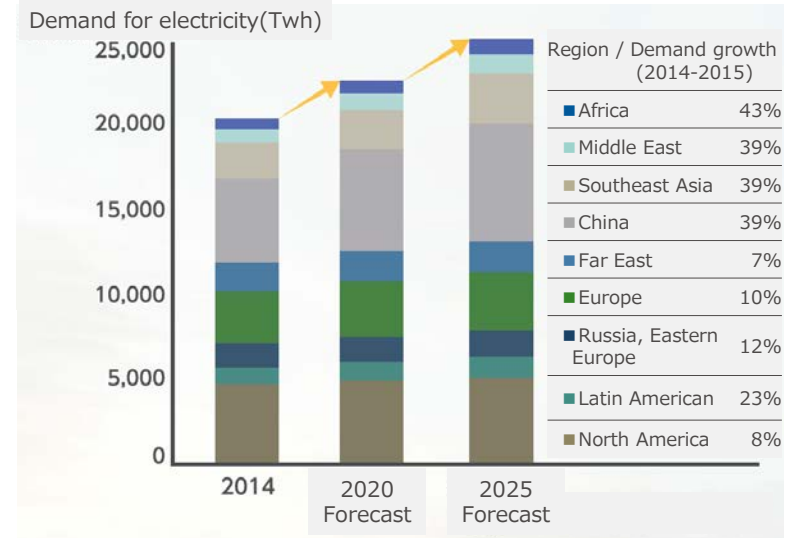
## (Energy System & Plant Engineering Company 2/2)

### ➤ Aim to achieve annual sales of 300 billion yen in 2025

- Sales growth through expansion overseas and promotion of EPC orders
- Expanded sales in Southeast Asia market

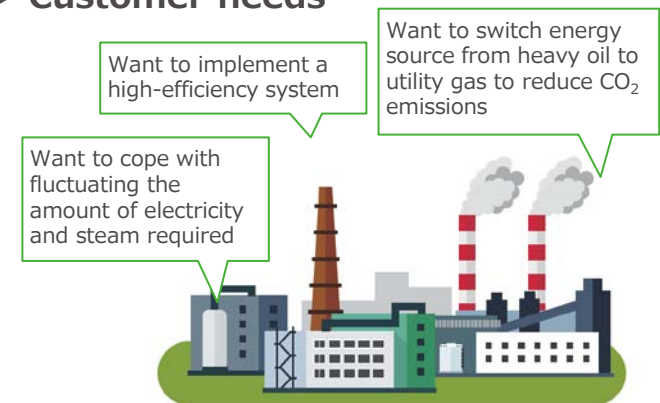


### ➤ Global trend in demand for electricity



Source: 2016 IEA energy outlook

### ➤ Customer needs





# Companywide Quality Control System related defects during manufacturing process of the bogie frame

## Composition of Companywide Quality Control Committee

### Companywide Quality Control Committee

- Consist of authorities on quality control engineering, external lawyers, directors, and others
- Receive findings from Survey Team, clarify the problems, and discuss and decide on measures to correct them

Report

### Survey Team

- Consist of external consultants, internal experts in quality control, and others
- First, Investigate the cause of the production defect occurred at Rolling Stock Company
- Going forward, investigate the state of other internal companies' quality control system in detail, and report findings to the committee

# Change of ROIC Rating

[Number of BU]

ROIC rating	As of April 2017	As of April 2018 <sup>※</sup>
A Market leader	5	6
B Stable contributor	11	11
C Reduced variation in performance required	6	3
D Improved investment efficiency required	4	6
E Restructuring required	4	2
Year covered	Actual :FY2015-2016 Forecast:FY2017-2019	Actual :FY2016-2017 Forecast:FY2018-2020
Actual & assumed exchange rate(¥/\$)	FY2015 :118.99円 FY2016 :108.98円 FY2017-2019 :105.00円	FY2016 :108.98円 FY2017 :110.62円 FY2018-2020 :111.00円

※ROIC rating of each BU as of April, 2018 is complied with reclassification of some BUs after April, 2017.

# Kawasaki, Working as one for the good of the planet

Figures recorded in the business forecasts are forecasts that reflect the judgment of the Company based on the information available at the time of release and include risks and uncertainties. Accordingly, the Company cautions investors not to make investment decisions solely on the basis of these forecasts.

Actual business results may differ materially from these business forecasts due to various important factors resulting from changes in the external environment and internal environment. Important factors that may affect actual business results include, but are not limited to, economic conditions, the yen exchange rate against the U.S. dollar and other currencies, the tax system, and laws and regulations.