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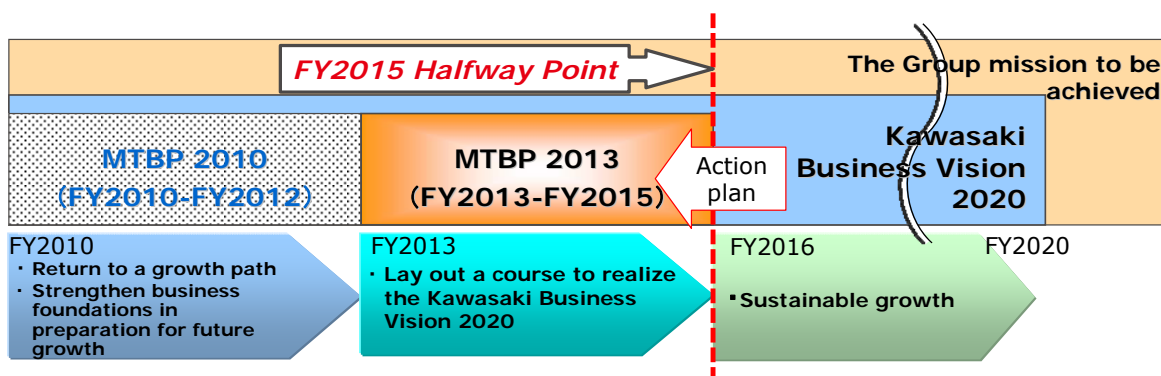
Medium-Term Business Plan “MTBP 2013”

—Laying out a course to realize the Kawasaki Business Vision 2020—

Kawasaki Heavy Industries, Ltd. (“KHI”), has developed the Medium-Term Business Plan for the period from fiscal 2013 to fiscal 2015 (“MTBP 2013”), as described herein.

The three-year MTBP 2013, not only reflects changes in the business environment and the KHI Group’s achievements up to fiscal 2012, but is also designed with the recognition that the final year (fiscal 2015) of the MTBP 2013 is a halfway point of the Kawasaki Business Vision 2020, which was set in 2010, and therefore the realization of the Vision depends on the efforts outlined in the MTBP 2013.

The Position of the FY2013-2015 Medium Term Business Plan “MTBP 2013”



1. Medium Term Business Plan “MTBP 2013”

Under the previous medium-term business plan, MTBP 2010, the KHI Group operated businesses with the goal of “returning to the growth path” it had followed before the Lehman Shock and to “strengthen foundations in preparation for future growth.” During the previous plan’s years, we suffered from the continuation of unexpectedly high levels of yen appreciation and the stagnation of the economies in developed countries. However, the rapid growth of the Chinese economy especially led to the favorable

business results we achieved consecutively in fiscal 2010 and fiscal 2011. It was only when the Chinese economy started to show clear signs of deceleration in fiscal 2012, which brought an inevitable year-on-year decrease in income.

During the period of the MTBP 2013, the KHI Group will ensure steady growth of the businesses initiated in the years of the previous plan, continue to strengthen business foundations for the future and create management practices to enable flexible responses to changes in the business environment. By doing so, we will realize the Kawasaki Business Vision 2020 and attain sustainable growth of the KHI Group.

a) Basic Objectives of the MTBP 2013

- Ensure efficient business management to survive the severe business environment
- Implement measures to reflect changing business environments
- Implement specific measures to realize the Vision
- Promote earlier commercialization of new products and businesses
- Aim to be a corporate group that enjoys sustainable growth, while contributing to the growth of society

b) Key Policies and Measures

—Efforts to expand business foundations—

i) Provide solutions

- Secure market superiority and higher added value by providing optimal solutions

ii) Expand the range of existing businesses

- Achieve differentiation in the global markets by exploring business opportunities in upstream and downstream of existing businesses

iii) Accelerate global business development aimed at growth markets

- Accelerate global business development, including partnerships and joint ventures, to achieve greater dominance in growth markets

iv) Encourage early commercialization of new products and businesses

- Encourage earlier commercialization through in-house development, M&As and business alliances to acquire the first-mover advantage

v) Enhance the competitiveness of existing businesses

- Secure market superiority through advancement and differentiation, optimize the global production network by upgrading the domestic plants as mother factories and enhance cost competitiveness by promoting global procurement

—Efforts to secure future revenue basis—

- i) Promote R&D efforts and capital investments on a continuous basis
 - Reinforce the development of new products and businesses centering on system solutions and high-value-added products using concurrent engineering, while promoting the development of fundamental and core technologies, keeping the future in mind
 - While ensuring the effective use of existing facilities and the optimization of investment timing, continue necessary investments to strengthen business foundations for future businesses
- ii) Promote the sharing of intellectual properties and education to develop globally minded personnel, etc.
 - Accelerate the offering of new value by combining the products and technologies of the Group, thereby promoting the upgrading of existing products and the development of products in new business fields
 - Develop and reinforce globally minded personnel, while conducting measures to promote the diversity of the workforce

—Efforts to solidify the management system—

- i) Reinforce the financial structure
 - Reduce interest-bearing debt and improve cash flows by enhancing profitability, expediting the collection of funds, reducing inventories, curtailing capital investments and enhancing investment efficiency
- ii) Increase the efficiency of the execution of common duties
 - Enhance the efficiency and reliability of the conduct of business duties by promoting the commonization and centralized control of systems throughout the KHI Group, including associated companies, from the viewpoint of global and consolidated business management

c) Quantitative Targets

The quantitative targets are set at a level that ensures the realization of the consolidated targets in fiscal 2020.

<Consolidated Quantitative Targets for FY2015>

Exchange rate assumption: 95 yen = US \$1

- Net sales: 1,600 billion yen
- Operating income: 90 billion yen (ratio of operating income to sales: 5.6%)
- Recurring profit: 85 billion yen (ratio of recurring profit to sales: 5.3%)
- Before-tax ROIC: 11%

(Unit: Billion yen)

	FY2012 (actual)	FY2013 (forecast)	FY2015 (target)
Net sales	1,288.8	1,380.0	1,600.0
Operating income (Ratio to sales)	42.0 3.3%	60.0 4.3%	90.0 5.6%
Recurring profit (Ratio to sales)	39.3 3.0%	53.0 3.8%	85.0 5.3%
Before-tax ROIC	6.1%	7.4%	11.0%

Net debt-to-equity ratio (At the end of fiscal year)	131.9%	130%	110%
Equity ratio (At the end of fiscal year)	23.0%	22.1%	23.4%

ROIC (return on invested capital) = (before-tax profit + interest expenses) / invested capital

Net debt-to-equity ratio = net balance of interest-bearing debt / total net assets

[Shareholder Returns]

- Continue to pay stable dividends in line with business results, basic dividend ratio is set to 30% as the medium- to long-term for dividend calculation

d) Management Resource Allocation Plan

- Capital investment: average 70 billion yen per year
- R&D investment: average 46 billion yen per year
- Number of employees (at the end of fiscal 2015): 35,400 (26,000 in Japan, 9,400 overseas)

2. Kawasaki Business Vision 2020

The Kawasaki Business Vision 2020, which was formulated in 2010, defines the vision and direction of businesses that the KHI Group should achieve to realize the Group mission: "Kawasaki, working as one for the good of planet." The vision also defines a quantitative vision of the KHI Group in fiscal 2020 to provide a long-term perspective in allocating management resources.

a) Business Vision

i) Business sectors and their objectives

- The KHI Group aims to be a corporate group that swiftly supplies the products and services that fulfill a diverse range of needs of people worldwide by utilizing its innovative and advanced technological capabilities in the principal

business sectors of Land, Sea and Air Transportation Systems, Energy & Environmental Engineering and Industrial Equipment, thereby opening up the potential of its customers and society

ii) Profitability and growth investment

- Secure high adaptability to changing business environments and high profitability with continuous investment for future growth

iii) Emphasis on *monozukuri* (manufacturing) and global business development

- Actively promote overseas business development from production to sales, while upgrading domestic plants as mother factories

iv) Co-existence and co-prosperity with society

- Contribute to solving social issues and fulfilling stakeholders' expectations through business activities

v) Improvement of the global environment

- Secure comfortable living and a better global environment by providing products featuring the most advanced low environmental impact technologies, and systems composed of those products

vi) Greater job satisfaction

- Ensure a safe and pleasant working environment where employees can have greater job satisfaction with hopes and ambitions for their future

b) Quantitative Vision

<Consolidated Quantitative Vision for FY2020>

Exchange rate assumption: 90 yen/US \$1

- Net sales: 2 trillion yen or higher (aim for net growth of the world's GDP growth rate + α)
- Recurring profit: 5.0% or higher
- Before-tax ROIC: 12.0% or higher

c) Management Resources Allocation Policy

- Capital investment: Conduct flexible investments worth 3% to 5% of net sales
- R&D investment: Conduct flexible investments worth 3% to 5% of net sales
- Workforce: Ensure an appropriate workforce level by promoting human resources development, while enhancing productivity through IT investment and the upgrading of production facilities

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