

Medium-Term Business Plan “FY2019 MTBP” Detailed Edition (FY2019 - FY2021)

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Kawasaki Heavy Industries, Ltd.

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Efforts Toward Improved Profits

FY2021 Management Targets

Pre-tax ROIC*

10% or more

* ROIC = EBIT / invested capital (shareholders' equity + interest-bearing debt)

FCF**

120 billion yen or more/3 yrs.

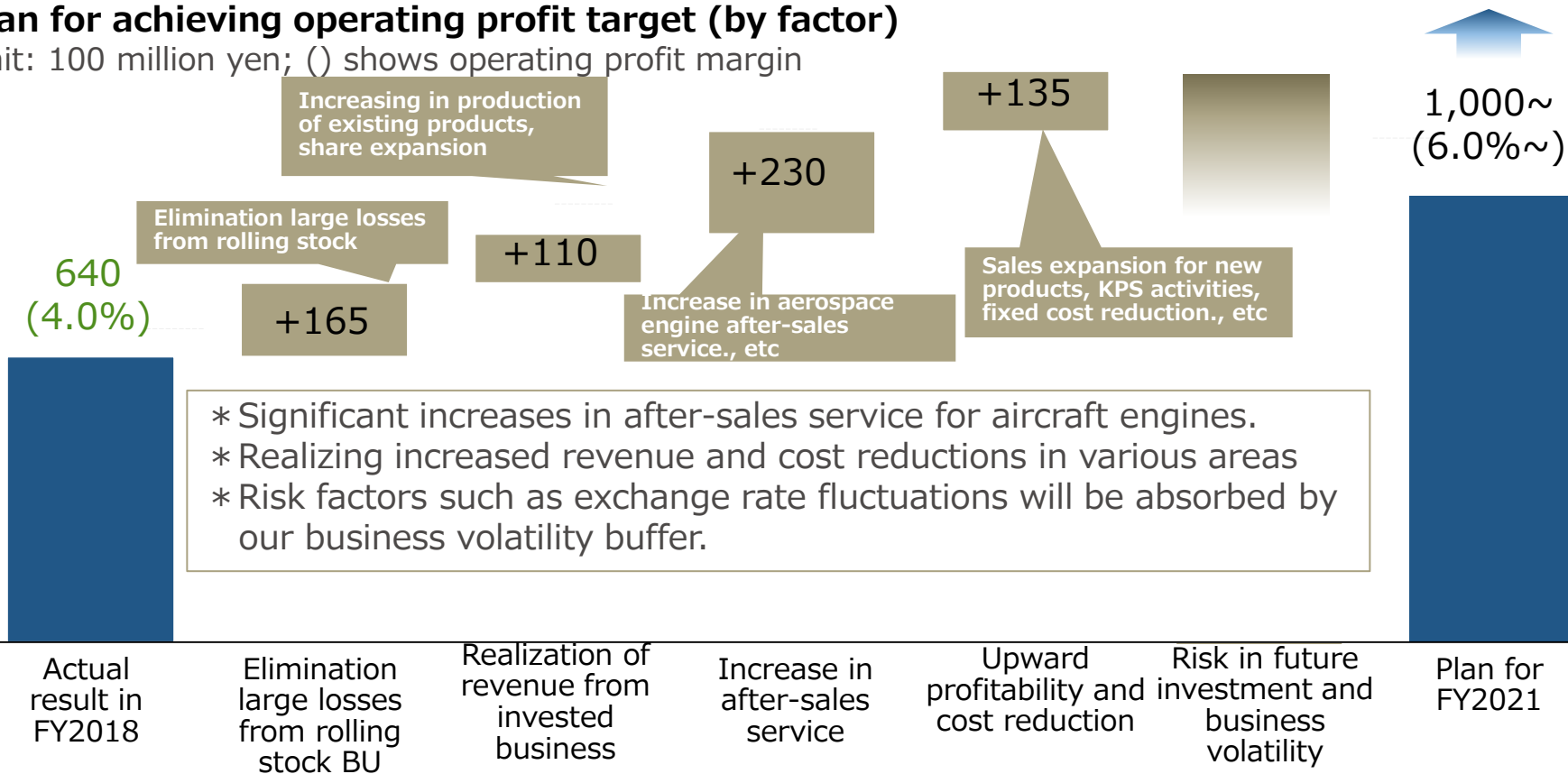
** This FCF is the level before spending for growth investment

Operating profit margin

6% or more (100 billion yen or more)

Plan for achieving operating profit target (by factor)

Unit: 100 million yen; () shows operating profit margin



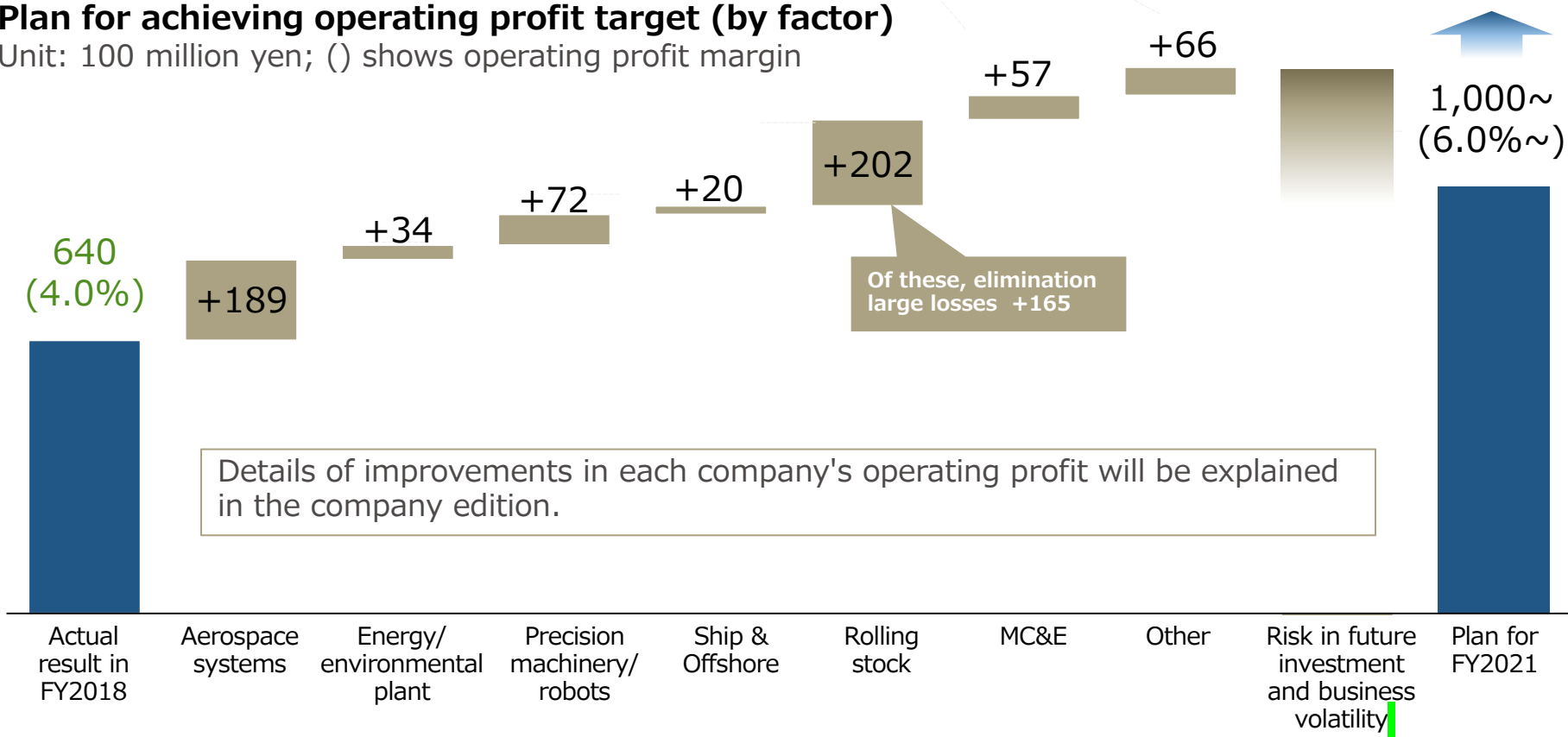
Efforts Toward Improved Profits (by Segment)

FY2021 Management Targets

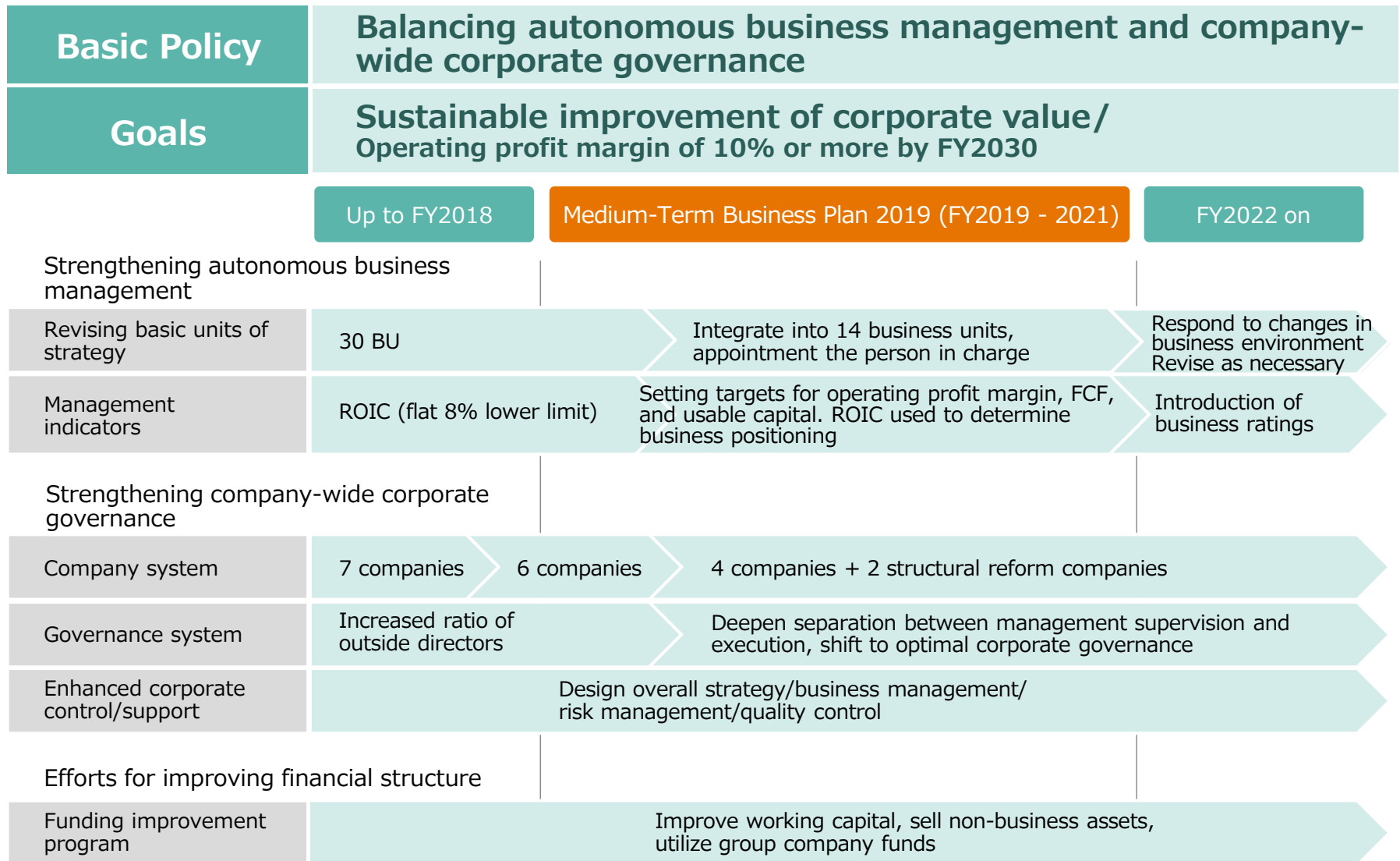
Pre-tax ROIC*	10% or more <small>*ROIC = EBIT / invested capital (shareholders' equity + interest-bearing debt)</small>	FCF**	120 billion yen or more/3 yrs. <small>** This FCF is the level before spending for growth investment</small>
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Plan for achieving operating profit target (by factor)

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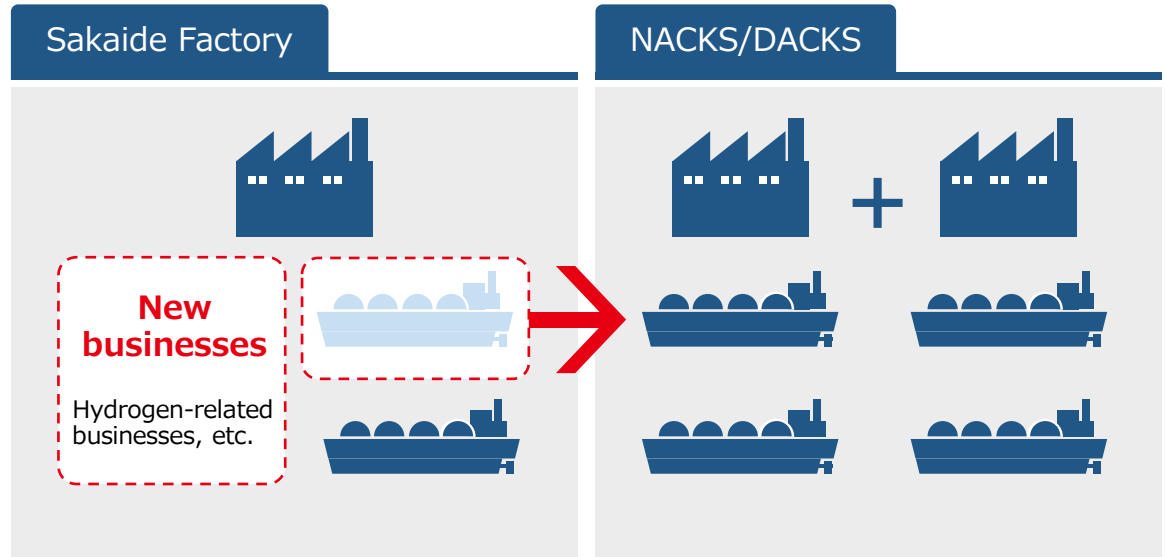
Efforts for Achieving Intended Goals (Overall Picture)



Progress of Ship & Offshore Business Structural Reforms, Rolling Stock Business Restructuring

Ship & Offshore

1. Deepening our unique alliance strategy (construction through joint ventures with China, strengthening domestic engineering businesses)
2. Turning Sakaide Factory into a multi-factory (company-wide utilization including hydrogen-related businesses)



Rolling stock

1. Strengthening project execution system for existing orders received in North America
2. Business model innovation



Roles of Each BU During Medium-Term Business Plan

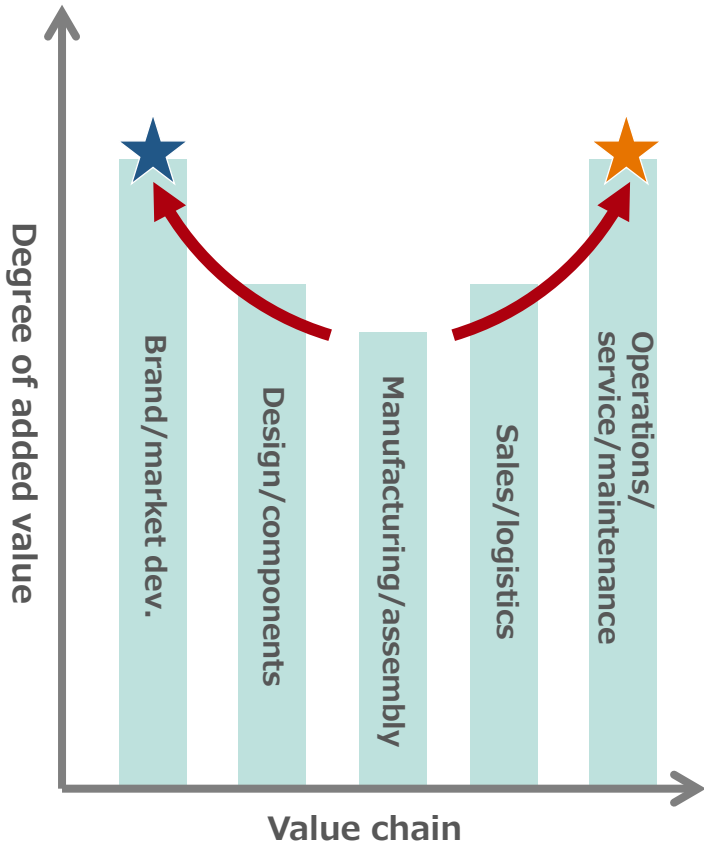
- ▶ Using mega trends and benchmark comparisons, clarify the business stages and role of each BU in the Medium-Term Business Plan to build a stable and highly-profitable business portfolio.
- ▶ Manage revenue, cash flow, and investment policy in association with each role.
- ▶ Under the above policy, during the Medium-Term Business Plan, ensure high profits in aerospace and robot businesses, while producing cash and developing the next core businesses by focusing on hydraulic equipment, plant, and MC&E (motorcycles, 4-wheelers, PWCs) which are positioned for stability and recoverability. Implementing business innovations and reforms to exceed the 6% operating profit margin target for the FY2021 Medium-Term Business Plan and achieve 10% in FY2030.

<<Roles during Medium-Term Business Plan>>

Business stage Role	Advance Investment	Expansion	Stability/recovery	Management investment shift	
	Continue to invest in the future using FCF from other businesses	Growth investment within business CF	Selective investment for stable profit/CF generation	(Bus. Innovation) Resource shift to new fields	(Bus. Reform) Restructuring reforms
Secure high profits		Aircraft/space Robots (excl. medical)	Hydraulic equipment		
Secure stable profits			Plant (env.) Submarine&govemental ships General-purpose engines		
Improve profitability		Aircraft engine Energy	Motorcycles 4-wheelers, PWC	ship propulsion Plant (industrial plant)	Dom/Asian rolling stock N.A. rolling stock Commercial vessels
New business fields	Hydrogen-related Medical robots			*Liquefied hydrogen carriers	

Business Model Innovation

Expand value chain and improve profitability



Mkt Dev.
/
System proposals

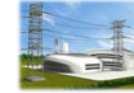
- Demonstrate technologies essential to the commercial hydrogen chain, and **establish position as a top runner for pioneering a hydrogen-based society**



Liquid hydrogen carriers



Loading/unloading bases



Hydrogen power generation

Begin commercial demonstrations (2025 target)

- Using industrial robot technology as a base, **attack new markets in the medical and service fields.**

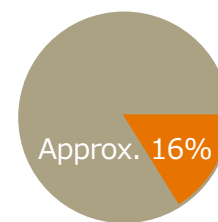


Launch of surgery assistance robots (FY2019 target)

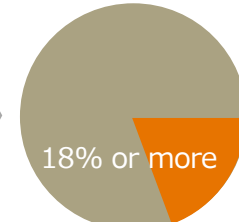
Strengthening Service businesses

- Towards 2030, full-scale expansion of long-term maintenance income from aircraft engine after-sales service and energy equipment
- Entry into new businesses such as remote track monitoring service

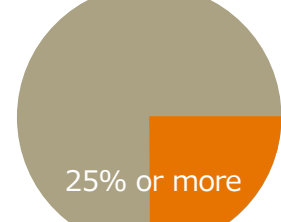
<<Sales composition ratio>>



FY2018 results



FY2021 target



FY2030 target

Business Portfolio in FY2030

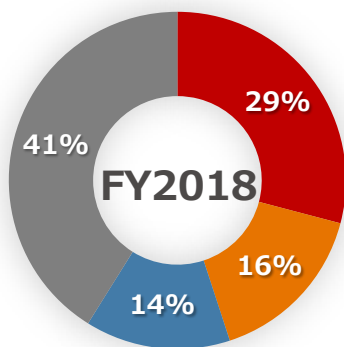
Three areas are driving growth: aerospace systems, energy/environment, and precision machinery/robots.

As a symbol of the group synergy, efforts to put the hydrogen chain into practical use are solidifying and becoming a growth engine.

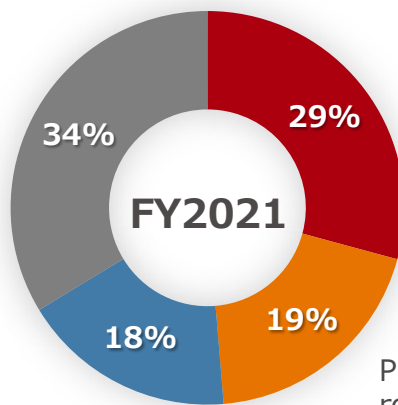
MC&E develops the Kawasaki brand at the global level, with ship & offshore and rolling stock returning to a stable trajectory.

<<Makeup of net sales>>

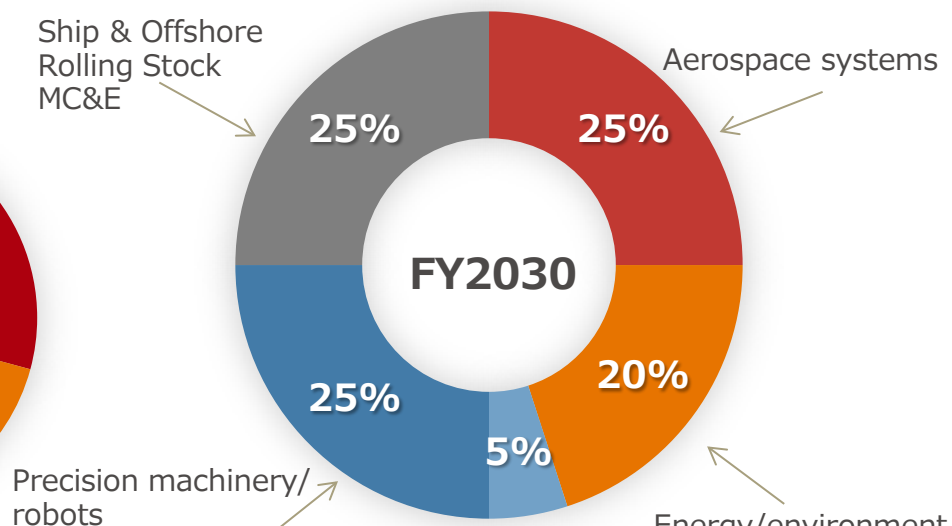
(By business area)



Operating profit margin
4.0%



Operating profit margin
6.0%



Operating profit margin
10.0%

Planned Quantities by Segment (1)

(Exchange rate: 110 yen/1 dollar, 130 yen/1 Euro)

(Unit: 100 million yen)

	Orders received		Net sales		Operating profit	
	FY2018 Result	FY2021 Target	FY2018 Result	FY2021 Target	FY2018 Result	FY2021 Target
Aerospace systems	4,316	5,550	4,639	5,350	326	515
Energy/environment	2,635	3,600	2,530	3,550	116	150
Precision machinery/robots	2,224	2,850	2,220	2,850	213	285
Ship & Offshore	811	800	789	900	10	30
Rolling Stock	1,360	2,300	1,246	1,450	-137	65
MC&E	3,568	4,000	3,568	4,000	143	200
Other/adjustments	942	900	951	900	-32	35
Total	15,859	20,000	15,947	19,000	640	1,280

(Operating profit margin 6%)

Risk Buffer						-280
Plan						1,000

Planned Quantities by Segment (2)

(Exchange rate: 110 yen/1 dollar, 130 yen/1 Euro)

	Pre-tax ROIC ((profit before tax + interest expense)/capital invested)	
	FY2018 Result	FY2021 Target
Aerospace systems	5.0%	13.9%
Energy/environment	9.3%	13.7%
Precision machinery/robots	19.8%	19.5%
Ship & Offshore	3.2%	8.8%
Rolling Stock	-26.4%	9.2%
MC&E	8.4%	14.0%
Total	4.5%	10.0%

Operating profit margin (operating profit/net sales)	
FY2018 Result	FY2021 Target
7.0%	9.6%
4.5%	4.2%
9.6%	10.0%
1.3%	3.3%
-11.0%	4.5%
4.0%	5.0%
4.0%	6.0%

Kawasaki, working as one for the good of the planet

“Global kawasaki”

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.