

Medium-Term Business Plan “FY2019 MTBP” (FY2019 - FY2021) Motorcycle & Engine Company

October 2, 2019

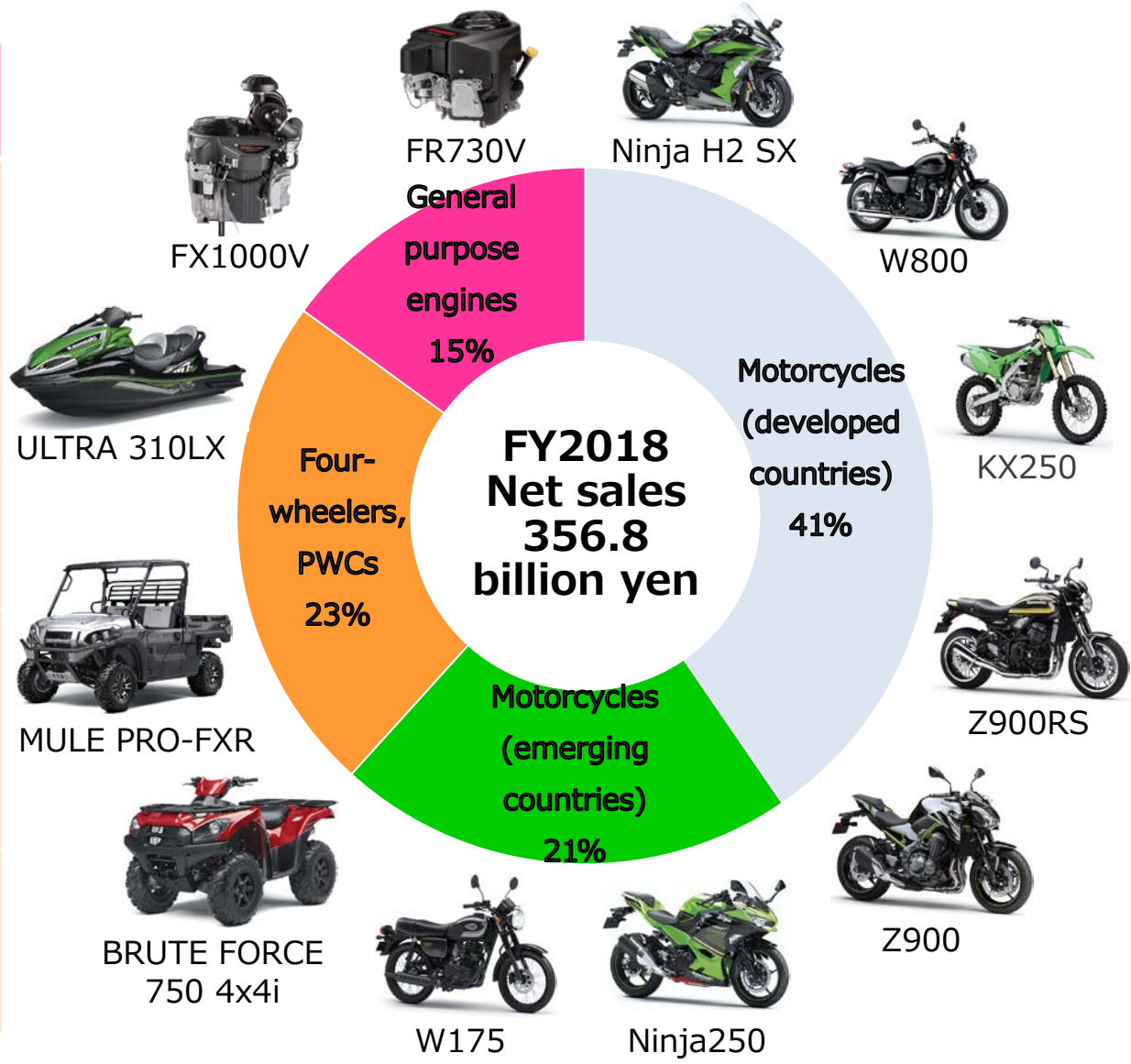
Kawasaki Heavy Industries, Ltd.

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Overview of Motorcycle & Engine Company

Product Type	Main Models
Motorcycles	Ninja H2 SX Z900RS W800 KX250 Versys1000 Vulcan S
Four-wheelers/ PWCs	MULE PRO TERYX BRUTE FORCE ULTRA 310
General-purpose engines	FR series FX series



Business Strategy of Motorcycle & Engine Company

Business environment

- Motorcycle markets growing in emerging countries (India, Vietnam, etc.)
- Four-wheeler market growing in US
- Motorcycle market maturing in developed countries due to aging society
- US lawn mower-related market (general-purpose engines) growing
- Autonomous driving spreading, electrification and hybridization making progress

Our strengths

- Technology to develop and produce high-performance, high-quality products
- Established sales and service network
- Responsiveness and trusting relationships with general-purpose engine OEMs utilizing networks throughout US (development/production/sales)

Issues

- Pursuing premium brands and generating cash
- Strengthening profitability by strengthening growth areas and managing fixed costs rises
- Stabilizing business by expanding B-to-B platform



TERYX EPS LE



FX850V-EFI

Next-generation chassis



Business Strategy of Motorcycle & Engine Company

Overall policy (2019-2021)

1. Company management policy

Represent the Kawasaki brand, Generate stable revenue and FCF under an appropriate business scale

2. Tasks during the MTBP to address major corporate challenges

Improve profitability/generate cash

- Higher product competitiveness by continuous introduction of new models
- Narrow down focus markets and develop emerging markets
- Improve management efficiency and control fixed costs increase
- Thorough inventory control

Business model innovation

- Expand peripheral businesses such as components/parts businesses

Strengthen resistance to effects of exchange rates

- Mitigate foreign exchange risk by reducing the yen cost ratio and reflect exchange rate fluctuation in prices

3. Company-specific efforts/priority issues

Enhance brand power

- Carry out efficient and effective marketing activities under a globally-unified strategy
- Strengthen customer relations (CRM)

Develop new technologies

- Promote R&D for hybridization and electrification and develop products which suit autonomous driving environments

Business Strategies by Product/Market

Measure

Motorcycles

Business stage: stable/recovery

Role during MTBP: improve profitability

Secure free cash flow in developed countries; strengthen growth areas (motorcycles in emerging countries)

- Maintain development scale for models aimed at developed countries, maintain product competitiveness by adopting the latest technologies, strengthen brand power and improve profitability
- Rank emerging countries by priority and shore up promising markets
- Control pipeline inventories at an appropriate level
- Promote trial production and testing of hybrid and electrified models; implement connected technology



Kawasaki won 2019 Suzuka 8hours World Endurance Championship Race for the first time in 26 years.

Business Strategies by Product/Market

Measure

Four-
wheelers/
PWCs

Business stage: stable/recovery

Role during MTBP: improve profitability

Expand sales by filling out model lineup and strengthening product competitiveness

- Increase the four-wheeler business scale by filling out model lineup through priority allocation of development resources, responding to diversified uses (including those not for general consumers, such as for firefighting), and growing accessories



**Compact size off-road fire-fighting vehicle “Red Ladybug”
(Developed based on Kawasaki MULE PRO-FX EPS)**



TERYX4 EPS

Business Strategies by Product/Market

Measure

General-
purpose
engines

Business stage: stable/recovery

Role during MTBP: secure stable revenue

Expand production capacity and sales

- Expand production capacity in North America
- Strengthen partnerships with OEMs to expand sales



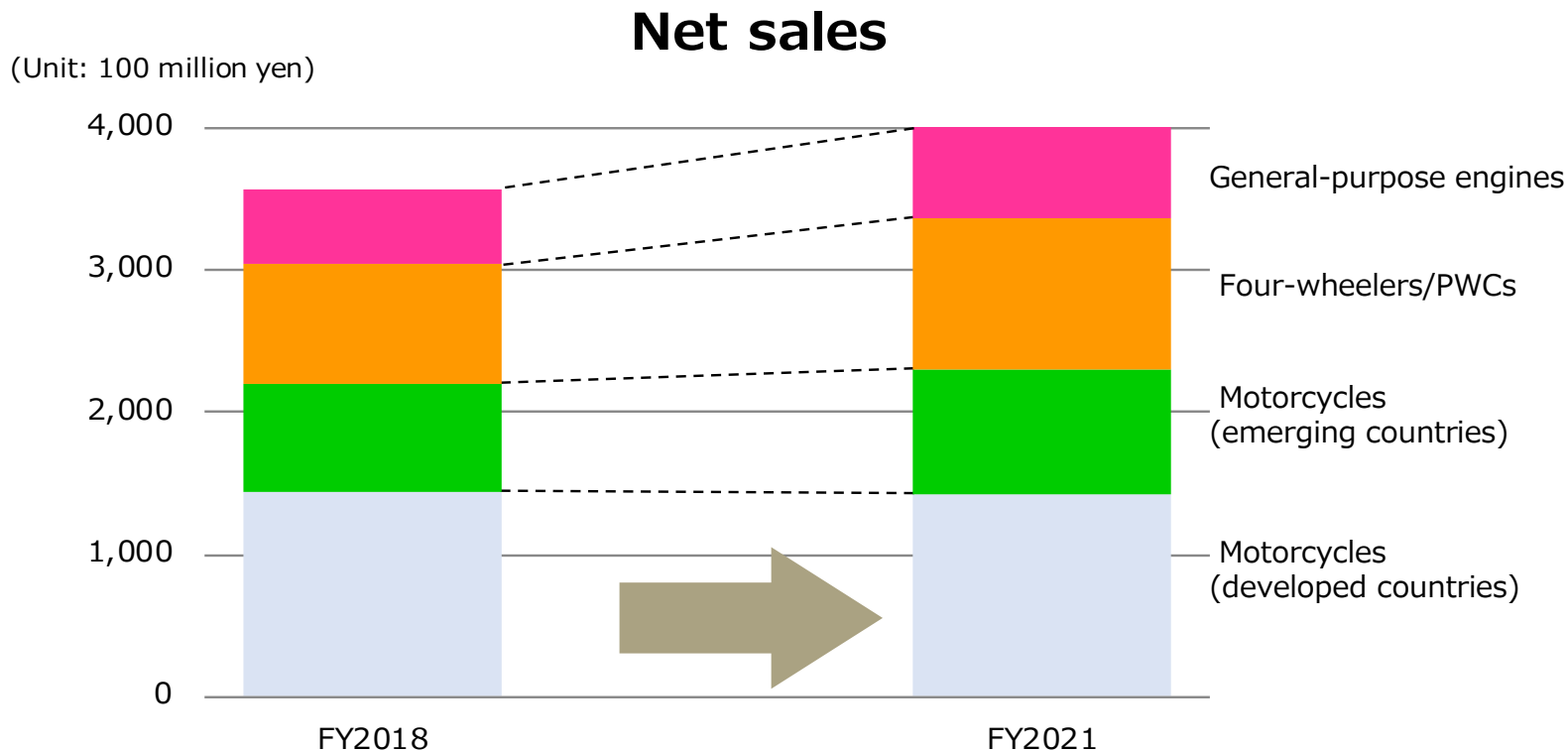
FT730V-EFI



FR730V



Business Strategies by Product/Market

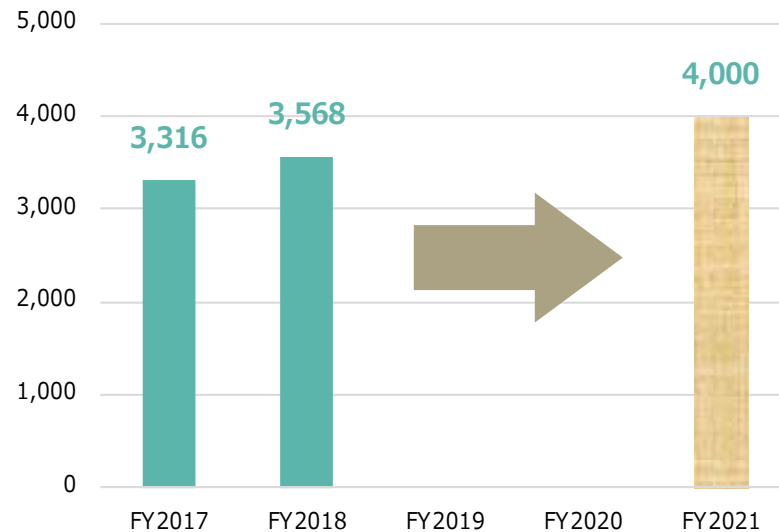


- Maintain current sales level for motorcycles (developed countries)
- Expand sales of motorcycles (emerging countries), four-wheelers/PWCs, and general-purpose engines

FY2019 MTBP Quantitative Goals

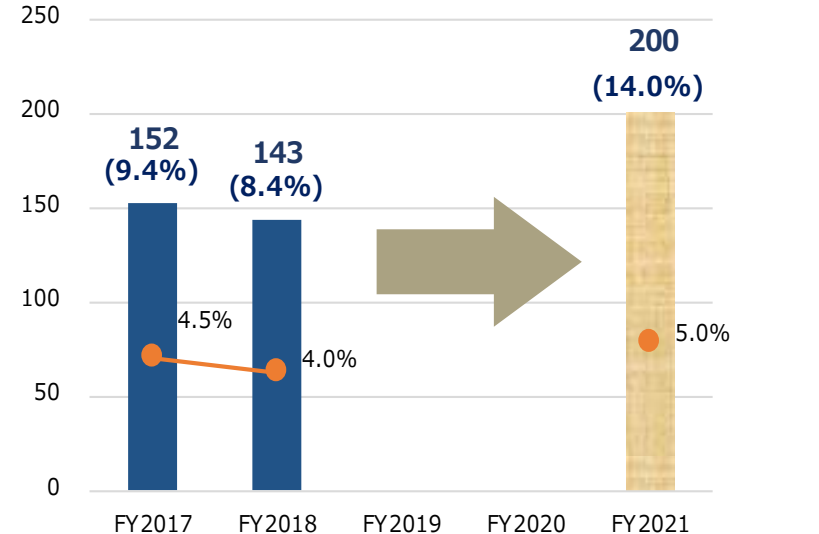
Net sales

(Unit: 100 million yen)



Operating income (Pre-tax ROIC)

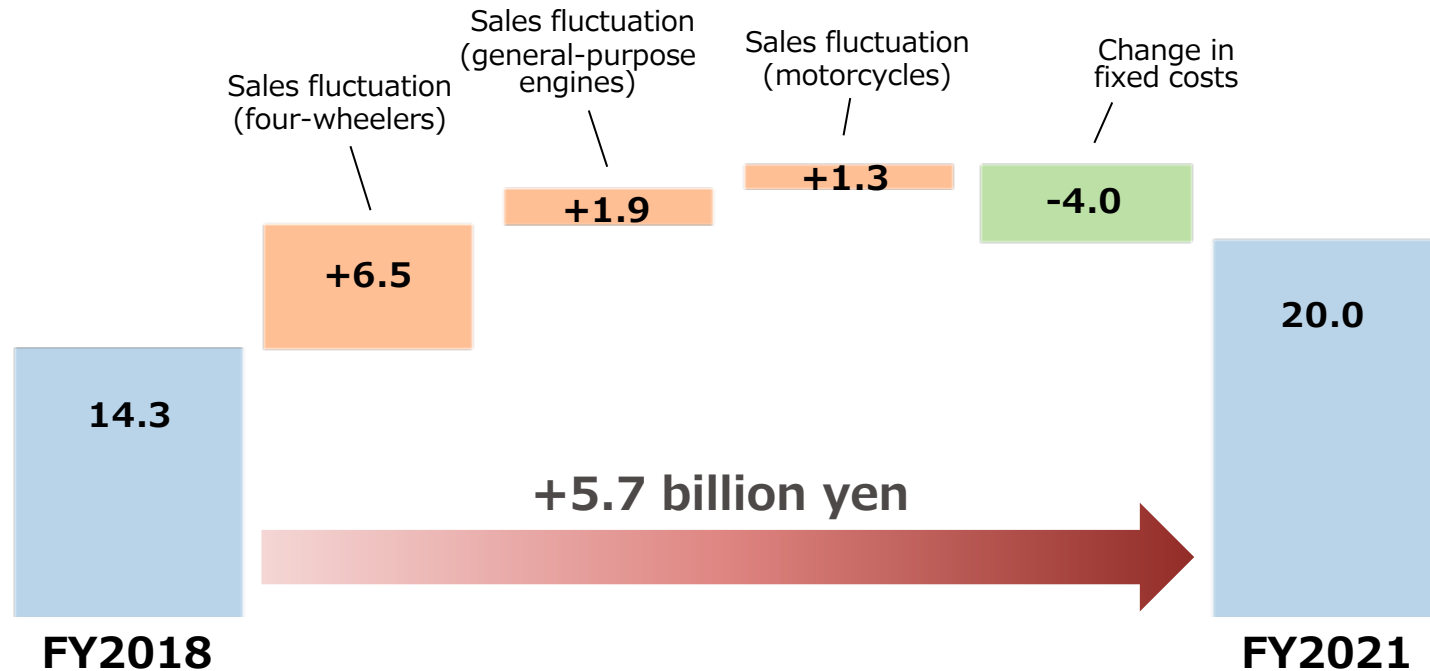
(Unit: 100 million yen)



- Increase in sales due to expansion of four-wheeler model lineup and expanded production capacity of general-purpose engines
- Operating margin will increase by managing fixed costs rises

Measures for Improving Operating Income

- FY2018 results: 14.3 billion yen ⇒ FY2021 plan: 20.0 billion yen

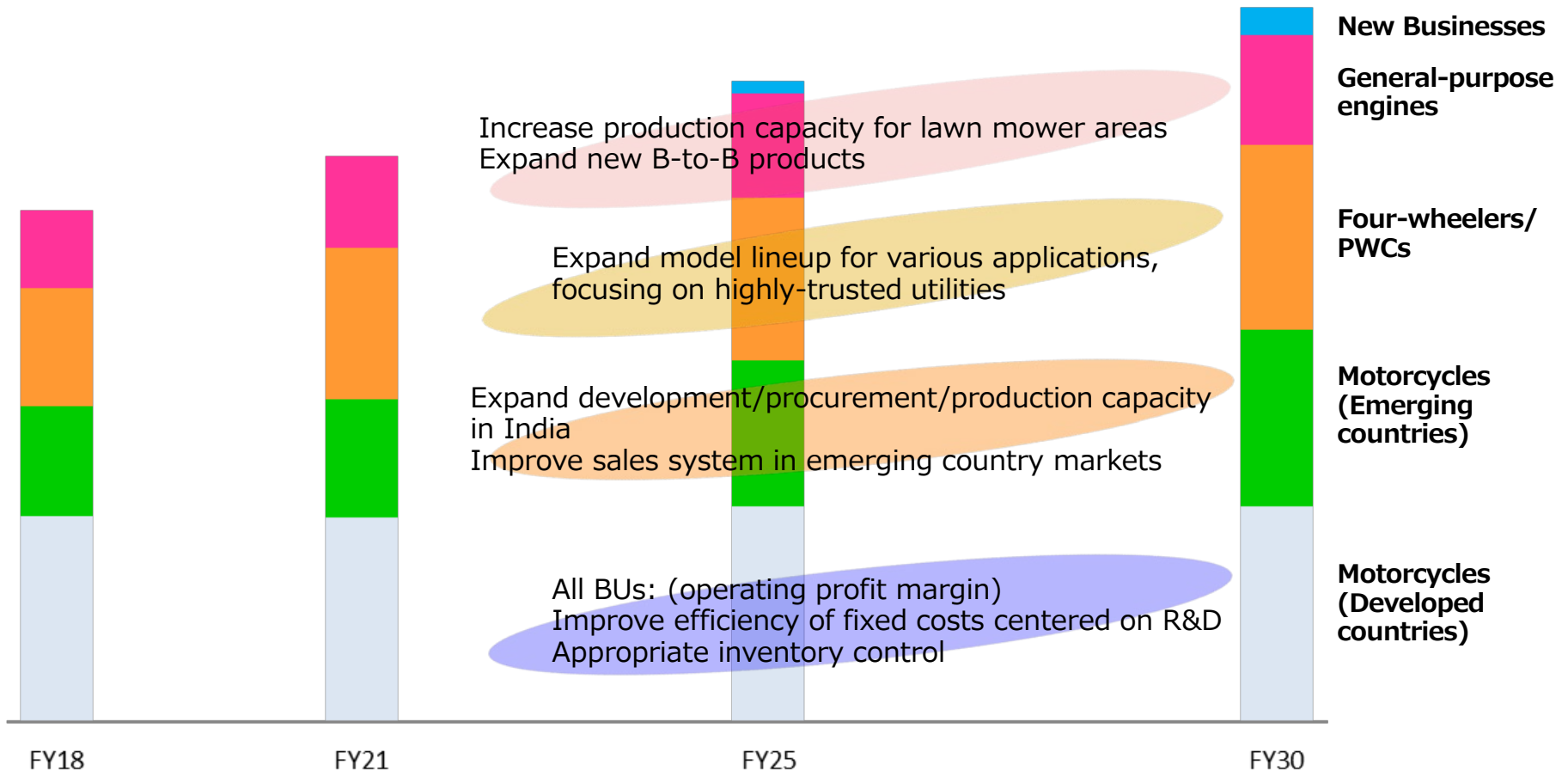


- Increase operating income by expanding sales of four-wheelers and general-purpose engines
- Control fixed costs increase and plan for operating income of 20.0 billion yen in FY2021

Long-Term Direction Until FY2030

Overall company policy (medium/long-term)

Under the philosophy of “Kawasaki, working as one,” (1) reform the demand chain, (2) carry out reforms to improve product competitiveness, and (3) reform the supply chain to become a company boasting high profitability



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.