Contents


II. Kawasaki Business Vision 2020

III. Medium-Term Business Plan “MTBP 2013”

Environmental Changes During the MTBP 2010
- The yen rose to and stayed at a higher level than projected
- Developed countries, especially in Europe, had prolonged economic stagnation
- Emerging economies enjoyed remarkable growth
- The Chinese economy had rapid growth followed by deceleration
- The Great East Japan Earthquake and the growth of emerging economies boosted awareness of energy and resource issues

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

FY2015 Halfway Point

The Group mission to be achieved

MTBP 2010
(FY2010-FY2012)

MTBP 2013
(FY2013-FY2015)

Kawasaki Business Vision 2020

Action plan

FY2010
- Return to a growth path
- Strengthen business foundations in preparation for future growth

FY2013
- Lay out a course to realize the Kawasaki Business Vision 2020

FY2016
- Sustain a growth
II. Kawasaki Business Vision 2020
- Strategic Moves toward the Future -

1. Business Vision
2. Business Visions of Respective Business Sectors
3. Quantitative Vision
II. Kawasaki Business Vision 2020
1. Business Vision

Group Mission

Kawasaki, working as one for the good of the planet

Business Vision

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.

Transportation Systems

Energy & Environmental Engineering

Industrial Equipment

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

Emphasis on monozukuri (manufacturing) and global business development
Actively promote overseas business development from production to sales, while upgrading domestic plants as mother factories

Co-existence and co-prosperity with society
Contribute to solving social issues and fulfilling stakeholders’ expectations through business activities

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

Greater job satisfaction
Ensure a safe and pleasant working environment where employees can have greater job satisfaction with hopes and ambitions for their future
II. Kawasaki Business Vision 2020
2. Business Visions of Respective Business Sectors (a)

- Pursue safety, comfort, and convenience
- Reduce environmental impacts by achieving higher efficiency, electrification, lighter weight and higher propulsive efficiency
- Accommodate region-specific needs

**Transportation Systems**
Ship and Offshore Structure, Rolling Stock, Aircraft, Aircraft Engines, Marine Machinery, Motorcycles, etc.

**Energy & Environmental Engineering**
Gas Engines for Power Generation, Industrial Gas Turbines, Steam Turbines, Aerodynamic Machinery, Energy and Environmental Plant Engineering, Cryogenic Storage, GIGACELL, etc.

**Industrial Equipment**
Industrial Plants, Tunneling Equipment, Crushers, General-Purpose Engines, Hydraulic Equipment, Robots, Construction, Machinery, etc.

**Growth Fields**
- Low Environmental Impact
- Low-cost Products
- Emerging Markets
- Medical & Health
- Recycling
- Hydraulic Equipment for Mobile Components
- Decentralized Power Sources
- Renewable Energy
- New Energy
- Oil & Gas
- Offshore Development
- Railway Systems
- Next-Generation Models

*Hydraulic equipment for mobile components: Hydraulic equipment for construction and agricultural sectors, except excavators*

- Reinforce the competitiveness of core technologies and components
- Reinforce existing businesses and explore new markets and business fields
- Achieve greater efficiency and advancement of existing products
- Develop new products and businesses with a focus on the new energy and offshore development business fields
II. Kawasaki Business Vision 2020

2. Business Visions of Respective Business Sectors (b)

Transportation Systems

- Rollng stock, terminals, maintenance, etc.
- Oil & Gas-related propulsion systems for offshore structures
- Global strategic models
- Offshore support vessels

Emerging markets

- LNG-fueled propulsion ships
- Rollsing stock for overseas
- Global strategic motorcycle models
- Oil & Gas-related propulsion systems for offshore

Offshore development

- Component parts for Boeing 787
- Next-generation aircraft engines
- LNG vessels with next-generation propulsion systems
- Energy-saving and environment-friendly vessels

Next-generation models

- Trent 1000 Engine for Boeing 787
- P-1 patrol aircraft
- C-2 transport aircraft
- LNG vessels with next-generation propulsion systems

Energy & Environmental Engineering

- FLNG Boilers
- High efficiency gas turbines and engines
- GIGACELL BPS
- Vacuum Residue Fired Boilers
- Renewable energy
- Decentralized power sources

- CO₂-free hydrogen chain
  - Liquid hydrogen carriers
  - Liquid hydrogen loading arm
  - Hydrogen gas turbines
  - Hydrogen gas engines
  - Water electrolysis hydrogen producing systems

- Energy Solution Business
- Automated cell culture System
- Energy-saving and environment-friendly vessels (propulsion systems for marine)
- Gigacell for electrical power systems

Industrial Equipment

- Hydraulic equipment for mobile components
- High efficiency
- Medical & health
- Medical robots
- Automated Cell Culture System (for medical use)
- Medical & health

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CO₂-Free Hydrogen Chain

**Resource-Producing Countries (Australia)**
- Brown Coal

**Low-cost production of hydrogen from unused resources (brown coal)**

**CO₂-Free Hydrogen**

**Gasification/ Hydrogen Production**

**High-Efficiency CCS**
- CCS: Carbon dioxide Capture and Storage

**Electrolysis (Utilization of low-cost natural energy)**

**Liquefaction/ Shipment**

**Hydrogen Production**

**Hydrogen Transport and Storage**
- Hydrogen truck
- Hydrogen tanker
- Liquid hydrogen storage tanks

**Hydrogen Use**
- Semiconductor and solar cell production
- Oil refining and desulfurization, etc.

**Transportation equipment**
- Hydrogen stations
- Fuel-cell cars, etc.

**Distributed generation**
- Hydrogen gas turbines
- Hydrogen gas engines
- Fuel cells, etc.

**Power generation for business use**
- Combined cycle power plants, etc.

**Consumer Country (Japan)**

**Industrial use**
- Semiconductor and solar cell production
- Oil refining and desulfurization, etc.

**Transportation equipment**
- Hydrogen stations
- Fuel-cell cars, etc.

**Distributed generation**
- Hydrogen gas turbines
- Hydrogen gas engines
- Fuel cells, etc.

**Power generation for business use**
- Combined cycle power plants, etc.

**Tidal Power Generation System**
- Toward the start of a demonstration test in 2015
  - Secured a testing field in the sea off the coast of Scotland
  - Working on detailed design

**Automated Cell Culture System**
(for iPS cells, etc.)

- To increase the use of regenerative medicine, starting around 2020
  - Start clinical trials in 2013 in Japan and abroad
  - Quickly acquire the world’s first certification for medical use
  - Accelerate the advancement of the technology for high-quality, larger-volume cell culture, and its commercialization thereof

**II. Kawasaki Business Vision 2020**
2. Business Visions of Respective Business Sectors (c)

- Toward the realization of a demonstration hydrogen chain in 2017
  - Strengthen alliances with partners
  - Front-End Engineering Design started since 2012
- Commercialization in 2025 is envisaged
  - Accelerate technological developments to enable a larger scale chain and differentiation
II. Kawasaki Business Vision 2020
3. Quantitative Vision (a)

Net Sales by Business Sectors

Quantitative Vision (FY2020) (Exchange rate assumption: ¥90=US$1)
- Consolidated net sales: ¥2 trillion or higher
- Ratio of recurring profit to sales: 5.0% or higher
- ROIC (before-tax): 12.0% or higher

Net Sales
- Aim for net sales growth of the world’s GDP growth rate + α

Capital Investment
- Conduct flexible investments worth 3% - 5% of net sales

R&D investment
- Conduct flexible investments worth 3% - 5% of net sales
II. Kawasaki Business Vision 2020

3. Quantitative Vision (b)

- Nurturing new products and new businesses in anticipation of societal needs until around 2030
- Utilize the Group’s overall intellectual assets to create products and services

Breakdown of sales by type of new product and business

- Full-scale launch of products by 2020
- Full-scale launch of products by 2015
- Products already on the market

Breakdown of sales by region of emerging countries

- 680 billion yen
- 300 billion yen

Promote global business development in coordination with the government’s growth strategies
- Respond to the demand in emerging markets

Tidal Power Generation Systems, Vessels employing LNG-fueled propulsion systems, Rolling Stock for overseas (efSET, K-Star Express), GIGACELL for electrical power systems, Human-friendly robots, Medical robots, Automated Cell Culture System, etc.

Next-generation aircraft engines (TrentXWB for Airbus A350XWB, PW1100G-JM for Airbus A320 neo), LNG vessels with next-generation propulsion systems, Offshore support vessels, Energy-saving and environment-friendly vessels, Vacuum residue fired boilers, C-2 transport aircraft, GIGACELL BPS, Superconducting motor propulsion system for vessels, Energy Solution Business, Hydraulic equipment for mobile sector, etc.

FLNG boilers, Component parts for Boeing 787, P-1 patrol aircraft, Trent1000 engine for Boeing 787, High efficiency gas turbines and engines, Railway System, Oil & Gas-related propulsion systems for offshore structure, Global strategic motorcycle models

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III. Medium-Term Business Plan “MTBP 2013”

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

1. Review of the Previous Medium-Term Business Plan “MTBP 2010”

2. Medium-Term Business Plan “MTBP 2013”

2-1. Company Section
   2-1-1. Key Policies and Measures
   2-1-2. Quantitative Plan
   2-1-3. Road Map
III. Medium-Term Business Plan “MTBP 2013”

1. Review of the Previous Medium-Term Business Plan “MTBP 2010”

**Objectives**

- Return to a growth path
- Strengthen business foundations in preparation for future growth

**Results**

- Achieved the MTBP 2010 target one year earlier
  - Responded to demand in the rapidly growing Chinese market (Ship & Offshore Structure, Plant & Infrastructure and Precision Machinery business)
  - Received railway system orders (Rolling Stock business)
  - Achieved mass production of large aircraft for Japan Ministry of Defense and Boeing 787 component parts (Aerospace business)
  - Participated in commercial-sector aviation projects; Expanded gas turbine/gas engine businesses (Gas Turbine & Machinery business)
  - Promoted differentiation strategies and sales expansion in emerging markets, mainly the ASEAN countries (Motorcycle & Engine business)

- Aggressive investments for future growth
  - Newly set up, enlarged and refurbished production facilities in Japan and abroad
  - Participated in joint ventures (Ship & Offshore Structure and Precision Machinery business)

**Issues**

- Create more competitive business models less subject to exchange fluctuations
- Accelerate business development in the growth markets of emerging countries other than China
We aim for sustainable growth of the Group by expanding its business foundations, securing future revenue basis and solidifying management system

## Efforts to expand business foundations

- **a. Provide solutions**
  Secure market superiority and higher added value by providing optimal solutions

- **b. Expand the range of existing businesses**
  Achieve differentiation in the global markets by exploring business opportunities in upstream and downstream of existing businesses

- **c. Accelerate global business development aimed at growth markets**
  Accelerate global business development, including partnerships and joint ventures, to achieve greater dominance in growth markets

- **d. 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

- **e. 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

- Promote R&D efforts and capital investments on a continuous basis
- Promote the sharing of intellectual properties and education to develop globally minded personnel, etc.

## Efforts to solidify the management system

- Reinforce the financial structure
- Increase the efficiency of the execution of common duties

### III. Medium-Term Business Plan “MTBP 2013”

#### 2-1-1. Key Policies and Measures (Summary)

<table>
<thead>
<tr>
<th>Efforts to expand business foundations</th>
<th>Transportation Systems</th>
<th>Energy &amp; Environmental Engineering</th>
<th>Industrial Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Solutions</td>
<td>Railway System</td>
<td>Decentralize power sources</td>
<td>Various plants</td>
</tr>
<tr>
<td>b. Business Range Expansion</td>
<td>Long-term maintenance</td>
<td>EPC</td>
<td></td>
</tr>
<tr>
<td>c. Global Strategies</td>
<td>Business management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Encourage earlier commercialization of new products and businesses</td>
<td>Hydrogen-related</td>
<td>Mobile hydraulics</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development of ocean resources</td>
<td>Renewable energy</td>
<td>Medical &amp; Health</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oil &amp; Gas</td>
<td></td>
</tr>
<tr>
<td>e. Enhance the competitiveness of existing businesses</td>
<td>Higher efficiency and performance</td>
<td>Energy conservation and low environmental impacts</td>
<td>Reinforcement of monozukuri capabilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global production/Global procurement</td>
<td></td>
</tr>
</tbody>
</table>

**Advancement/Differentiation/Higher Added Value**

- **Advancement/Differentiation/Higher Price Competitiveness**
- **Reinforcement of business through partnerships and joint ventures**

---

**Transportation Systems**
- Railway System

**Energy & Environmental Engineering**
- Decentralize power sources

**Industrial Equipment**
- Various plants
III. Medium-Term Business Plan “MTBP 2013”

2-1-1. Key Policies and Measures (Efforts to Expand Business Foundations)

Provide Solutions

With a focus on energy-related products in which we have an advantage, we provide superior system solutions.

~Energy System Solutions~

Provide solutions that fulfill customer needs in emerging counties and local cities in Japan.

- Minimize energy consumption, exhaust gas, and heat, while meeting the production capacity of the factory.

Power Generation & Heat Supply Systems for Community

Low-cost and energy-conserving infrastructure suited to the needs of emerging nations and local cities in Japan.

Decentralized infrastructure which is safe and secure, and ensures lifelines in case of a natural disaster.

Energy-Related Products

Power Generation and Heat Supply Systems for Factory

With a focus on energy-related products in which we have an advantage, we provide superior system solutions.
To realize the future businesses envisaged in the Kawasaki Business Vision 2020, we will promote R&D efforts, which are classified into three categories according to how soon the target product or business will be put on the market.

III. Medium-Term Business Plan “MTBP 2013”

2-1-1. Key Policies and Measures (Efforts to Secure Future Revenue Basis)
Increase the Efficiency of Executing Common Duties

- Streamline services at the headquarters and reinforce their functions
  - Streamline the duties and reduce the workforce
  - Sophisticate the duties and improve the productivity of individuals

- Increase the efficiency of conducting services common throughout the Group
  - Review the duties and services to be done Group-wide from the viewpoint of global and consolidated business management

Communalize systems throughout the Group, including associated companies, and increase the efficiency and reliability of services through concentrated management

- Personnel and payroll services
  - Manage personnel information Group-wide
  - Consolidate payroll services
  - Manage and file personnel-related information

- Financial and accounting services
  - Consolidate accounting services
  - Consolidate financing and cash management services
  - Other support services

- IT services
  - Operate business systems
  - Consolidate servers

- Increase the efficiency of conducting the core corporate functions
  - Consider communizing business process and systems regarding sales, procurement, production control, etc.

- Maximize the use of managerial information
  - Consider sharing information on marketing, procurement, management finance and human resources for their effective application
### III. Medium-Term Business Plan “MTPB 2013”

#### 2-1-2. Quantitative Plan (a)

**Consolidated Quantitative Targets**

<table>
<thead>
<tr>
<th></th>
<th>FY2012 (actual)</th>
<th>FY2013 (forecast)</th>
<th>FY2015 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>1,288.8</td>
<td>1,380.0</td>
<td>1,600.0</td>
</tr>
<tr>
<td><strong>Operating income</strong> (Ratio to sales)</td>
<td>42.0</td>
<td>60.0</td>
<td>90.0</td>
</tr>
<tr>
<td><strong>Recurring profit</strong> (Ratio to sales)</td>
<td>39.3</td>
<td>53.0</td>
<td>85.0</td>
</tr>
<tr>
<td><strong>Before-tax ROIC</strong></td>
<td>6.1%</td>
<td>7.4%</td>
<td>11.0%</td>
</tr>
<tr>
<td><strong>Net debt-to-equity ratio</strong></td>
<td>131.9%</td>
<td>130%</td>
<td>110%</td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>23.0%</td>
<td>22.1%</td>
<td>23.4%</td>
</tr>
<tr>
<td><strong>Exchange rate assumption</strong></td>
<td>—</td>
<td>¥95= US$1</td>
<td>¥95= US$1</td>
</tr>
</tbody>
</table>

*Through the continued sustainable growth of the Group, secure the realization of the Kawasaki Business Vision 2020*
### III. Medium-Term Business Plan “MTBP 2013”
#### 2-1-2. Quantitative Plan (b)

#### <Management Resource Allocation Plan>

<table>
<thead>
<tr>
<th></th>
<th>FY2010-2012 average (actual)</th>
<th>FY2013-2015 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital investment</strong></td>
<td>71/year</td>
<td>70/year</td>
</tr>
<tr>
<td>(purchase order basis)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D investment</strong></td>
<td>40/year</td>
<td>46/year</td>
</tr>
</tbody>
</table>

#### <Management Resource Allocation Policy>

- **Capital investment**
  - Curtail additional investments by effectively using existing facilities
  - Make appropriate investments to prepare future business foundations

- **R&D investment**
  - Develop new products and businesses centering on system solutions
  - Develop high value-added products using concurrent engineering
  - Develop fundamental and core technologies that become essential in the future

- **Number of employees**
  - Japan: Maintain stable employment
  - Overseas: Increase the workforce especially in North America and Asia

<table>
<thead>
<tr>
<th></th>
<th>FY2012 (actual)</th>
<th>FY2015 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td>25,222</td>
<td>26,000</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>8,788</td>
<td>9,400</td>
</tr>
<tr>
<td><strong>No. of employees</strong></td>
<td>34,010</td>
<td>35,400</td>
</tr>
</tbody>
</table>
III. Medium-Term Business Plan “MTBP 2013”
2-1-3. Road Map (a)

A Road Map to Achieve Our Profit Targets

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance Outlook</strong></td>
<td><strong>Profit Targets</strong></td>
</tr>
<tr>
<td>Operating income</td>
<td>¥60 billion</td>
</tr>
<tr>
<td>Recurring profit</td>
<td>¥53 billion</td>
</tr>
</tbody>
</table>

- Thoroughly employ risk management regarding orders already received
- Improve operating cash flows and reduce interest-bearing debt
- Continue R&D and capital investments
- Accelerate business development in emerging countries and resource-producing countries
- Enhance the added value of system products, etc.
- Manage indirect costs by enhancing the efficiency of back-office functions

**a)** Lay out a clear course to realize the Kawasaki Business Vision 2020

- Tap into growth markets
- Realize new products and businesses
- Increase the competitiveness of existing businesses

**b)** Remain on a path to sustainable growth

- Evaluate the profitability of businesses
- Perform through risk management efforts
- Continue R&D and capital investments

**c)** Reinforce the managerial culture

- Reduce interest-bearing debt and improve cash flows
- Curtail fixed costs
- Decrease susceptibility to exchange rate fluctuations
Toward the Achievement of ¥90 Billion in Operating Income in Fiscal 2015

[**FY2012**]
Net Sales ¥1,288.8 Billion, Operating Income ¥42 Billion

[**FY2015**]
Net Sales ¥1,600 Billion, Operating Income ¥90 Billion
(+¥311.2 Billion) (+¥48 Billion)

**Expand the range of the solution business and tap into growth markets**

**Increase the competitiveness of existing businesses and expand the range of businesses**

**Commercialize new products and businesses**

**Foreign Exchange**

**Operating Income**
¥90 Billion

- (+18)
- (+11)
- (+8)

- 30MW-class high-efficiency gas turbines, offshore support vessels, next-generation aircraft engines, hydraulic equipments for mobile components, etc.

- Ensure market superiority and enhance added value by providing optimal solutions
- Tap into growth markets, including emerging countries and resource-producing countries

- Improve cost competitiveness by optimizing production systems on a global basis
- Promote differentiation by exploring business opportunities upstream and downstream of existing businesses

**FY2012 (Actual)**

**FY2015 (Target)**
2-2. Business Segment Section

2-2-1. Review of the “MTBP 2010” Achievements
2-2-2. Ship & Offshore Structure Business
2-2-3. Rolling Stock Business
2-2-4. Aerospace Business
2-2-5. Gas Turbine & Machinery Business
2-2-6. Plant & Infrastructure Business
2-2-7. Motorcycle & Engine Business
2-2-8. Precision Machinery Business
2-2-9. By-Segment Quantitative Plan
III. Medium-Term Business Plan “MTBP 2013”
2-2-1. Review of the “MTBP 2010” Achievements (a)

<table>
<thead>
<tr>
<th>Results</th>
<th>Issues</th>
</tr>
</thead>
</table>
| **Ship & Offshore Structure** | ✓ Expanded the revenue base of the Chinese business  
✓ Prepared for entry into businesses related to offshore development  
✓ Enhanced LNG carriers technologies and reduced costs | ✓ Define the functions of domestic shipyards in worldwide shipbuilding bases  
✓ Reinforce the revenue base of the Chinese business to prepare for the deterioration of market conditions  
✓ Promote a smooth launch of the joint venture business in Brazil  
✓ Make a full-scale entry into the offshore structures business |
| **Rolling Stock** | ✓ Reinforced cost-cutting efforts by working on a project team basis  
✓ Increased the profitability in Asian markets, including China  
✓ Organized business bases in North America  
✓ Received orders for railway systems | ✓ Acquire orders in North America  
✓ Improve the capability of project management |
| **Aerospace** | ✓ Completed the development of the next-generation patrol aircraft XP-1, and initiated mass production of P-1 patrol aircraft and C-2 transport aircraft  
✓ Proceeded with the Boeing 787 project  
✓ Reinforced production by enhancing technologies, introducing new production systems, etc. | ✓ Complete the development of next-generation transport aircraft XC-2, and proceed to mass production of P-1 patrol aircraft and C-2 transport aircraft, and expand to develop their derived aircraft  
✓ Cope with increased production rate of Boeing 787 component parts, and expand to their derivative aircraft  
✓ Promote research on future prime projects and enhance productivity |
| **Gas Turbine & Machinery** | ✓ Participated in new commercial aeroengine projects  
✓ Prepared for increased production of the Trent XWB  
✓ Promoted the development of new gas turbine for power generation  
✓ Launched the gas engine business  
✓ Expanded the after-sales service business  
✓ Promoted the development of gas engines for marine | ✓ Expand orders from industrial customers by proposing solutions  
✓ Increase the profitability of new commercial aeroengine projects  
✓ Maintain the foundations of Japan Ministry of Defense business and explore new opportunities |

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### III. Medium-Term Business Plan “MTBP 2013”

#### 2-2-1. Review of the “MTBP 2010” Achievements (b)

<table>
<thead>
<tr>
<th>Results</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plant &amp; Infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>✓ Strengthened competitiveness of the existing technologies through standardization and improvement</td>
<td>✓ Develop human resources with the ability of project management</td>
</tr>
<tr>
<td>✓ Promoted collaboration with domestic and foreign companies</td>
<td>✓ Accelerate the commercialization of new-generation core products</td>
</tr>
<tr>
<td>✓ Accomplished the projects in hand by building internal cooperation beyond the boundaries of existing business units, and secured orders for projects in new businesses areas</td>
<td></td>
</tr>
<tr>
<td><strong>Motorcycle &amp; Engine</strong></td>
<td></td>
</tr>
<tr>
<td>✓ Reinforced business foundations in emerging markets and enhanced the brand image</td>
<td>✓ Enhance profitability of the businesses in developed countries</td>
</tr>
<tr>
<td>✓ Refined systems for global production and procurement</td>
<td>✓ Maintain and enhance competitiveness in emerging markets</td>
</tr>
<tr>
<td>✓ Improved the breakeven point</td>
<td>✓ Promote the globalization of R&amp;D, production and procurement activities</td>
</tr>
<tr>
<td><strong>Precision Machinery</strong></td>
<td></td>
</tr>
<tr>
<td>✓ Boosted production capacity</td>
<td>✓ Diversify the business structure</td>
</tr>
<tr>
<td>✓ Responded properly to an increase in demand for construction machinery in China</td>
<td>✓ Enhance the competitiveness of products by improving systemization technologies</td>
</tr>
<tr>
<td>✓ Increased the five core bases to six for optimized production on a global basis</td>
<td>✓ Accelerate business development in global markets</td>
</tr>
<tr>
<td>✓ Enhanced the competitiveness of products for vehicle assembly</td>
<td></td>
</tr>
<tr>
<td>✓ Enlarged the market share of products for semiconductors</td>
<td></td>
</tr>
<tr>
<td>✓ Developed new business fields</td>
<td></td>
</tr>
</tbody>
</table>
III. Medium-Term Business Plan “MTBP 2013”

2-2-2. Ship & Offshore Structure

Business Vision
The world’s leading shipbuilding and marine engineering group by performing businesses along the lines of the Gas-Offshore-Overseas-Defense (GOOD) strategy

MTBP 2013 (Priority Issues and Quantitative Plan)

1. Gas
- Develop new propulsion plants for next-generation LNG carriers
- Expand the LNG carrier business and reinforce its profitability
- R&D, receive orders for and construct LNG-fueled propulsion ships

2. Offshore:
- Enter into the offshore development business market

3. Overseas Joint Venture:
- Maintain and reinforce profitability of the Chinese business
- Promote a smooth launch of the joint venture business in Brazil

4. Defense, Naval:
- Prepare the business foundations to accommodate the government’s policy of increasing submarines, while ensuring profit growth

Diagram:
- Operating income
- Ratio of operating income to sales

Net Sales
Upper row: Operation in China and Brazil (equity-method affiliates)
LNG*1 carrier equipped with next-generation propulsion plant

- Reheat cycle steam turbine plant (REHEAT)
- Dual fuel diesel electric propulsion system (DFDE)
- Electronically-controlled slow speed two cycle engine (ME-GI)

Promote the use of natural gas to deal with the exhaust gas control regulations and a rise in heavy oil prices

LNG supply carriers & LNG-fueled propulsion ships

EEP, a joint-operated shipyard in which the Company has a stake, received orders for six drill ships from PETROBRAS.

- Efforts are under way to acquire orders for offshore support vessels (OSVs), including PSVs*2 and CSVs.*3

Note: *1 LNG: Liquefied natural gas

Note: *2 PSV: Platform Supply Vessel
*3 CSV: Construction Support Vessel

Marine Resource Development Sector

For Greater Energy Conservation and Lower Environmental Impacts

III. Medium-Term Business Plan “MTBP 2013”
2-2-2. Ship & Offshore Structure (Product Development)
III. Medium-Term Business Plan “MTBP 2013”
2-2-3. Rolling Stock

**<Business Vision>**
To become a global rolling stock systems manufacturer that takes advantage of its world-class technologies and quality to engage in a broad spectrum of businesses that range from high speed rail (HSR) to light rail transit (LRT)

**MTBP 2013 (Priority Issues and Quantitative Plan)**

1. **Domestic Market**
   - Enhance competitiveness by developing cutting-edge technologies and new rolling stock models to accommodate customer needs

2. **North American Market**
   - Steadily implement the projects for which orders have already been received
   - Enhance the readiness to meet the demand for new construction and updated high-speed rail cars and intercity transportation

3. **Asian Market**
   - Enhance project management abilities to handle railway system projects
   - Optimize project implementation through partnerships with local companies

### Net Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'10</td>
<td>131.1</td>
</tr>
<tr>
<td>'11</td>
<td>132.6</td>
</tr>
<tr>
<td>'12</td>
<td>129.9</td>
</tr>
<tr>
<td>'13</td>
<td>155.0</td>
</tr>
<tr>
<td>'15</td>
<td>180.0</td>
</tr>
<tr>
<td>'20</td>
<td>260.0</td>
</tr>
</tbody>
</table>

### Operating Income and Ratio

- Operating income
- Ratio of operating income to sales
III. Medium-Term Business Plan “MTBP 2013”
2-2-3. Rolling Stock (Product Development)

Railway System

- Responsible for system integration

Railway system for the Taichung City Government

Rolling Stock for Overseas Customers

- The most advanced systems

WMATA Series 7000 subway car

Railroad Truck

- Significant weight reduction was achieved by using CFRP solebars

efWING®

Gigacell®

- Greater energy conservation and lower environmental impact

Gigacell systems that reduce power system frequency fluctuation (subsidized by NEDO)
III. Medium-Term Business Plan “MTBP 2013”
2-2-4. Aerospace

Business Vision
A leader in Japan’s aerospace industry and an aircraft manufacturer with international competitiveness in terms of quality, cost, and delivery speed

MTBP 2013 (Priority Issues and Quantitative Plan)

1. Defense
   - Establish a system of mass production for P-1 patrol aircraft and C-2 transport aircraft, and expand to develop their derived aircraft
   - Acquire orders for new projects by taking advantage of the capabilities as a system integrator, thereby increasing market share

2. Commercial
   - Cope with increased production rate of Boeing 787 component parts and enhance the profitability thereof, and expand to their derivative aircraft
   - As a Tier 1 partner responsible for both design and production, achieve greater international competitiveness

(Billion yen)

Operating income
Ratio of operating income to sales

Net Sales

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### Commercial Sector

**Component parts for Boeing 787**
(responsible component: forward fuselage, etc.)
Scheduled flights began in November, 2011
Fuel consumption efficiency improved 20% through the use of composite materials, etc.

**BK117**
Fire-fighting anti-disaster, Emergency medical service, etc.

### Defense Sector

**P-1 patrol aircraft**
The first mass produced P-1 aircraft was delivered to Japan Ministry of Defense in March, 2013

**XC-2 transport aircraft**
The first mass produced C-2 is scheduled to be delivered to Japan Ministry of Defense in March 2015
III. Medium-Term Business Plan “MTBP 2013”
2-2-5. Gas Turbine & Machinery

Business Vision
Global equipment and system manufacturer in the transport system and energy & environment sector

MTBP 2013 (Priority Issues and Quantitative Plan)

1. Aero Engines
   - Ensure a smooth launch of the PW1100G-JM and Passport20 and increase the profitability of the Trent1000 and TrentXWB
   - Continuous participation in new development projects as a module supplier
   - Expand the businesses by strengthening sales to overseas, especially in Oil & Gas-related offshore markets

2. Marine
   - Develop and commercialize the next-generation equipment and systems for marine
   - Strengthen solution business through the establishment of the Energy Solution Division

3. Energy & Environmental Engineering
   - Capture domestic demand for decentralized power sources utilizing industrial gas turbines and gas engines, and seek international business development

MTBP 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'10</td>
<td>202.6</td>
</tr>
<tr>
<td>'11</td>
<td>194.6</td>
</tr>
<tr>
<td>'12</td>
<td>207.0</td>
</tr>
<tr>
<td>'13</td>
<td>185.0</td>
</tr>
<tr>
<td>'15</td>
<td>250.0</td>
</tr>
<tr>
<td>'20</td>
<td>420.0</td>
</tr>
</tbody>
</table>

Operating income (Billion yen)
- '10: 6.0
- '11: 8.0
- '12: 9.0
- '13: 10.0
- '15: 11.0

Ratio of operating income to sales (%)
Baseload Power Generation Facility

- Maintaining highest efficiency in its class (measured as a single unit)
- Enhance efficiency by heat utilization system

Energy-Saving and Environmentally-Friendly Aircraft Jet Engines

- 30MW-class gas turbine
- 8MW-class gas engine
- 30MW-class gas turbine
- 8MW-class gas engine

- Modules for Rolls-Royce Trent1000/XWB
- Continue participation in new development projects, through design and manufacture of IPC (Intermediate Pressure Compressor) modules.
  - Trent 1000 for Boeing 787
  - Trent XWB for Airbus A350 XWB

Next-Generation Equipment and Systems for Marine

- Gas engines for marine
  - Develop these engines based on the economical and environment-friendly gas engines for power generation
- Environment-friendly diesel engines for marine
  - Develop the technology for combining water-emulsion fuel and the EGR*1 system to enhance fuel efficiency and reduce NOx emissions

Note *1: Exhaust Gas Recirculation
III. Medium-Term Business Plan “MTBP 2013”

2-2-6. Plant & Infrastructure

Business Vision
Focus on energy and environment and be an EPC contractor with distinctive features to contribute to the conservation of the global environment

MTBP 2013 (Priority Issues and Quantitative Plan)

1. Achieve stable sales and profit while enhancing comprehensive project execution capabilities to cover every phase of the EPC project
2. Improve and standardize the existing technologies and accelerate to launch new-generation core products
3. Advance into overseas markets with proven technologies and cross-border collaboration
4. Upgrade Harima Works to be a mother factory
5. Maintain stable profitability

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Billion yen)</th>
<th>Operating income</th>
<th>Ratio of operating income to sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>'10</td>
<td>89.0</td>
<td>37.6</td>
<td>41.7%</td>
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<td>'11</td>
<td>122.8</td>
<td>35.5</td>
<td>28.7%</td>
</tr>
<tr>
<td>'12</td>
<td>115.8</td>
<td>33.2</td>
<td>28.6%</td>
</tr>
<tr>
<td>'13</td>
<td>115.0</td>
<td>36.0</td>
<td>31.4%</td>
</tr>
<tr>
<td>'15</td>
<td>140.0</td>
<td>36.0</td>
<td>25.7%</td>
</tr>
<tr>
<td>'20</td>
<td>270.0</td>
<td>80.0</td>
<td></td>
</tr>
</tbody>
</table>

Operating income
Ratio of operating income to sales

Net Sales
Upper row: Operation in China (equity-method affiliate)
Development of Next-generation Technologies regarding Energy and Environmental Engineering Sector

Compact GTL*1 Plant
- Possible onboard plant size: 1,400m² for the 1,000-bpd class
- Reactor module

ZEET*2 System
- Water Treatment Plant
  - MBR
- Waste Treatment Plant
  - Gasification Furnace
- Cement Plant
  - 5000td
- Recycled Water
- Wastewater

Liquefied Hydrogen Container for Marine Transport

Note*1: Gas To Liquid
- The GTL technology converts the associated gas released from oil drilling into liquid fuel using a reactor to reform and synthesize the gas

Note*2: Zero-Emission Eco Town
- The ZEET system conducts hygienic treatment of waste and sludge, while using them as the energy and material for producing cement, thereby eliminating waste to zero

» The GTL technology is essential to meet tighter environmental regulations
» Downsizing the reactor modules enable:
  - Offshore and onboard processing of associated gas
  - Optimization of facility capabilities according to the size of the oilfield

» The ZEET system achieves zero emission at a minimum cost
  - Reduce the cost of waste disposal facilities and their operation

» Ensure higher efficiency of transporting hydrogen to prepare for a society where hydrogen use is prevalent
  - Advanced heat sealing technology
  - Wide experience in liquefied hydrogen-related facilities
<Business Vision>
A world-class personal vehicle and engine manufacturer focused on motorcycles that can further appeal Fun to Ride, supported by advanced environmental technologies

MTBP 2013 (Priority Issues and Quantitative Plan)

1. Improve the profitability of businesses in developed countries
   - Reinforce non-price competitiveness through branding efforts
   - Reduce the fixed costs for production by enhancing the globalized production structure

2. Expand the businesses in emerging countries
   - Establish the premium brand for leisure motorcycles
   - Accommodate the growing demand by boosting production capacity

3. Reinforce the earning base for the general-purpose engine business
   - Explore new markets through business alliances
   - Enhance the performance and quality of products to ensure continuation of existing businesses and develop new businesses
   - Reduce the fixed production costs and variable costs by establishing a global production system centering on the United States and China

(Billion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating income (Billion yen)</th>
<th>Ratio of operating income to sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>'10</td>
<td>1.0</td>
<td>2.0%</td>
</tr>
<tr>
<td>'11</td>
<td>2.0</td>
<td>5.0%</td>
</tr>
<tr>
<td>'12</td>
<td>3.0</td>
<td>10.0%</td>
</tr>
<tr>
<td>'13</td>
<td>5.0</td>
<td>15.0%</td>
</tr>
<tr>
<td>'15</td>
<td>10.0</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

Net Sales

- '10: 234.4
- '11: 235.2
- '12: 251.8
- '13: 290.0
- '15: 300.0
- '20: 300.0
III. Medium-Term Business Plan “MTBP 2013”
2-2-7. Motorcycle & Engine (Product Development)

Motorcycles & Off-Road Four-Wheel Vehicles

Development of products unique to Kawasaki along the key concepts:
Fun to Ride, Ease of Riding and Environment

Improve the profitability of businesses in developed countries
- Enhance the brand value by boosting product strengths
- Update the top priority models in important product categories
- Promote development of advanced technologies to achieve higher fuel efficiency, electrification, etc.

Expand the businesses in emerging countries
- Enlarge the model lineup
- Develop strategic models at lower cost
- Reinforce the R&D facilities in Asia

General-Purpose Engine Business

Development of high-value-added engines for professional use

Reinforce the earning base
- Reinforce the relations with existing OEM suppliers through the development of new engine models
- Reduce costs and acquire new customers through business operations centering on the United States and China

Products shown are currently available models.
<Business Vision>
A manufacturer of top brands in the motion control sector that provides customers around the world with drive and control systems, engineering, and services centered on hydraulics technologies

(Robots)
A manufacturer of robots that establishes the industry’s leading position in various fields of application, such as automobiles and semiconductors by providing the advanced level of quality and total solutions, while addressing emerging needs for automation

MTBP 2013 (Priority Issues and Quantitative Plan)

1. Hydraulic Equipment Business
   - Ensure a continuing high share of the excavator market and step up efforts for other construction and agricultural machinery
   - Establish an optimal production system on a global basis centering on the mother factory in Japan

2. Robots Business
   - Develop robots for emerging markets to prepare for globalization of the business
   - Expand market share in the automotive and semiconductor fields
   - Explore and commercialize business opportunities in the medical and pharmaceutical fields

III. Medium-Term Business Plan “MTBP 2013”
2-2-8. Precision Machinery

MTBP 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Billion yen)</th>
<th>Operating income</th>
<th>Ratio of operating income to sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>'10</td>
<td>140.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'11</td>
<td>175.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'12</td>
<td>130.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'13</td>
<td>140.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'15</td>
<td>190.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'20</td>
<td>280.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
III. Medium-Term Business Plan “MTBP 2013”

2-2-8. Precision Machinery (Product Development)

**High-Performance Hydraulic Equipment**
- Maintain an overwhelming share in the excavator field
- Increase orders by enhancing the ability of systemization

**Industrial Robots/Automation Equipment**
- Develop robots for emerging countries
- Introduce innovative welding technologies

**Envisaging New Applications and Next-Generation Production Technologies**
- Expand sales of hydraulic equipment for construction machinery and agricultural machinery
- Promote medical and healthcare applications
- Develop human-friendly robot technologies

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Note*1: HST: Hydro Static Transmission
Note*2: FSJ: Friction Spot Joining
### III. Medium-Term Business Plan “MTBP 2013”

#### 2-2-9. By-Segment Quantitative Plan (a)

The table below presents the planned net sales and operating income for each segment, along with the ratio of operating income to sales. The exchange rate assumption is 95 yen=US$1.

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2012 (actual)</th>
<th>FY2013 (forecast)</th>
<th>FY2015 (target)</th>
<th>FY2012 (actual)</th>
<th>FY2013 (forecast)</th>
<th>FY2015 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ship &amp; Offshore Structure</td>
<td>90.3</td>
<td>70.0</td>
<td>135.0</td>
<td>4.1</td>
<td>4.5%</td>
<td>0.0</td>
</tr>
<tr>
<td>Rolling Stock</td>
<td>129.9</td>
<td>155.0</td>
<td>180.0</td>
<td>2.2</td>
<td>1.7%</td>
<td>6.0</td>
</tr>
<tr>
<td>Aerospace</td>
<td>239.1</td>
<td>290.0</td>
<td>270.0</td>
<td>14.8</td>
<td>6.2%</td>
<td>19.0</td>
</tr>
<tr>
<td>Gas Turbine &amp; Machinery</td>
<td>207.0</td>
<td>185.0</td>
<td>250.0</td>
<td>7.0</td>
<td>3.4%</td>
<td>11.0</td>
</tr>
<tr>
<td>Plant &amp; Infrastructure</td>
<td>115.8</td>
<td>115.0</td>
<td>140.0</td>
<td>9.7</td>
<td>8.4%</td>
<td>7.0</td>
</tr>
<tr>
<td>Motorcycle &amp; Engine</td>
<td>251.8</td>
<td>290.0</td>
<td>300.0</td>
<td>2.3</td>
<td>0.9%</td>
<td>10.0</td>
</tr>
<tr>
<td>Precision Machinery</td>
<td>130.4</td>
<td>140.0</td>
<td>190.0</td>
<td>8.4</td>
<td>6.4%</td>
<td>14.0</td>
</tr>
<tr>
<td>Other</td>
<td>124.2</td>
<td>135.0</td>
<td>135.0</td>
<td>-6.8</td>
<td>-5.5%</td>
<td>-7.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,288.8</td>
<td>1,380.0</td>
<td>1,600.0</td>
<td>42.0</td>
<td>3.3%</td>
<td>60.0</td>
</tr>
</tbody>
</table>

Exchange rate assumption: 95 yen=US$1
### III. Medium-Term Business Plan “MTBP 2013”

#### 2-2-9. By-Segment Quantitative Plan (b)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2012 (actual)</th>
<th>FY2013 (forecast)</th>
<th>FY2015 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ship &amp; Offshore Structure</td>
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<td>0.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Rolling Stock</td>
<td>4.6%</td>
<td>7.5%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Aerospace</td>
<td>15.9%</td>
<td>12.9%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Gas Turbine &amp; Machinery</td>
<td>5.3%</td>
<td>4.7%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Plant &amp; Infrastructure</td>
<td>21.2%</td>
<td>16.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Motorcycle &amp; Engine</td>
<td>3.4%</td>
<td>3.8%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Precision Machinery</td>
<td>14.0%</td>
<td>17.1%</td>
<td>26.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6.1%</strong></td>
<td><strong>7.4%</strong></td>
<td><strong>11.0%</strong></td>
</tr>
</tbody>
</table>
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.