

Kawasaki Heavy Industries, Ltd.

November 8, 2024

Company Name: Kawasaki Heavy Industries, Ltd.
Representative: Yasuhiko Hashimoto,
Representative Director,
President and Chief Executive Officer
Stock code: 7012
TSE (Prime Market), and NSE (Premier
Market)
Contact: Takashi Torii,
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**Notice Regarding a Capital and Business Alliance to
Strengthen the Business of a Subsidiary (Kawasaki Motors, Ltd.)**

Kawasaki Heavy Industries, Ltd. (hereinafter, "the Company") has resolved, at its Board of Directors meeting held on November 8, 2024, that the Company will sell 20% of the outstanding shares of its consolidated subsidiary Kawasaki Motors, Ltd. (hereinafter, "Kawasaki Motors") owned by the Company to Kawasaki Motors as described below, and that Kawasaki Motors will conduct a third-party allotment to ITOCHU Corporation (hereinafter, "ITOCHU") whereby 20% of the outstanding shares of Kawasaki Motors will be allocated to ITOCHU. Along with the resolutions, the three companies entered into a capital and business alliance agreement on the same date. The following document is intended to provide notice of these events.

1. The Objectives of the Capital and Business Alliance

In order to realize the "Group Vision 2030" enacted in fiscal year 2020, the Company has been stepping up efforts to offer solutions to address social issues as well as to build an operating system and growth scenarios for generating such solutions. As a part of this process, and while Kawasaki Motors is executing various management measures to achieve its target of one trillion yen in net sales, the three companies have been engaging in discussions concerning the possibility of collaboration that utilizes their respective resources and have reached an agreement under which the companies will work together through closer collaboration with ITOCHU as a medium and long-term partner in the Powersports & Engine business, aiming to promote personnel exchanges among the companies and to pursue mutual growth strategies.

Through this alliance, the companies will establish a system enabling them to provide financial services directly to users within the North American market, which is the world's largest market and the priority market for Kawasaki Motors, in a bid to enhance resilience against changes in market conditions and further strengthen its sales base, thereby accelerating and strengthening the growth strategies of Kawasaki Motors.

As background, ITOCHU has built a collaborative relationship with Kawasaki Motors in helping promote exportation and manage European sales operations since the initial stages of overseas expansion of Kawasaki Motors' motorcycle business that began in the 1960's and has a deep understanding of Kawasaki Motors' businesses. Besides, ITOCHU has been driving growth investment and business expansion with a focus on downstream businesses closer to consumers, and has extensive knowledge and expertise

required to operate financing businesses based on its own operational experiences in sales finance services.

The Company also believes that this alliance bears great significance for the entire Group of the Company, as the fund to be raised this time will help the Company make further investment in the hydrogen business and two other business identified as focal fields in our Group Vision 2030. Leveraging the alliance, the Company will accelerate investments in growth areas, aiming to realize sustainable growth for the Group as early as possible while improving overall capital efficiency and financial strengths of the Group with a more appropriate balance sheet structure.

2. Details of the Capital and Business Alliance

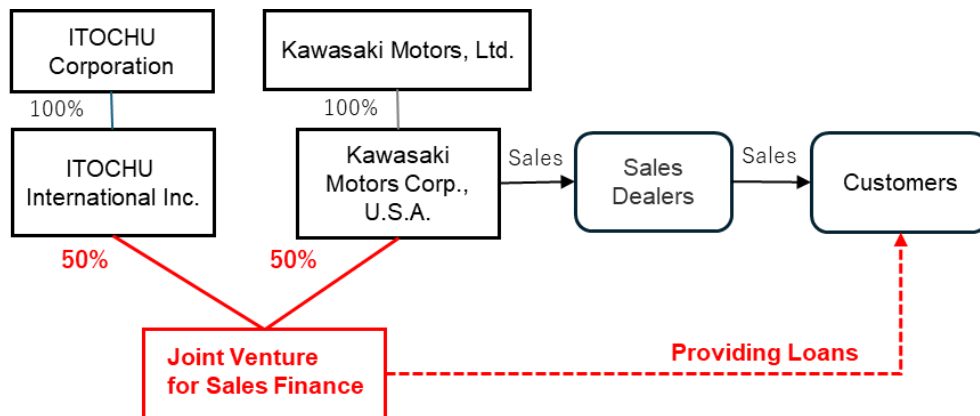
(1) Establishment of a joint venture for the purpose of providing sales finance services

Kawasaki Motors and ITOCHU will first establish a joint venture company that will provide sales finance services aimed at the U.S. market.

As there is high customer demand in the U.S. market for long-term installment payments when purchasing powersports products, there is a need to provide quick screening processes and competitive financing menus for dealers and customers.

By providing high quality financial services via a market-in approach in parallel with efforts to implement an appealing, new model, and thus further expanding the sales of the products and services of and extending the value chain in the U.S., the joint venture company will help strengthen Kawasaki Motors' customer base fundamentally and solidify its competitive advantage in the U.S. market, which accounts for more than half of Kawasaki Motors' sales.

The scheme for the sales finance services will be as follows:



(2) Joint efforts for global sales cooperation and logistics efficiency

Kawasaki Motors and ITOCHU will promote the global expansion of powersports products through proactive personnel exchanges between the two companies and the active use of ITOCHU's global bases of operation.

The two companies intend to capture greater demand in countries where Kawasaki Motors has not yet fully penetrated, starting with the new markets of the CIS, the Middle East, Africa, and Latin America, where ITOCHU possesses deep knowledge based on its commitment to automotive businesses, while making efforts to improve overall logistics efficiency by leveraging land-sea transport logistics network of ITOCHU group companies.

(3) Details of the capital alliance

- ① In order to maximize the effect of this broad business alliance described above, besides establishing the aforementioned joint venture company, the parties will form a capital alliance in which ITOCHU will own a part of Kawasaki Motors' shares as follows.

- (i) In order for Kawasaki Motors to acquire its own shares held by the Company through a share buyback, the Company will transfer 4,000 ordinary shares to Kawasaki Motors (hereinafter, "Share Transfer").
- (ii) Kawasaki Motors will conduct a third-party allocation of 4,000 ordinary shares to ITOCHU as the underwriter (hereinafter referred to as the "Third-party Allotment Capital Increase").
- (iii) Based on the results of (i) and (ii) above, the Company will hold 80% of the voting rights of Kawasaki Motors, while ITOCHU will hold 20%.

② Overview of the Share Transfer

(1)	The number of shares retained by the Company prior to the Share Transfer	20,000 shares (100% voting rights ownership)
(2)	Number of shares to be transferred	4,000 shares
(3)	Transfer price	80 billion yen
(4)	Date of transfer	April 1, 2025 (expected)

③ Overview of the Capital Increase through Third-party Allotment

(1)	Number of shares issued	4,000 shares (100% voting rights ownership)
(2)	Total value issued	80 billion yen
(3)	Number of shares issued after capital increase	20,000 shares
(4)	Date of payment	April 1, 2025 (expected)
(5)	The number of shares retained by the Company following the Share Transfer and the Capital Increase through Third-party Allotment	16,000 shares (approximately 80% voting rights ownership)

3. Overview of the subsidiary

(1)	Name	Kawasaki Motors, Ltd.		
(2)	Location	1-1 Kawasaki-cho, Akashi-shi, Hyogo 673-8666, Japan		
(3)	Job title and name of representative	Hiroshi Ito, Representative Director, President and Chief Executive Officer		
(4)	Description of business	Motorcycle & Engine business		
(5)	Share Capital	1 billion Japanese Yen		
(6)	Date of Establishment	February 12, 2021		
(7)	Major shareholders and ownership ratios	Kawasaki Heavy Industries, Ltd. (100%)		
(8)	Relationship between the Company and the subsidiary	Capital relationship	The wholly owned subsidiary of the Company.	
		Personnel relationship	Four executive officers of Kawasaki Heavy Industries are also directors and corporate auditors, etc. of Kawasaki Motors.	
		Business relationship	—	
(9)	Operating results and financial positions of the subsidiary for the last three years			
	Years ended March 31	2022	2023	2024
	Net assets	58,675 million yen	107,707 million yen	125,846 million yen

Total assets	176,173 million yen	235,526 million yen	269,837 million yen
Net assets per share	2,933,750.18 yen	5,385,373.31 yen	6,292,343.88 yen
Net sales	148,355 million yen	364,175 million yen	363,944 million yen
Operating profit	8,198 million yen	47,533 million yen	40,902 million yen
Ordinary profit	10,443 million yen	69,653 million yen	39,704 million yen
Profit	7,200 million yen	56,093 million yen	33,979 million yen
Earnings per share	714,802.34 yen	2,804,668.52 yen	1,698,991.92 yen
Dividend per share	360,010.19 yen	0 yen	872,900.00 yen

4. Overview of the counterparty to the capital and business alliance

(1) Name	ITOCHU Corporation																						
(2) Location	1-3, Umeda 3-chome, Kita-ku, Osaka, 530-8448, Japan																						
(3) Job title and name of representative	Keita Ishii, Representative Director, President & Chief Operating Officer																						
(4) Description of business	General trading company																						
(5) Share Capital	253,448 million yen (as of the year ending March of 2024)																						
(6) Date of Establishment	December 1, 1949																						
(7) Major shareholders and ownership ratios	<table border="0"> <tr> <td>The Master Trust Bank of Japan, Ltd. (trust account)</td> <td>16.09%</td> </tr> <tr> <td>BNYM AS AGT / CLTS 10 PERCENT</td> <td>9.04%</td> </tr> <tr> <td>Custody Bank of Japan, Ltd. (trust account)</td> <td>5.30%</td> </tr> <tr> <td>CP WORLDWIDE INVESTMENT COMPANY LIMITED</td> <td>3.91%</td> </tr> <tr> <td>Nippon Life Insurance Company</td> <td>2.36%</td> </tr> <tr> <td>Mizuho Bank, Ltd.</td> <td>2.17%</td> </tr> <tr> <td>SSBTC CLIENT OMNIBUS ACCOUNT</td> <td>1.91%</td> </tr> <tr> <td>STATE STREET BANK WEST CLIENT - TREATY 505234</td> <td>1.75%</td> </tr> <tr> <td>Asahi Mutual Life Insurance Company</td> <td>1.62%</td> </tr> <tr> <td>JP MORGAN CHASE BANK 385781</td> <td>1.30%</td> </tr> </table> (as of March 2024)			The Master Trust Bank of Japan, Ltd. (trust account)	16.09%	BNYM AS AGT / CLTS 10 PERCENT	9.04%	Custody Bank of Japan, Ltd. (trust account)	5.30%	CP WORLDWIDE INVESTMENT COMPANY LIMITED	3.91%	Nippon Life Insurance Company	2.36%	Mizuho Bank, Ltd.	2.17%	SSBTC CLIENT OMNIBUS ACCOUNT	1.91%	STATE STREET BANK WEST CLIENT - TREATY 505234	1.75%	Asahi Mutual Life Insurance Company	1.62%	JP MORGAN CHASE BANK 385781	1.30%
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(8) Relationship between the Company and the counterparty	Capital relationship	Not applicable																					
	Personnel relationship	Not applicable																					
	Business relationship	The Company and its affiliates have transactions such as purchasing materials and leasing with the counterparty and its affiliates.																					
	Status of applicability to related parties	Not applicable																					
(9) Consolidated operating results and consolidated financial positions of the counterparty for the last three years																							
Years ended March 31	2022	2023	2024																				
Total shareholders' equity	4,199,325 million yen	4,823,259 million yen	5,426,962 million yen																				
Total assets	12,153,658 million yen	13,115,400 million yen	14,489,701 million yen																				
Shareholders' equity	2,857.50 yen	3,314.35 yen	3,771.77 yen																				

per share			
Revenues	12,293,348 million yen	13,945,633 million yen	14,029,910 million yen
Trading income	582,522 million yen	701,913 million yen	702,900 million yen
Profit before tax	1,150,029 million yen	1,106,861 million yen	1,095,707 million yen
Net profit attributable to ITOCHU	820,269 million yen	800,519 million yen	801,770 million yen
Basic earnings per share attributable to ITOCHU	552.86 yen	546.10 yen	553.00 yen
Dividend per share	110 yen	140 yen	160 yen

5. Timetable

(1) Date of resolution at the meeting of the Board of Directors	November 8, 2024
(2) Date of conclusion of the agreement	November 8, 2024
(3) Effective date	April 1, 2025 (expected)

6. Future outlook

Although this alliance will not have any effect on the results for the current fiscal year, we believe that conducting business development based on this capital and business alliance will contribute toward the improvement of the performance of the Company and Kawasaki Motors over the medium-to-long term. In addition, we expect that the impact of the execution of the Share Transfer will be a recording of approximately 70 billion yen in extraordinary income for the non-consolidated financial results of the Company for the year ending March of 2026. However, as Kawasaki Motors will remain a consolidated subsidiary of the Company even after this transaction, we expect that the impact on consolidated profit and loss will be minor.

END

Attachment: Growth Strategy for Powersports & Engine Business (Kawasaki Motors)

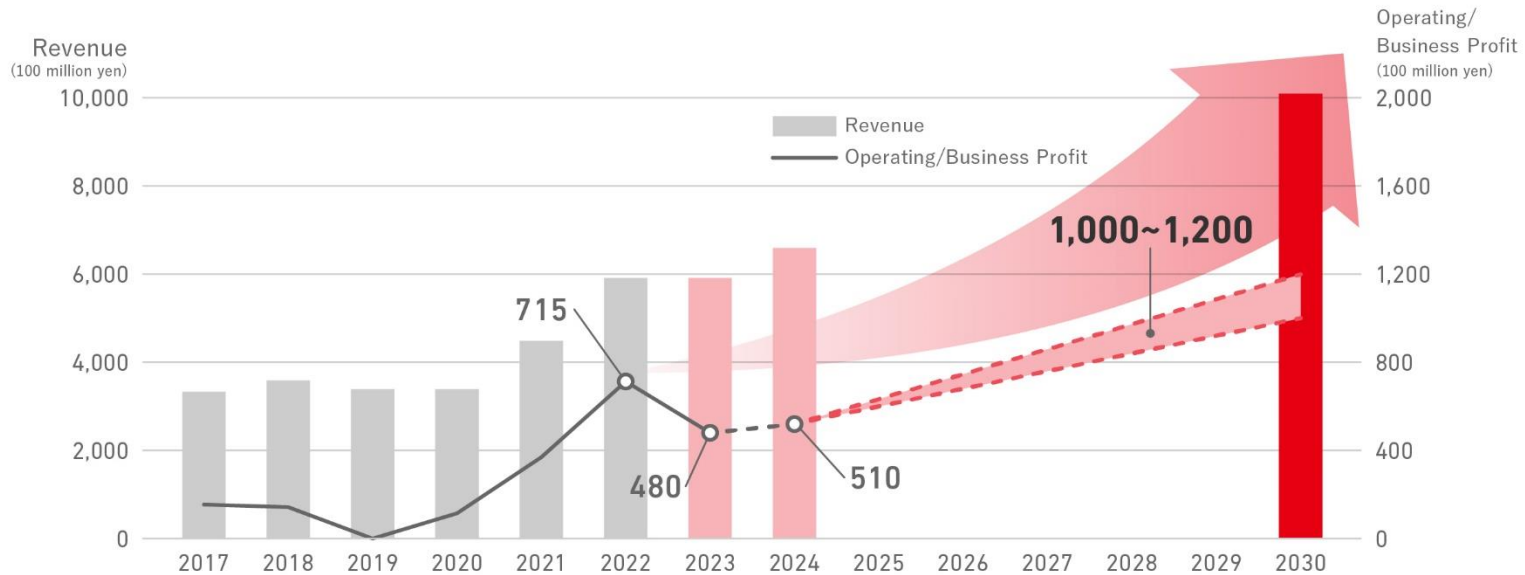
Growth Strategy for Powersports & Engine Business (Kawasaki Motors)

- About the acceptance of equity investment and business alliance with ITOCHU -

2024.11.8

Powersports & Engine Business (Kawasaki Motors)

- Continue to drive growth strategy with a target of achieving 100 billion yen in operating/business profit for the 2030 Vision
- As one of the mass-production businesses in Kawasaki Group, PS&E continues to contribute as a major source of Group revenues



About the Business Alliance

Objective

- Further accelerate the growth strategy of Kawasaki Motors that aims to achieve 100 billion yen in operating/business profit by 2030 under “Group Vision 2030” through collaboration between ITOCHU Group and Kawasaki Motors

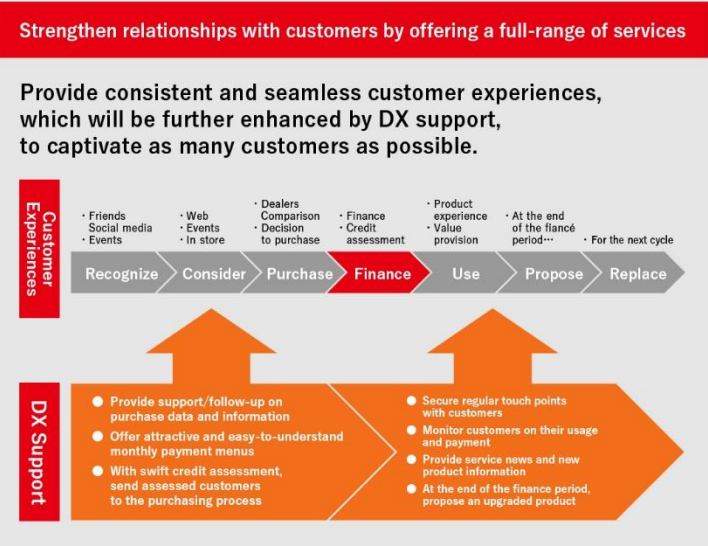
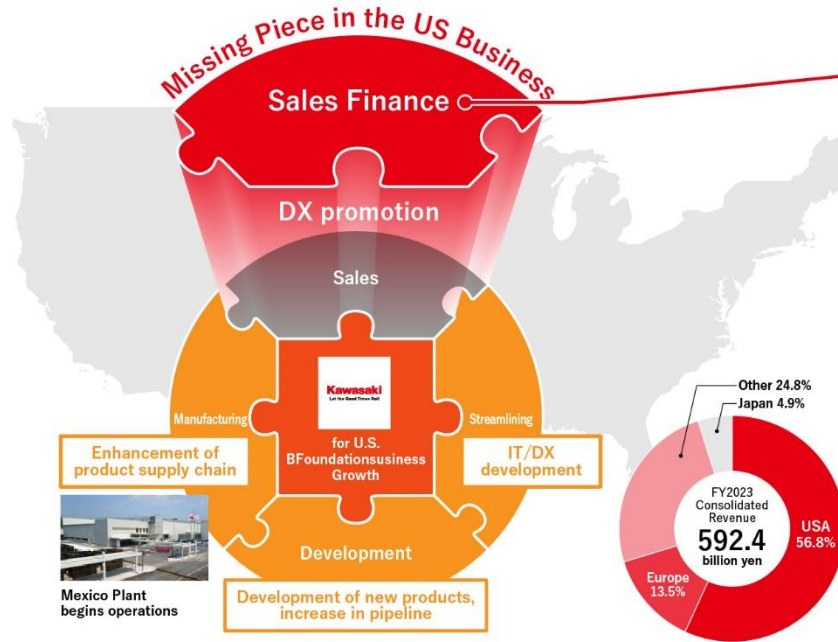
協業内容

1. Cooperate in finance services
 - ・ Establish a joint venture company with ITOCHU Group for sales finance services in the United States
2. Pursue sales collaboration globally
 - ・ Through collaboration, develop markets with more growth opportunities and capture further demand
3. Promote personnel exchanges and reinforce management base
 - ・ Enhance our management resources through personnel exchanges including the acceptance of outside directors and seconded employees.
4. Collaborate in logistics, etc.
 - ・ Strengthen and streamline our operations by leveraging ITOCHU’s expertise related to logistics, etc.

About sales finance in the United States at Kawasaki Motors

- The missing piece for achieving sustainable growth -

Establish our competitive advantage in the United States by starting sales finance through the joint venture and while thoroughly implementing DX in a bid to solidify foundation for our future growth.

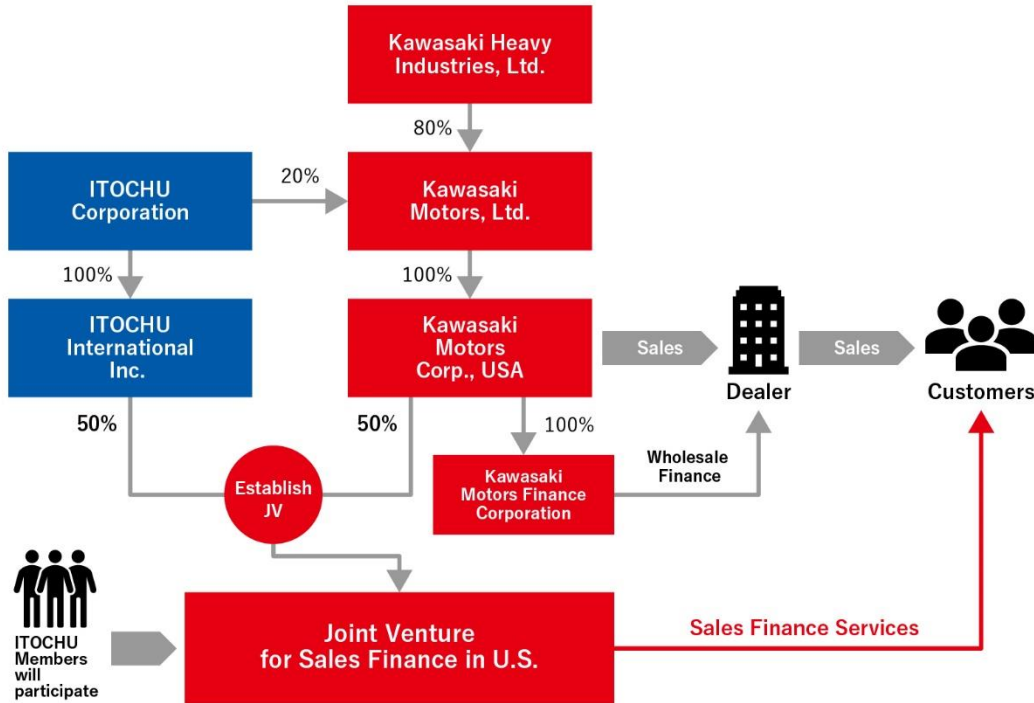


DX: Digital Transformation

Establishment of a finance subsidiary with ITOCHU Group

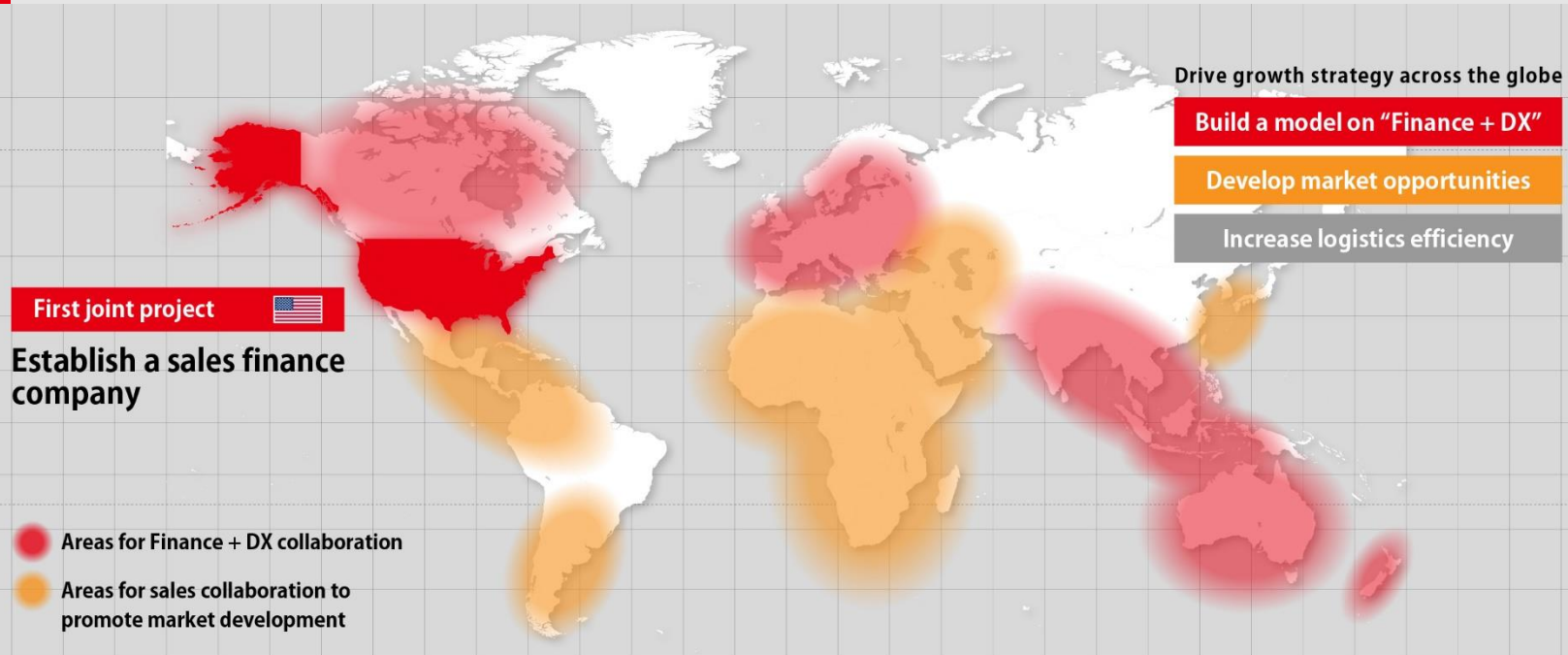
- The best partner to accelerate sales finance businesses -

The proposed collaboration will realize prompt and effective launch of the project.



Collaboration with ITOCHU Group

- Activate the collaboration on a global scale -



Kawasaki
Let the Good Times Roll



ITOHU
ITOHU

Use of the fund raised through the equity transfer

- Allocate it to investment in priority fields for achieving Group Vision 2030 -



Energy and Environmental Solutions



Near-Future Mobility

- Rolling Stock
- Ship
- Aircraft
- Motorcycle
- Off-road four-wheelers

- Unmanned VTOL Aircraft
- Delivery Robot
- Mobility Supporting a Smart City
- Solutions for the logistics industry

A Safe and Secure Remotely-Connected Society

- Industrial robots
- Disaster preparedness products (Emergency gas turbine, medevac/disaster response helicopters, off-road two/four-wheelers)
- Robot System "Successor"/development and intelligence of humanoid robots

- Robotic assisted surgery system "hinotori™ Surgical Robot System"
- Healthcare
- Platform business connecting "people who want to work with businesses seeking labor"

New Values



A Safe and Secure
Remotely-Connected Society



"Near-Future" Mobility



Cross Over

Trustworthy
Solutions
for the Future

Energy and Environmental Solutions



Frontier