

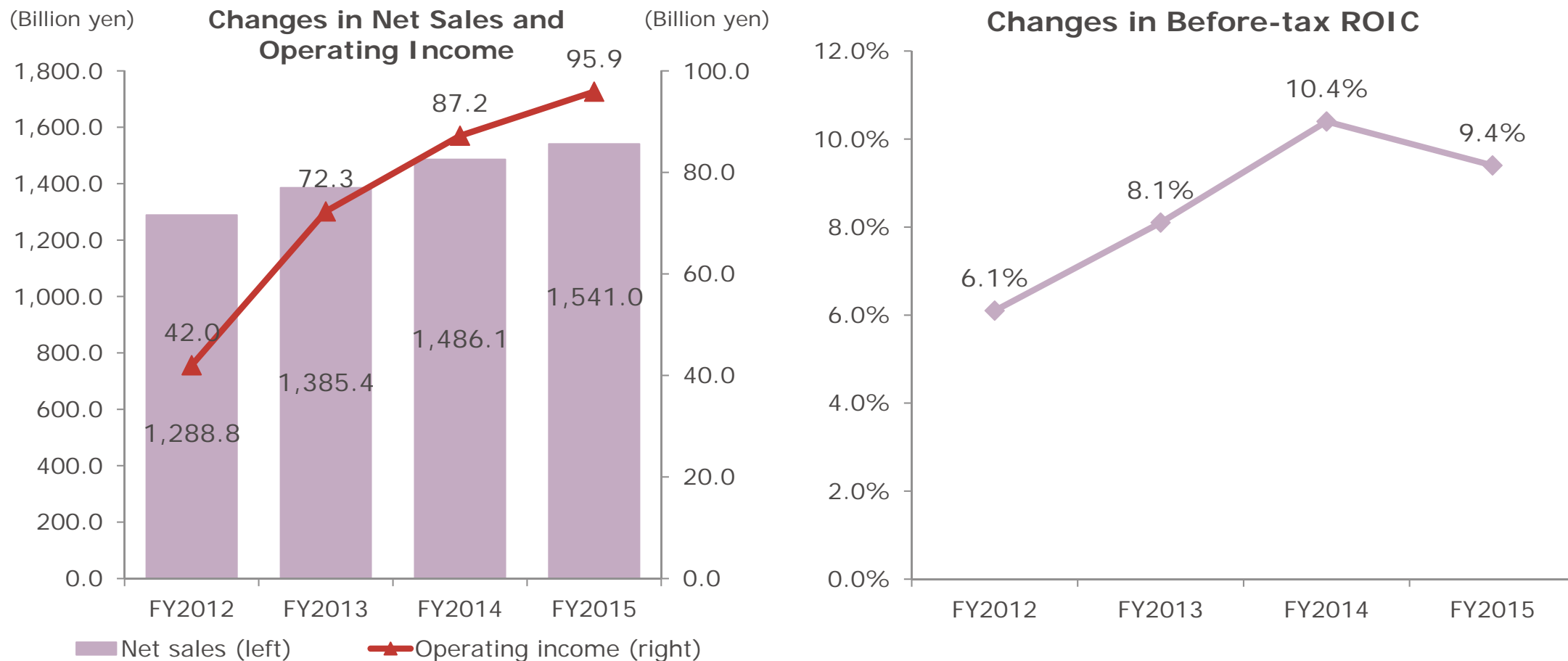
Medium-Term Business Plan “MTBP 2016” (FY2016-2018)

April 27, 2016

Kawasaki Heavy Industries, Ltd.

I . Looking Back on MTBP 2013

Changes in Business Performance

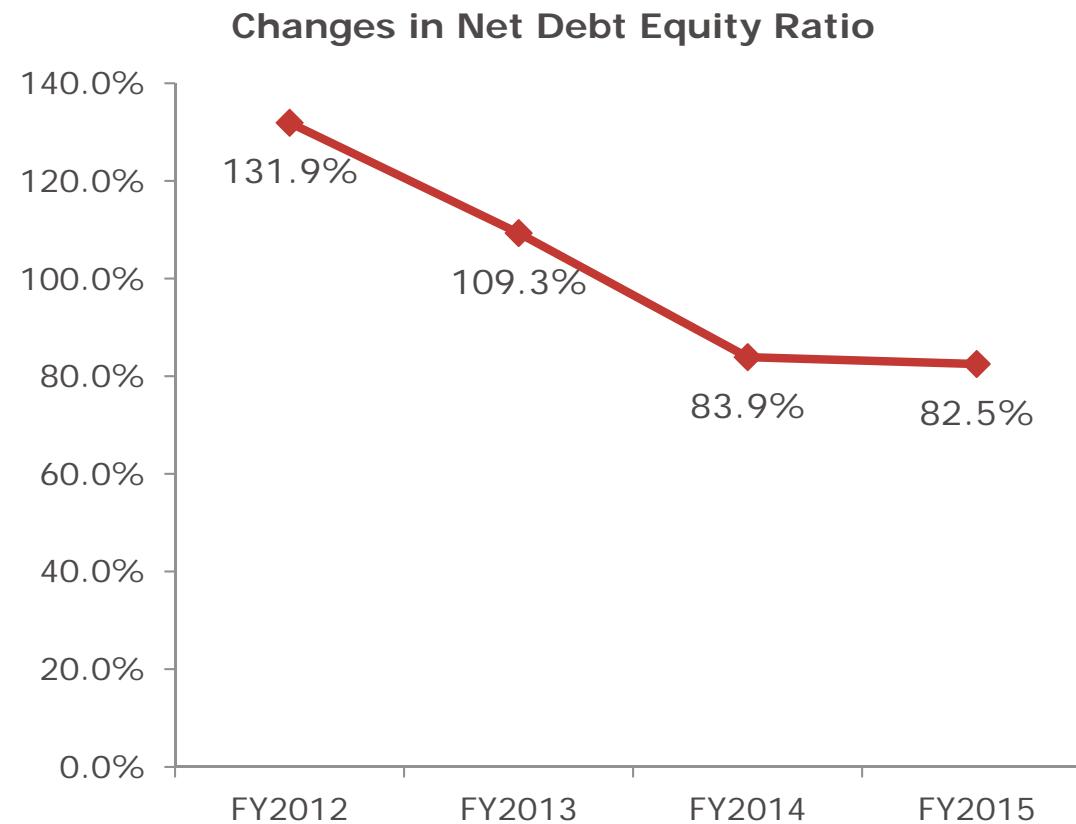
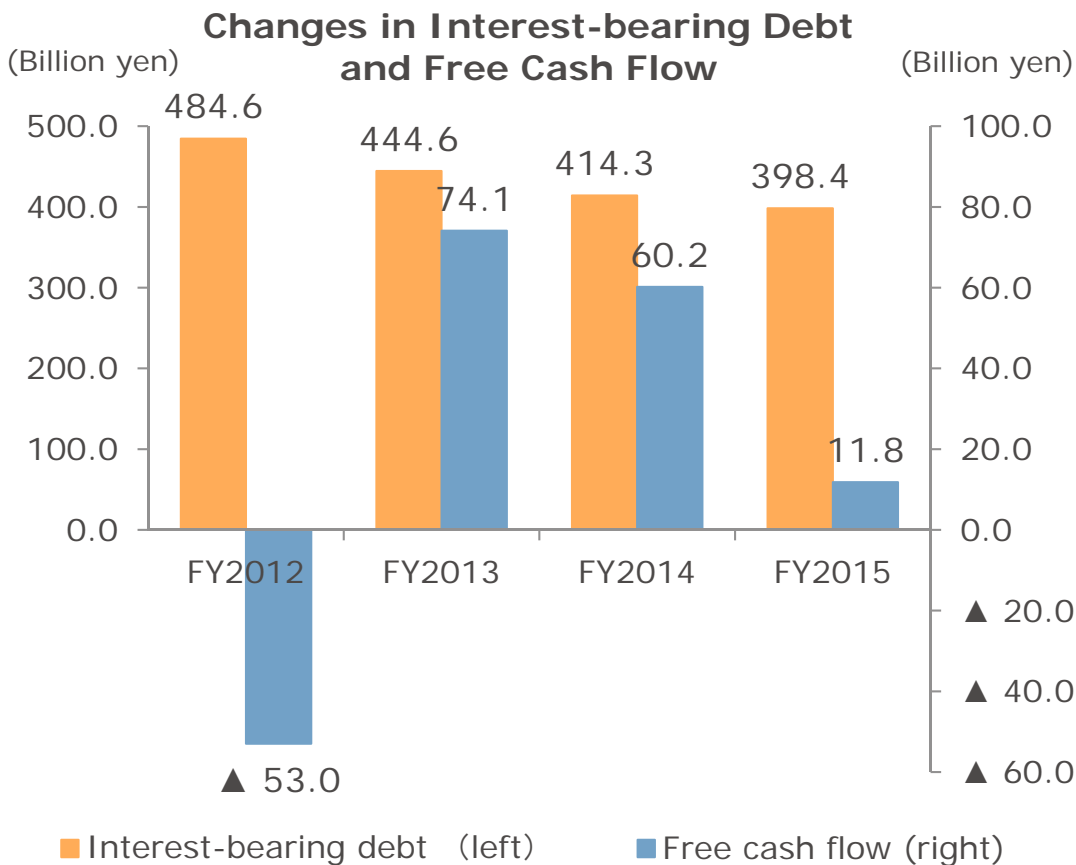


- Net sales Net sales rose, buoyed mainly by contributions from Aerospace, Motorcycle & Engine and Gas Turbine & Machinery segments
- Operating income Offset effect of slower growth in emerging markets, primarily through higher net sales, successful cost cutting and merits of depreciation of the yen
- Before-tax ROIC* Higher earnings and improved capital efficiency pushed ratio into double-digit territory, but fiscal 2015 level adversely affected by the booking of extraordinary losses on shipbuilding joint venture in Brazil

*Before-tax ROIC (return on invested capital) =

$$\frac{\text{EBIT (Income before income taxes + Interest expense)}}{\text{Invested capital at year-end (Interest-bearing debt + Shareholders' equity)}}$$

Improved Financial Position



Results achieved during MTBP 2013

- Free cash flow ¥146.2 billion created (MTBP 2010 saw -¥5.2 billion)
- Interest-bearing debt Down ¥86.2 billion
- Net debt equity ratio* Down 49.3%

* Net debt equity ratio = Net interest-bearing debt (Interest-bearing debt - Cash on hand and in banks) / Shareholders' equity

Degree of Success in Reaching MTBP 2013 Targets

(Billion yen)

		FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2015 Original Target	Level of Achievement
Profitability	Operating income	72.3	87.2	95.9	90.0	○
	(Ratio to net sales)	5.2%	5.8%	6.2%	5.6%	○
	Recurring profit	60.6	84.2	93.2	85.0	○
	(Ratio to net sales)	4.3%	5.6%	6.0%	5.3%	○
	Before-tax ROIC	8.1%	10.4%	9.4%	11.0%	△
Stability	Ratio of shareholders' equity to total assets	23.3%	25.9%	26.6%	23.4%	○
	Interest-bearing debt	444.6	414.3	398.4	430.0	○
	Net debt equity ratio	109.3%	83.9%	82.5%	110%	○
Growth	Net sales	1,385.4	1,486.1	1,541.0	1,600.0	△

Actual/assumed exchange rates	¥99.63/\$	¥109.51/\$	¥118.99/\$	¥95/\$
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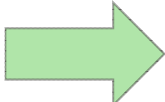
II . Picture of Business in 2025

Positioning of MTBP 2016

Group Mission/Group Vision



- Picture of business 10 years on
- Quantitative view of FY2025



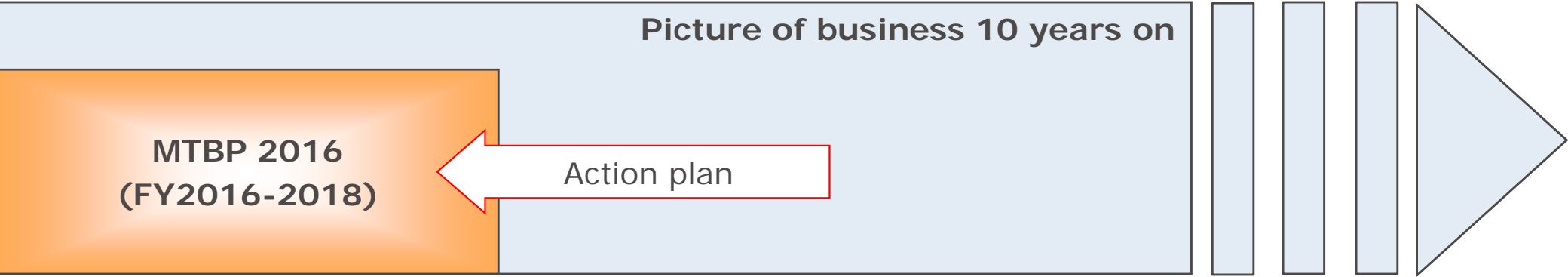
MTBP 2016

- Measures and plans for immediate three years with view 10 years down the road
- Investment and strengthening of business foundation for medium- to long-term growth
- Response to changes in business environment and issues requiring attention

Rethink Kawasaki Business Vision 2020



Realization of Group Mission and Group Vision



FY2016

FY2018

FY2025

Corporate Ideal

Group Mission

**“Kawasaki, working as one for the good of the planet”
(Enriching lifestyles and helping safeguard the
environment: Global Kawasaki)**

Group Vision

Principal Business Sectors of Kawasaki Group

**Air Transportation
Systems**

**Land/Sea Transportation
Systems**

**Energy & Environmental
Engineering**

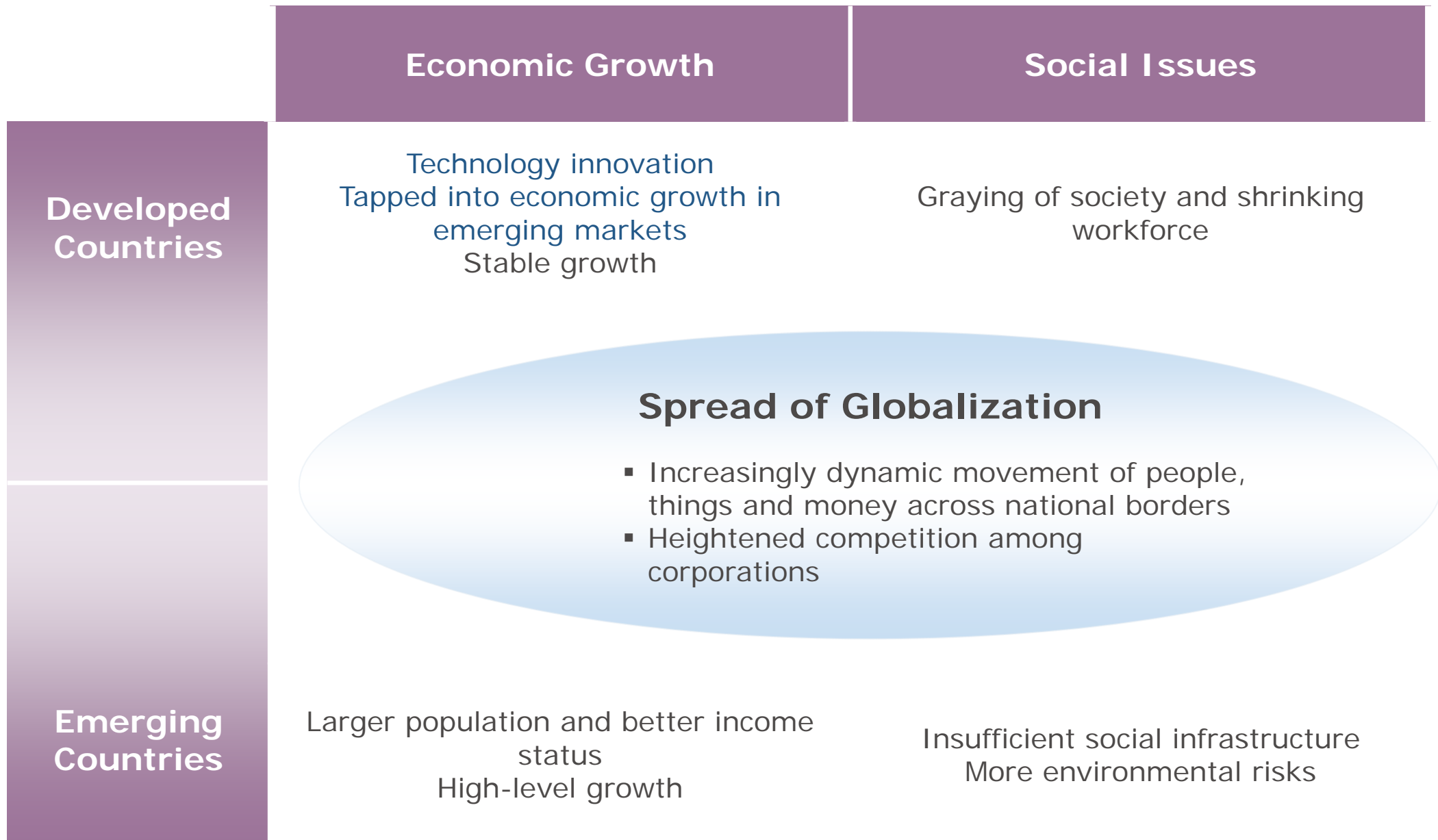
ROBO-MECH
(Coined from
“Industrial Equipment”)

- New value creation driven by technology
- Products and services that open up possibilities for customers and society
- Adaptability to changes in business environment
- Portfolio that delivers both profitability and stability
- Continuous growth investment
- Development and utilization of diverse human resources

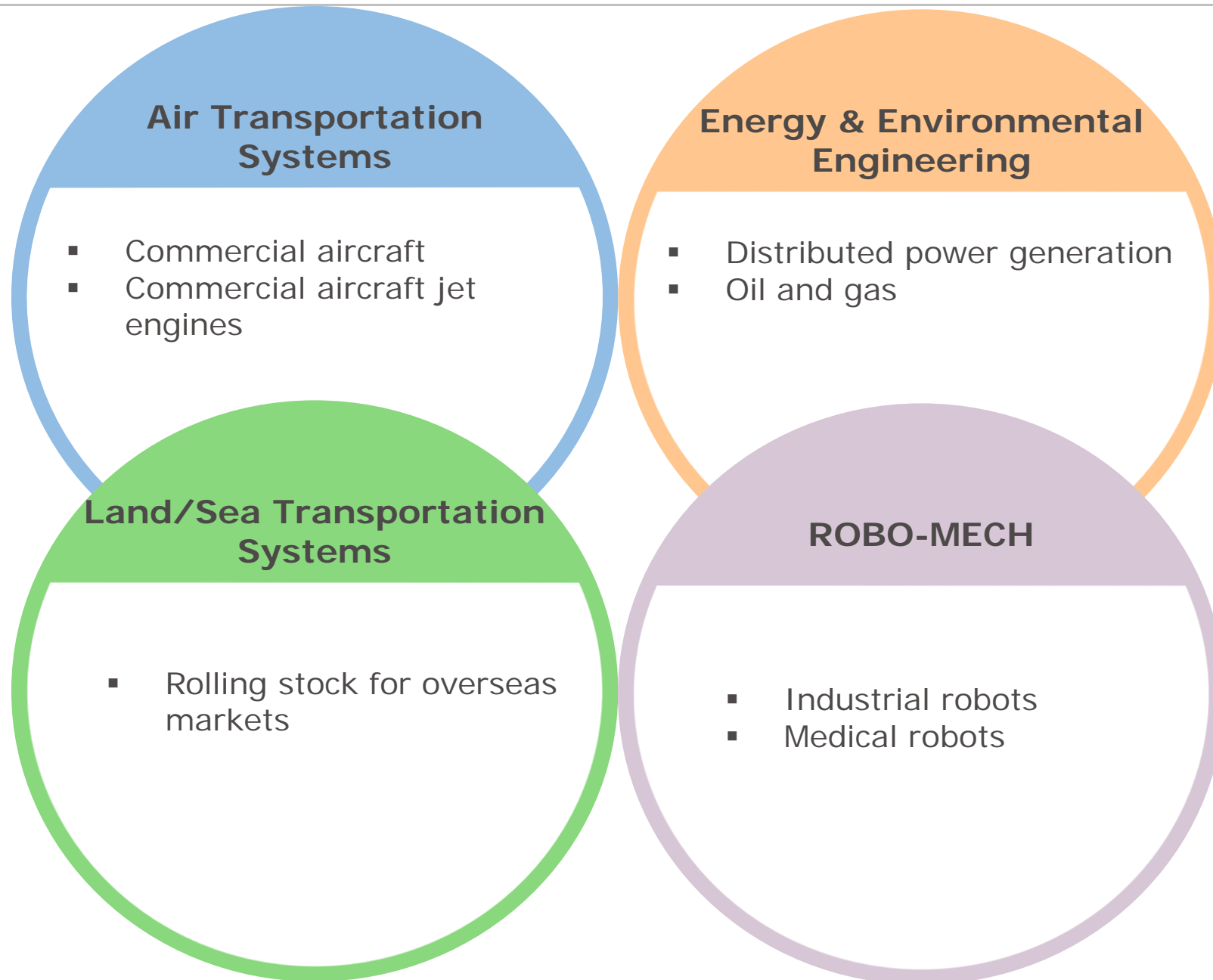


- Continuous enterprise value improvement
- High level of cash flow
- Solutions to social problems through business
- Stable return to shareholders

Prospective Business Environment in Fiscal 2025

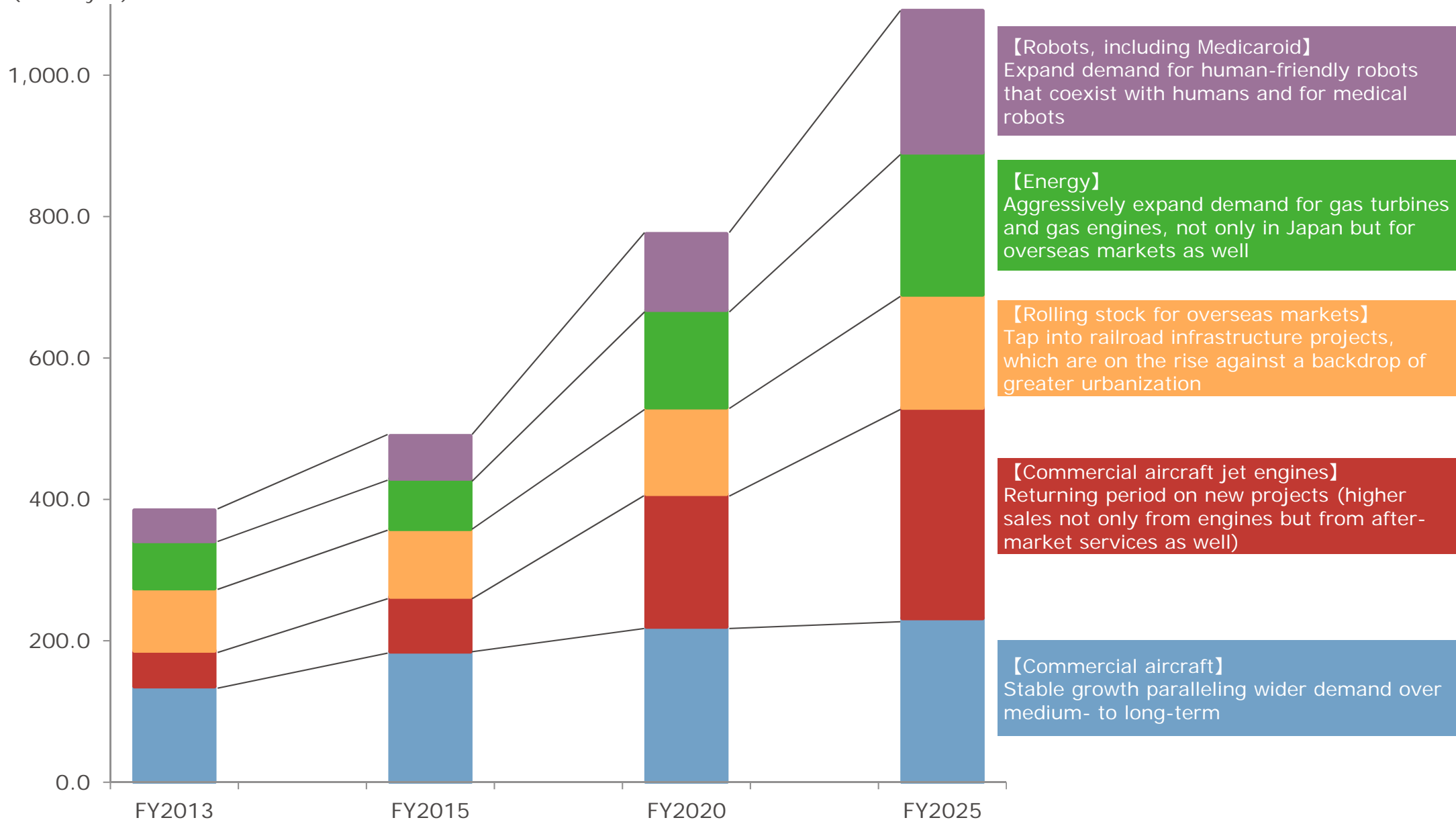


Key Products and Services That Drive Growth



Predicted Sales from Key Products and Services That Drive Growth

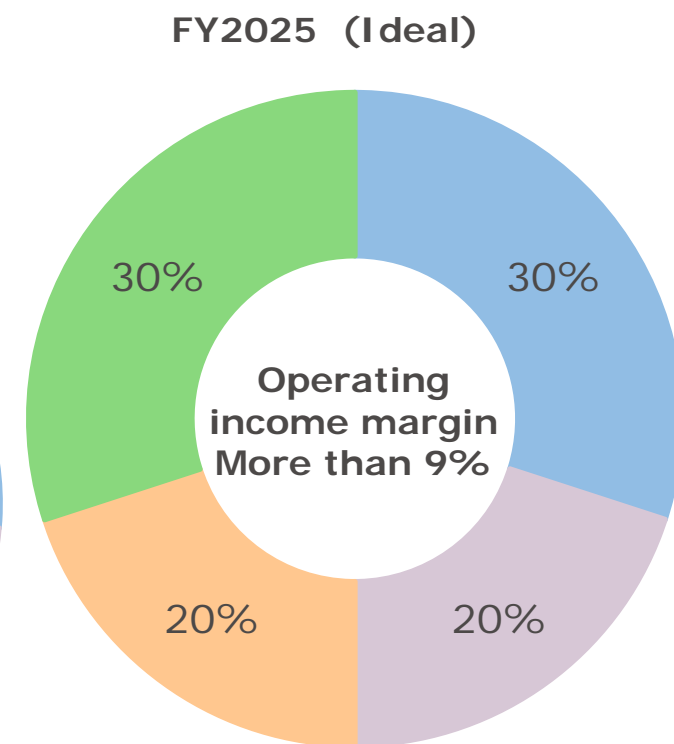
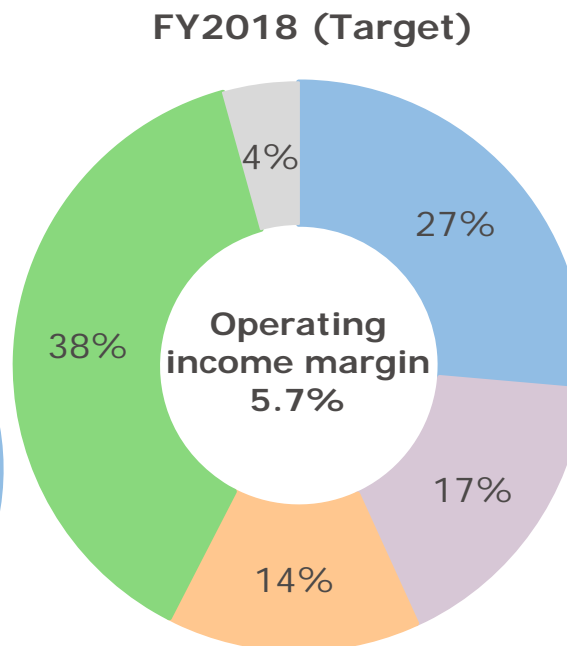
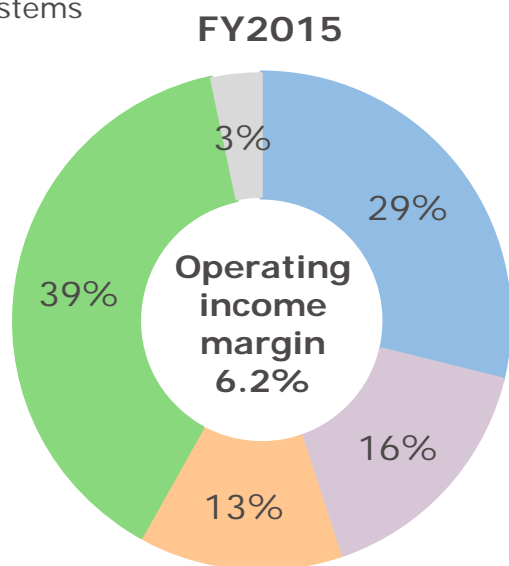
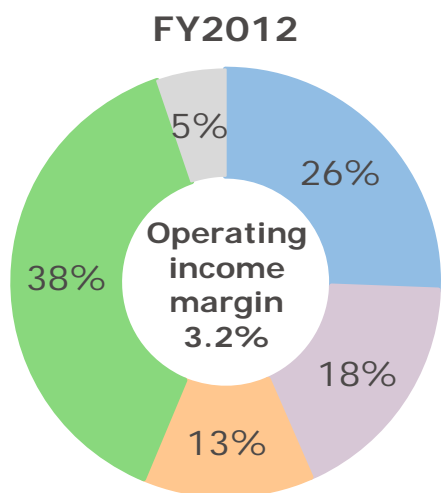
(Billion yen)



Steady Improvement in Profitability

Changes in Composition of Net Sales by Business Segment and Operating Income Margin

- Air Transportation Systems
- ROBO-MECH
- Energy & Environmental Engineering
- Land/Sea Transportation Systems
- Other



Improve profitability in each business segment

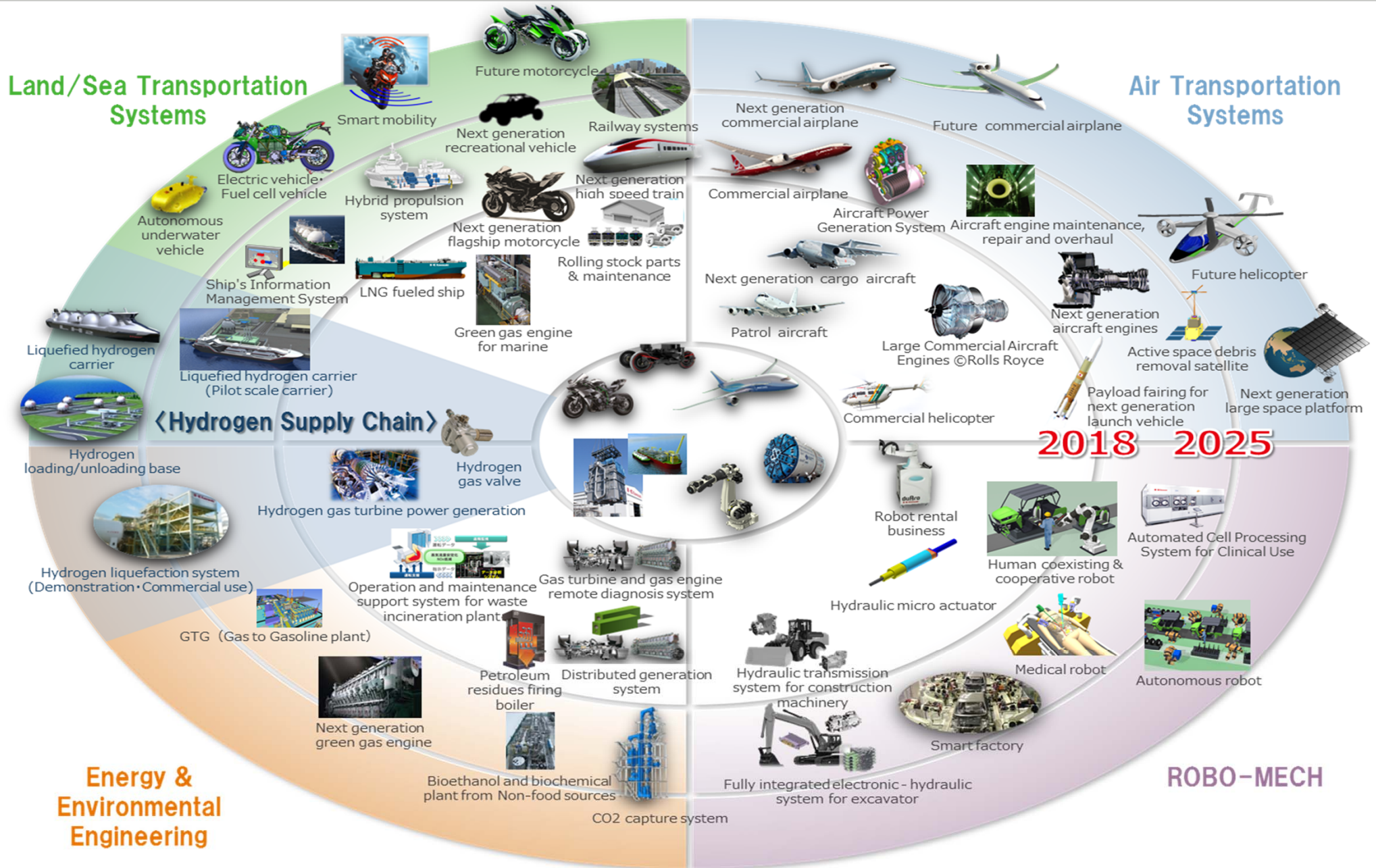
- Strengthen core competence
- New products and businesses using high-tech capabilities and synergies
- Innovations in *monozukuri* utilizing IoT and robots



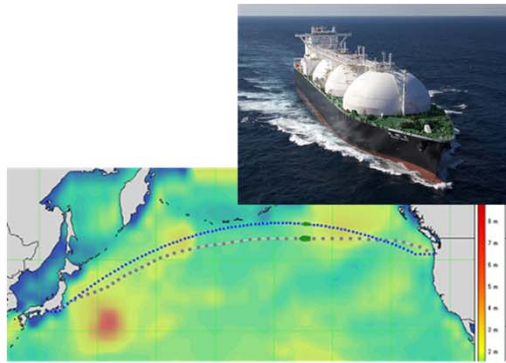
Business portfolio designed to deliver high profit

- Raise ratio of net sales contribution for high-profitability businesses
- Prioritize investment into air transportation, robots and energy

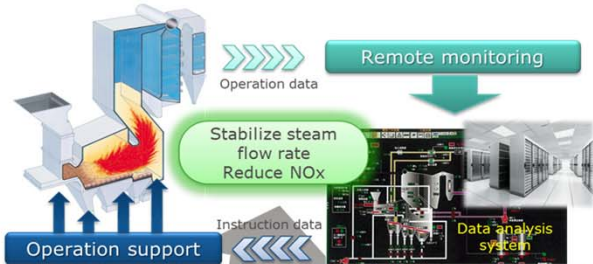
New Products and Businesses of the Future



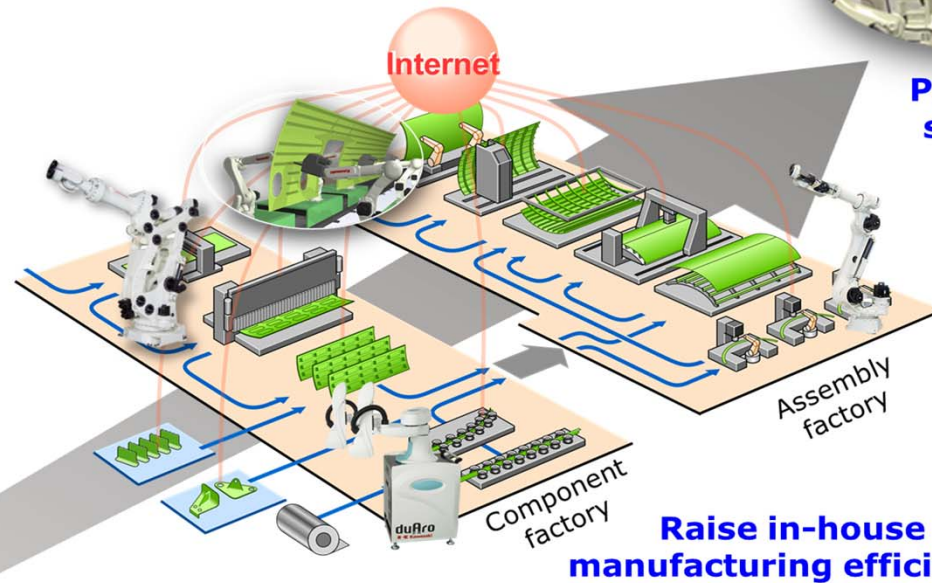
New Products and Services Using ICT/IoT



Optimum shipping route support system



Remote monitoring and automated operation of waste incineration plant



Promote sales of smart factories

ICT/IoT



Picture of Business in 2025

Kawasaki Group

- Growth hinging on key investment areas of air transportation, robots and energy
- Enhanced enterprise value through portfolio boasting high profitability, sustainable growth and stability

Air Transportation Systems

- Steady growth paralleling extended demand for aircraft worldwide
 - System integrator, module supplier
 - High profitability through after-market/MRO* business
- *Maintenance, Repair, Overhaul

Land/Sea Transportation Systems

- Growth by tapping into overseas demand, especially in emerging markets
- Promoted high-value-added products, underpinned by technological capabilities and brand strength
- Global production structure

Energy & Environmental Engineering

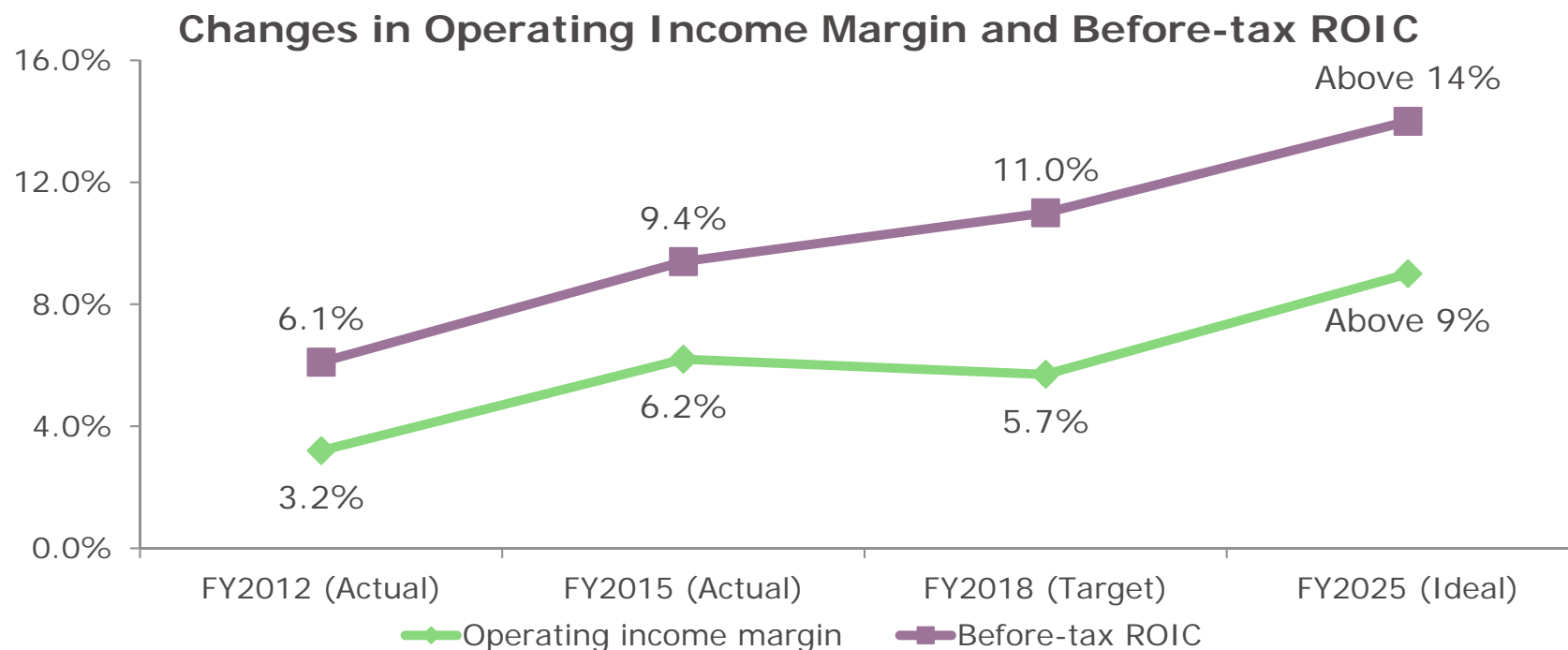
- Growth fueled by wider demand for distributed power generation and oil & gas
- Promoted solution-style business and system marketing
- Leader toward realization of hydrogen society

ROBO-MECH

- Expanded business sectors for human-friendly robots that coexist with humans and for medical robots
- Promoted products maximizing synergy between robots and hydraulic component
- Top brand in motion control

Quantitative View of Fiscal 2025

	FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)	FY2025 (Ideal)
Before-tax ROIC	6.1%	9.4%	11.0%	14% or higher
Operating income margin	3.2%	6.2%	5.7%	9% or higher
Return-on-equity (ROE)	9.5%	10.6%	14.0%	15% or higher
Operating cash flow	¥28.1 billion	¥86.0 billion	¥140.0 billion	¥200.0 billion or higher
Total asset turnover (times)	0.87	0.95	1.00	1 or more
(Reference value: Net sales)	(¥1,288.8 billion)	(¥1,541.0 billion)	(¥1,740.0 billion)	(¥2,400.0 billion)



Ⅲ. Medium-term Business Plan “MTBP 2016” (Group Targets)

Basic Direction of MTBP 2016

Business Environment During MTBP 2016

- U.S. economy expanding, other developed countries in moderate growth
- Growth rate in emerging markets sluggish at present → Should return to growth track in FY2018
- Exchange rates in low yen to be revised (assumed exchange rate during MTBP 2016: ¥110/\$)
- Price of oil currently shifting low → Expect West Texas Intermediate price recovery to \$60 by end of 2017

Basic Direction 1 Further progress on Kawasaki-ROIC Management

- ✓ Status update on Kawasaki-ROIC Management
- ✓ All employees engaged in Kawasaki-ROIC Management
- ✓ Enhance risk management position

Basic Direction 2 Investments targeting medium- to long-term growth

- ✓ R&D
- ✓ CAPEX
- ✓ Spotlight on hydrogen business

Basic Direction 3 Business realignment

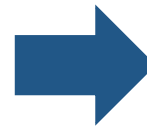
- ✓ Ship & Offshore Structure Business
- ✓ Hydraulic Machinery Business

Basic Direction 1 — Further Progress on Kawasaki-ROIC Management

- Status update on Kawasaki-ROIC Management

【Actions】

Action 1	Plan and execute growth strategies through the strengthening of core competence in each BU
Action 2	Set our optimal financial indicator , with a focus on ROIC, and create specific action plans for achievement
Action 3	Create new value through internal company synergies generated by our conglomerate advantage
Action 4	Define scale-down or withdrawal strategies broken down to each Sub-BU and product
Action 5	Create a portfolio focusing on profitability, stability and growth



【Concrete Examples of Progress】

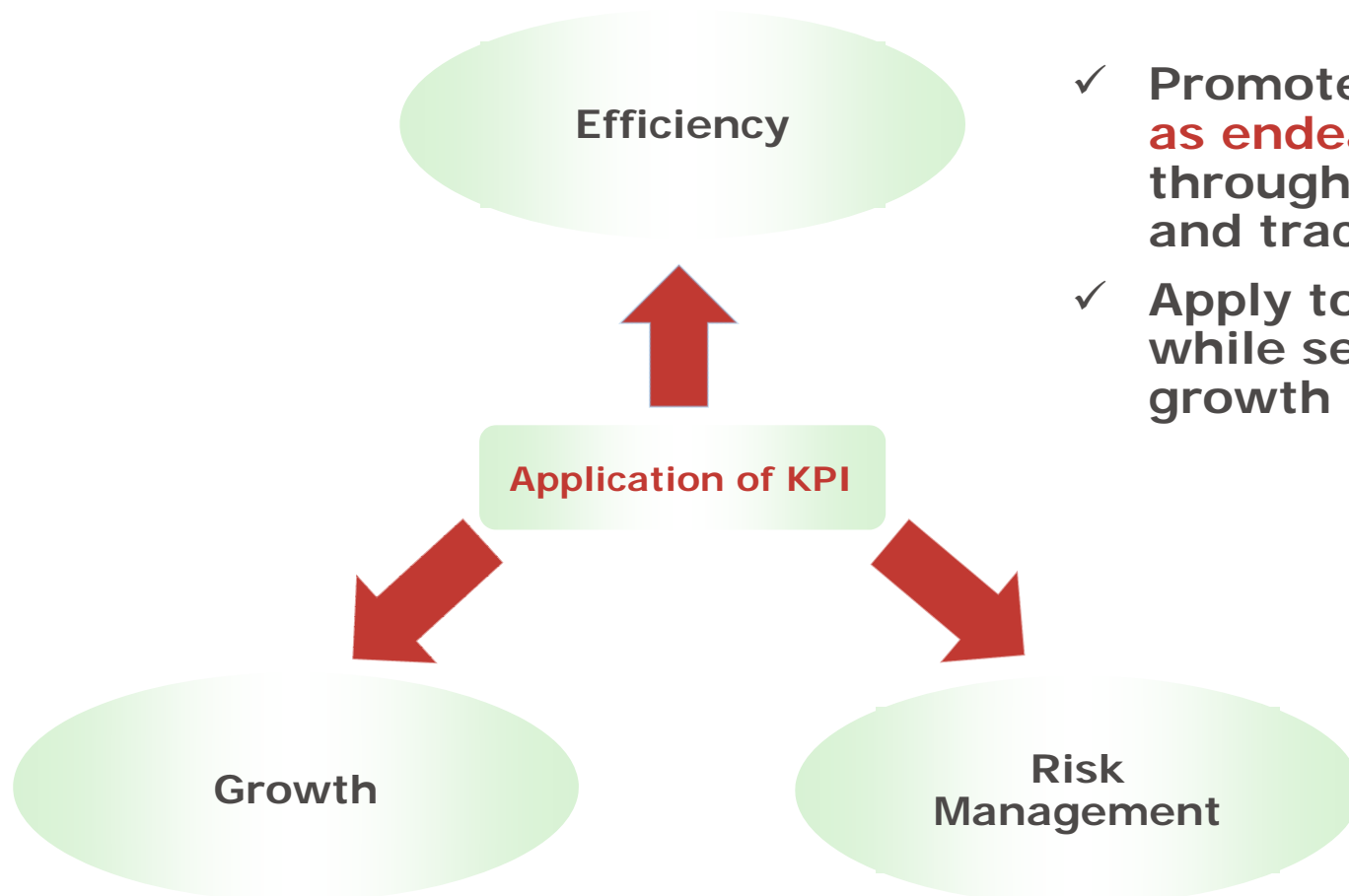
Action 1:	<ul style="list-style-type: none">➤ Began constructing new facility for Boeing 777X➤ Full-scale start on development of medical robots➤ Launched line-builder operations in robot business
Action 1·2·5:	<ul style="list-style-type: none">➤ Formulated “Picture of Business in FY2025” under MTBP 2016
Action 3:	<ul style="list-style-type: none">➤ Established CO₂-Free Hydrogen Supply Chain Promotion Association (nicknamed HySTRA)
Action 4:	<ul style="list-style-type: none">➤ Scaled down offshore vessel business
Action 4·5:	<ul style="list-style-type: none">➤ Completed transfer of KCM Corporation (construction machinery business) to Hitachi Construction Machinery Co., Ltd.

Basic Direction 1 — Further Progress on Kawasaki-ROIC Management

- All employees engaged in Kawasaki-ROIC Management

Set targets (KPI *) matched to characteristics of each business segment

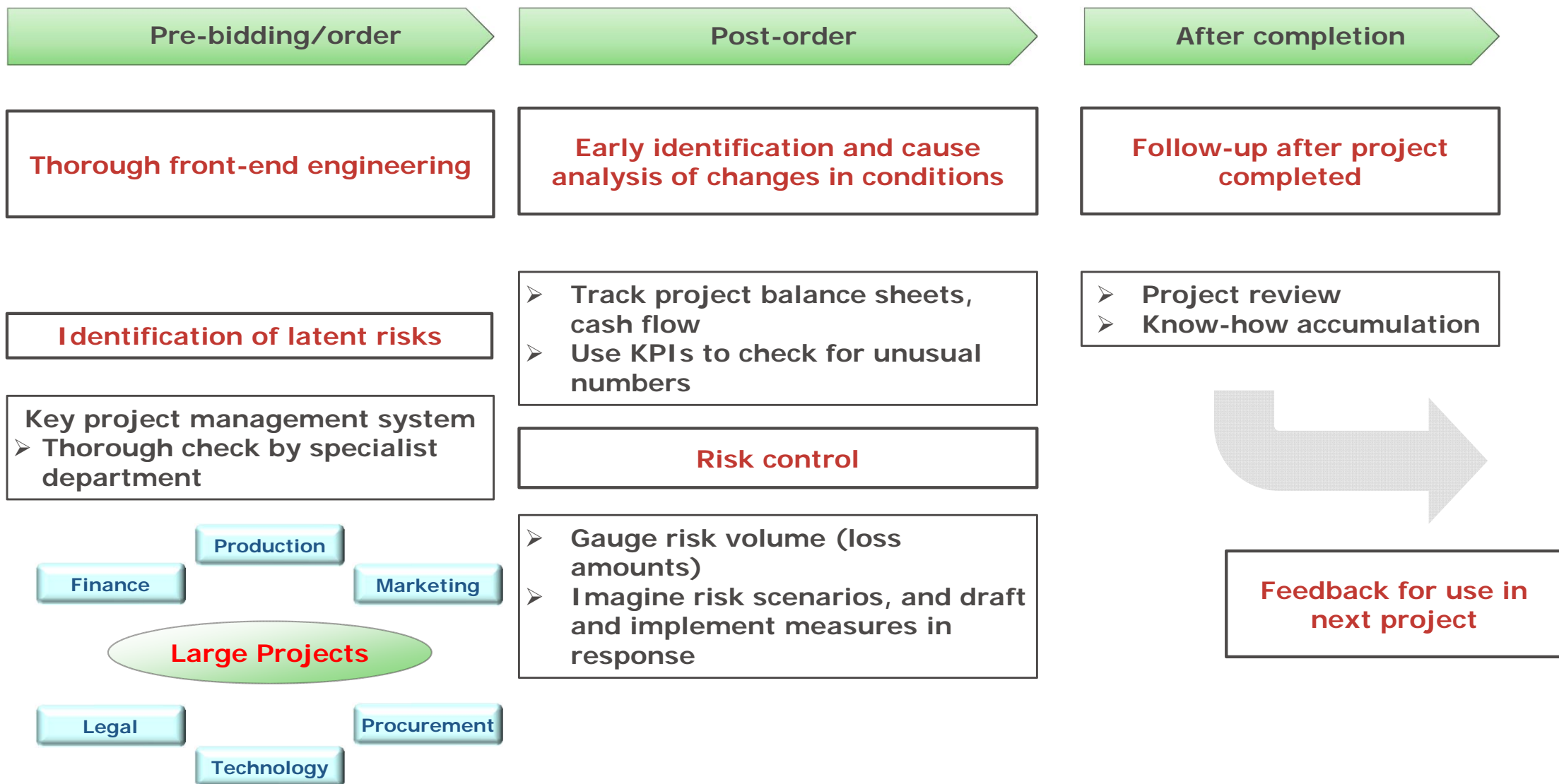
* Key Performance Indicators: Quantitative indicators that measure success in reaching business goals



- ✓ Promote **Kawasaki-ROIC Management as endeavor** engaging all employees throughout the Group by setting KPIs and tracking progress
- ✓ Apply to **risk management** as well while seeking higher efficiency and growth

Basic Direction 1 – Further Progress on Kawasaki-ROIC Management

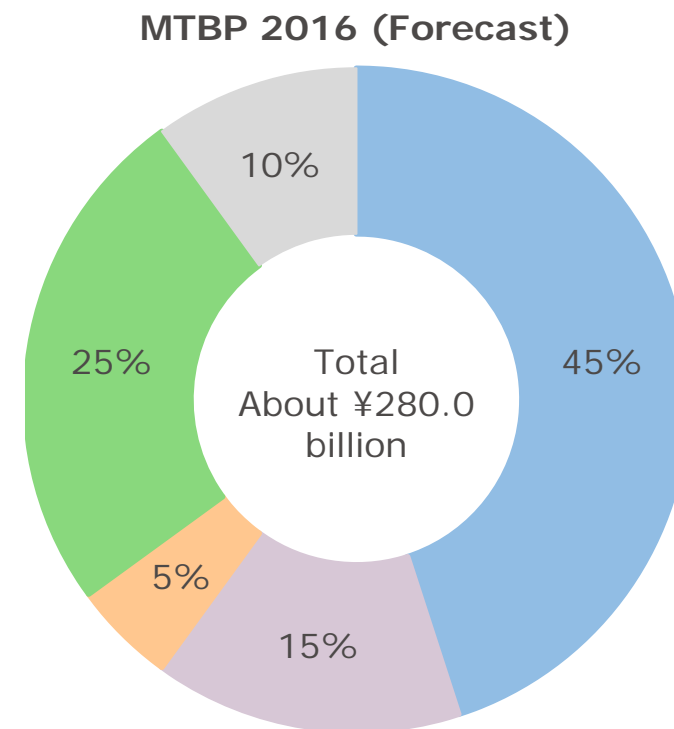
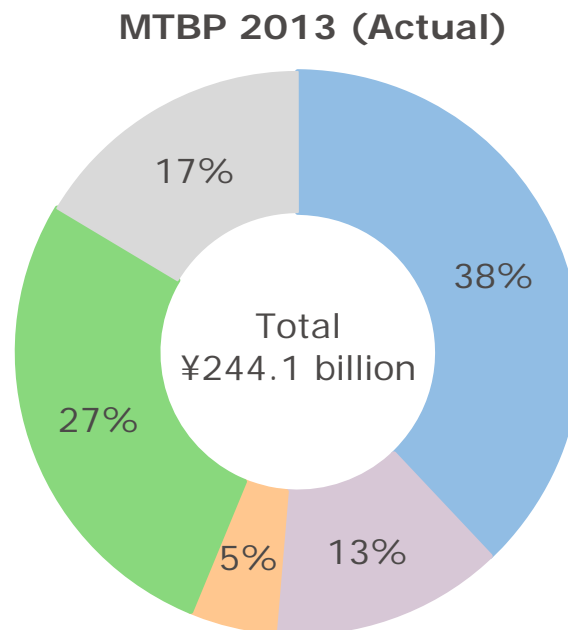
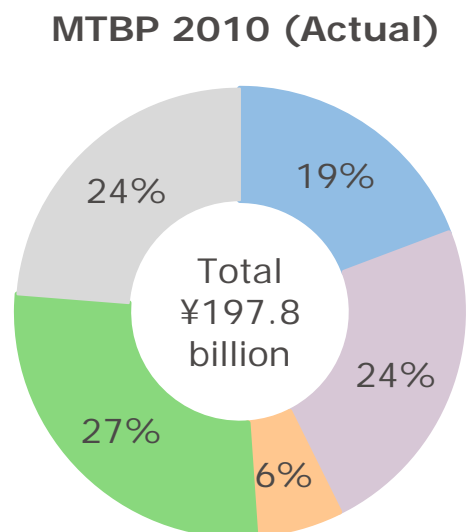
- Enhance risk management position



Basic Direction 2 – Investments Targeting Medium- to Long-term Growth - CAPEX

Changes in CAPEX (Acquisition Basis) During Each MTBP (Cumulative)

- Air Transportation Systems
- ROBO-MECH
- Energy & Environmental Engineering
- Land/Sea Transportation Systems
- Other

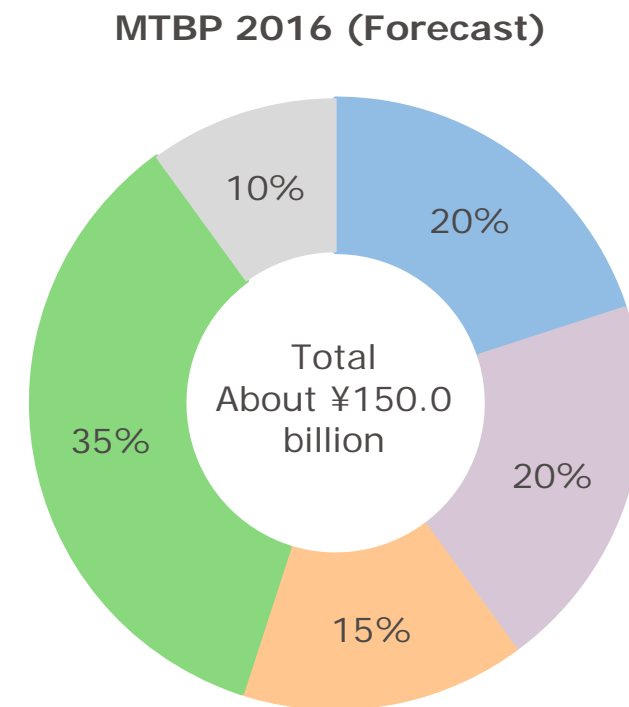
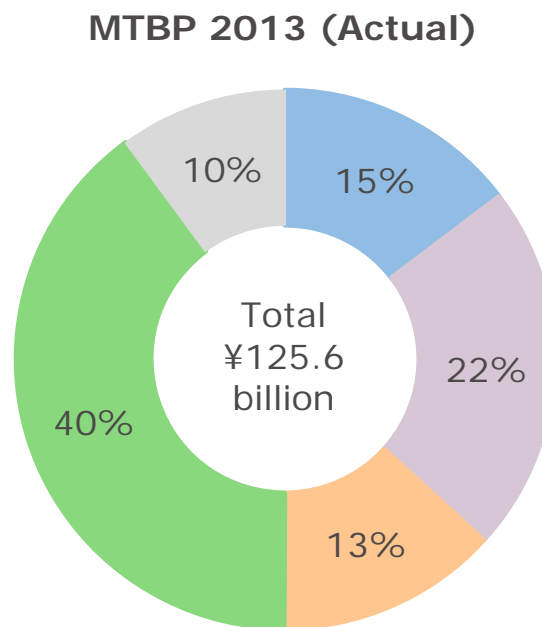
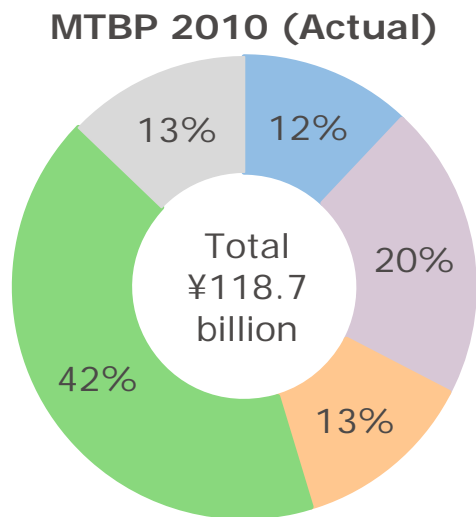


	MTBP 2010 (Actual)	MTBP 2013 (Actual)	MTBP 2016 (Forecast)
Key Capital Investment Projects	<ul style="list-style-type: none"> ➤ Increased production capacity for hydraulic component ➤ Facilities for producing Boeing 787 (Nagoya Works I) ➤ Facilities for producing jet engines 	<ul style="list-style-type: none"> ➤ Increased production of component parts for Boeing 787 and derivative models ➤ Facilities for producing jet engines, including Trent XWB and PW1100G-JM ➤ Established global structure for motorcycle production ➤ Increased production of robots for China 	<ul style="list-style-type: none"> ➤ New plant for Boeing 777X ➤ Facilities for producing jet engines, including PW1500G/1900G and Trent 7000 ➤ Increased production of robots

Basic Direction 2 – Investments Targeting Medium- to Long-term Growth - R&D

Changes in R&D Investment During Each MTBP (cumulative)

- Air Transportation Systems
- ROBO-MECH
- Energy & Environmental Engineering
- Land/Sea Transportation Systems
- Other



	MTBP 2010 (Actual)	MTBP 2013 (Actual)	MTBP 2016 (Forecast)
Key R&D Projects	➤ Production technology for Boeing 787	➤ Production and assembly technology for commercial aircraft	➤ Future commercial aircraft
	➤ L30A gas turbine, gas engines	➤ Power generation system for aircraft	➤ Modules for commercial aircraft jet engines
	➤ Human-friendly robots that coexist with humans	➤ Robots for emerging markets	➤ Medical robots
		➤ Hydrogen-related activities	➤ Hydrogen-related activities

Basic Direction 2 – Investments Targeting Medium- to Long-term Growth

- Spotlight on hydrogen business

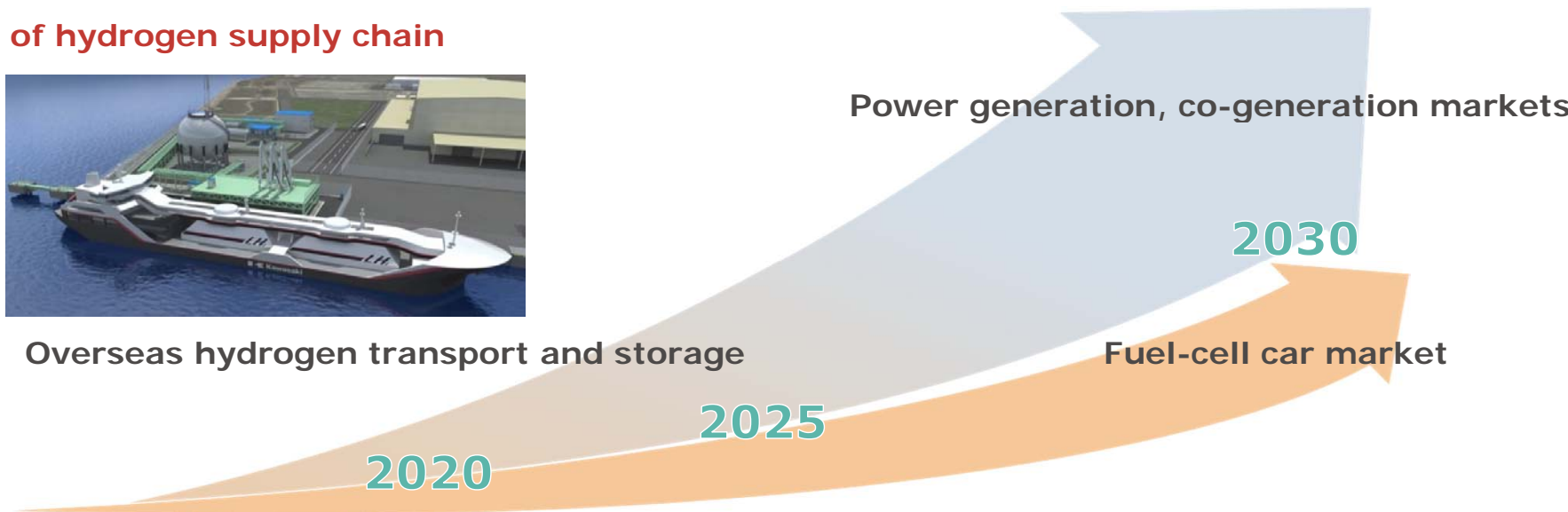
Toward realization of hydrogen energy society

Begin verification of hydrogen supply chain (2020)

Established Technical Research Association for CO₂-free Hydrogen Energy Supply Chain development, nicknamed HySTRA



Overseas hydrogen transport and storage



Hydrogen energy supply chain

Production



Transportation



Storage



Usage



Liquefaction plant



Large liquid hydrogen carrier



Loading base



Hydrogen gas turbine

Basic Direction 3 — Business Realignment

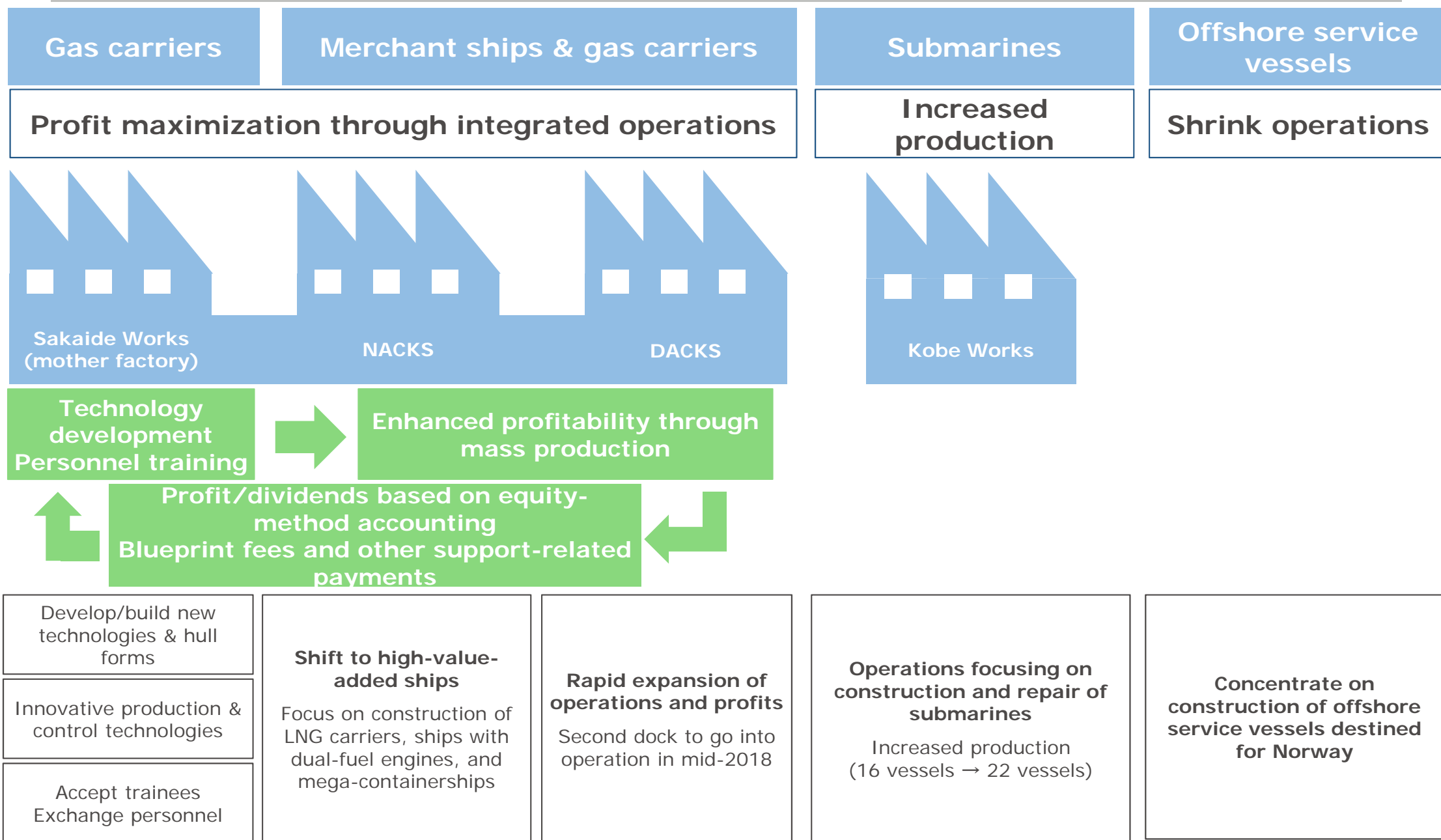
- Ship & Offshore Structure Business (1)

- **Maximize profits through integrated operation of Sakaide Works, NACKS and DACKS***
- **Achieve stable business activities at Kobe Works by focusing on submarine-related operations**
- **Shrink offshore service vessels business**

* NACKS and DACKS: Affiliated companies accounted for by equity method as joint ventures with companies in China.

Basic Direction 3 – Business Realignment

- Ship & Offshore Structure Business (2)



Basic Direction 3 — Business Realignment

- Hydraulic Machinery Business (1)

- **Make “Kawasaki” top brand in hydraulic market**
- **Develop business beyond excavators, to construction and agricultural machinery**
- **Seek synergies and enhanced efficiency through integrated operations with Robot Division**

Basic Direction 3 — Business Realignment

- Hydraulic Machinery Business (2)

Make “Kawasaki” top brand in hydraulic market

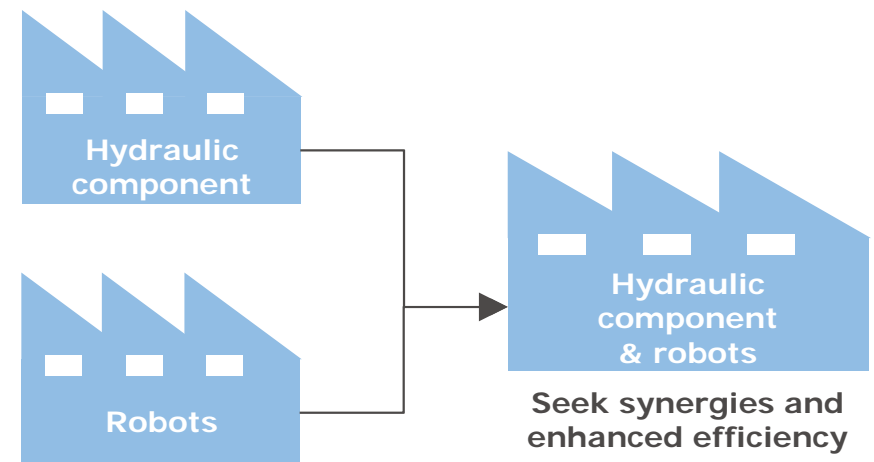
- Maintain high share but seek even bigger slice of high-pressure hydraulic equipment market
- Develop and promote products utilizing the most cutting-edge technologies in the world

Develop business beyond excavators, to construction and agricultural machinery

- Decrease reliance on China’s excavator market
- Enrich lineup of wheel-loaders and products for agricultural machinery
- Differentiate with compact, highly efficient and low-noise products

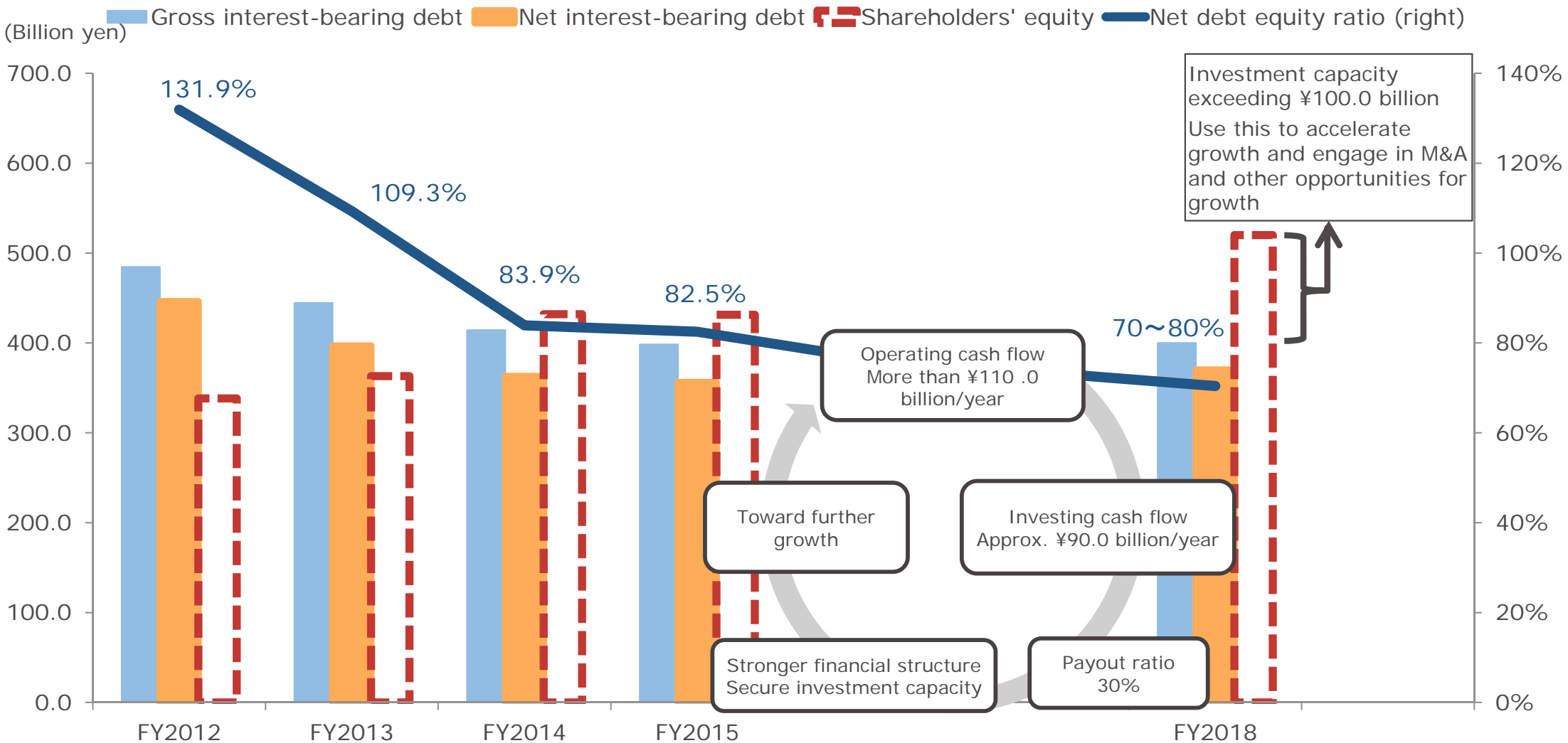
Seek synergies and enhanced efficiency through integrated operations with Robot Division

- Utilize human resources and facilities effectively
- Produce robots at Kawasaki Precision Machinery (Suzhou) Ltd., hydraulic component manufacturing base in China
- Relocate some functions of Robot Division to Nishi-Kobe Works



Financial Strategy

- MTBP 2013: Improve capital efficiency and push operating income to higher level through Kawasaki-ROIC Management → Stronger financial position
- MTBP 2016: High level of investing cash flow to fuel future growth → Medium- and long-term growth

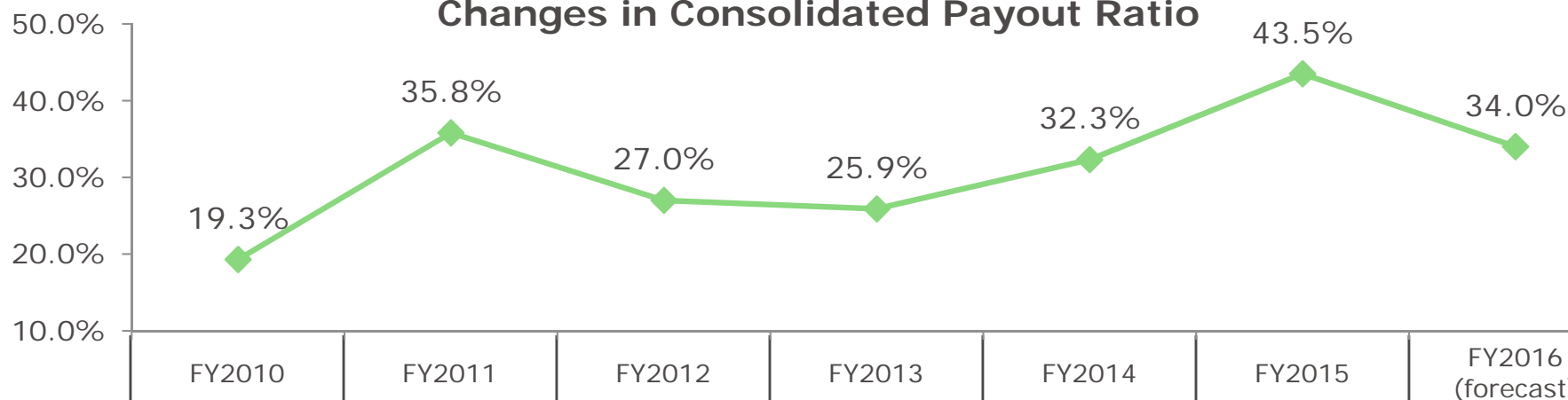


Policy on Return to Shareholders

Dividend Policy

- Stable profits exceeding capital costs → **Improvement in enterprise value**
- Continuous R&D, CAPEX → **Improvement in long-term shareholder value**
- Take future business outlook and financial status into account → **Medium- to long-term consolidated payout ratio benchmark of 30%**

Changes in Consolidated Payout Ratio



	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Net income (Billion yen) *	25.9	23.3	30.8	38.6	51.6	46.0	49.0
Dividends per share (yen)	3	5	5	6	10	12	10
Number of shares issued (Billion)	16.7	16.7	16.7	16.7	16.7	16.7	16.7

*From fiscal 2015, "Net Income Attributable to Owners of Parent"

Treasury Stock Buybacks

- There are no plans at present to execute any repurchase of treasury stock

Quantitative Targets

(Billion yen)

		FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)
Profitability	Operating income	42.0	95.9	100.0
	(Ratio to net sales)	3.2%	6.2%	5.7%
	Recurring profit	39.3	93.2	97.0
	(Ratio to net sales)	3.0%	6.0%	5.5%
	Before-tax ROIC	6.1%	9.4%	11.0%
	ROE	9.5%	10.6%	14.0%
Stability	Ratio of shareholders' equity to total assets	23.0%	26.6%	More than 30%
	Net debt equity ratio	131.9%	82.5%	70~80%
	Operating cash flow	28.1	86.0	140.0
	Total asset turnover (times)	0.87	0.95	1.00
Growth	Orders received	1,369.5	1,693.6	1,740.0
	Net sales	1,288.8	1,541.0	1,740.0

Actual/assumed exchange rates	Yen/US\$	82.86	118.99	110
	Yen/EUR	107.76	132.43	125

Management Resources Allocation Plan

(Billion yen/person)

		FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)
R&D investment		41.7	43.6	50.0
CAPEX (Note 1)		78.6	76.3	90.0
Depreciation and amortization (Note 2)		48.3	49.0	60.0
	Domestic	25,222	25,897	27,700
	Overseas	8,788	8,708	9,300
Number of employees at fiscal year-end		34,010	34,605	37,000

Notes: 1. Newly recorded property, plant and equipment and intangible assets

2. Depreciation/amortization expenses for property, plant and equipment and intangible assets

IV. Medium-term Business Plan “MTBP 2016” (Segment Targets)

Ship & Offshore Structure

<Business Vision>

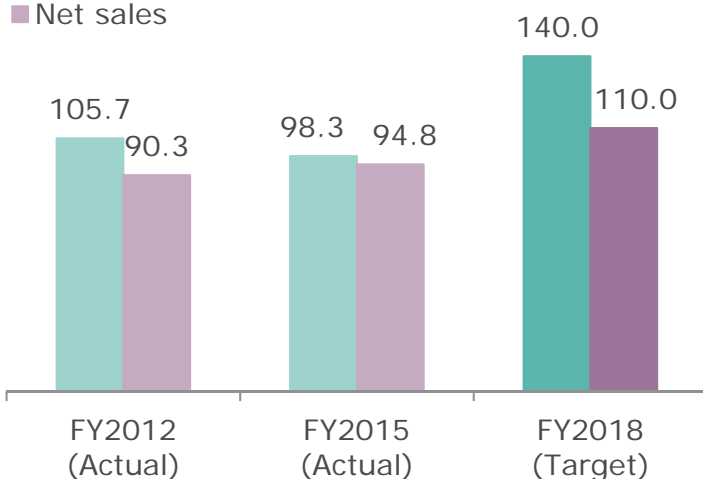
One of the world's most prominent shipbuilding and offshore structure engineering groups with a focus on businesses involving low-temperature, high-pressure gas technology, submarine technology and global production structure

MTBP 2016 Outlook

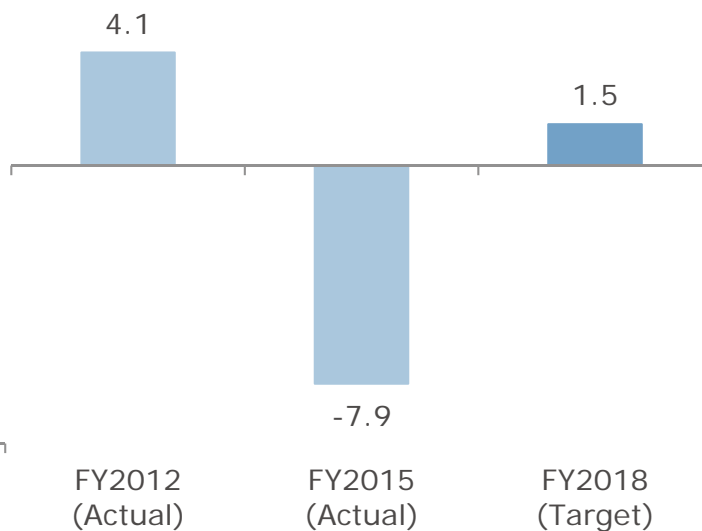
Operating environment	Business and management directions	Toward achieving FY2018 targets
<ul style="list-style-type: none"> ➢ Prolonged shipping overcapacity due to sluggish growth in cargo movement and large supply of newly built ships ➢ Movement toward fuel conversion for ships, against backdrop of strengthening environmental regulations ➢ Persistent slump in oil prices, indicating a bottoming out ➢ Change in competitive environment, highlighted by huge losses for South Korea's Big Three and Japan's major companies, and a targeted selection of shipyards in China 	<ul style="list-style-type: none"> ➢ Emphasize technology/product development with 10-year perspective, especially such as LNG-fueled vessels/LNG fuel supply ships, IoT-utilizing, liquefied hydrogen carriers, new-type submarines, application of submarine technology ➢ Expand profits through integrated operations at Sakaide/NACKS/DACKS* (Sakaide Works, as mother factory, will forward results from advanced technology development, new ship development, production technology/control technology and investment in factory automation to NACKS and DACKS) 	<ul style="list-style-type: none"> ➢ Boost sales and reinforce profitability at NACKS/DACKS (Start operations at DACKS No.2 dock) ➢ Trim fixed costs at domestic operations, pursue cost cutting on existing orders for ships <p>* NACKS and DACKS: Affiliated companies accounted for by equity method as joint ventures with companies in China.</p>

Orders Received and Net Sales (Billion yen)

■ Orders received
■ Net sales

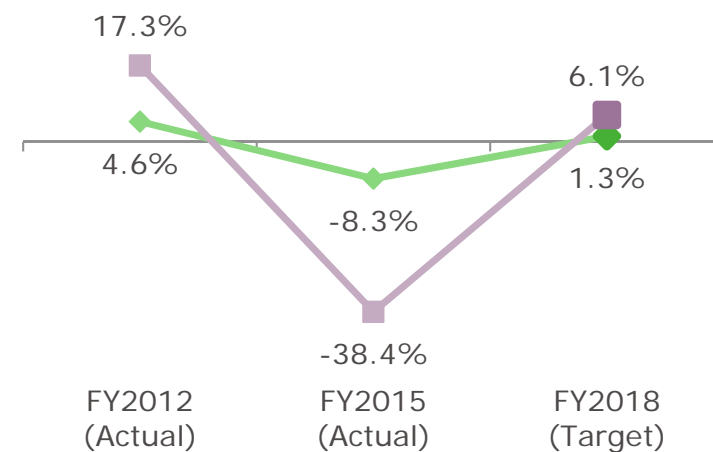


Operating Income (Billion yen)



Operating Income Margin and Before-tax ROIC

◆ Operating income margin
■ Before-tax ROIC



Rolling Stock

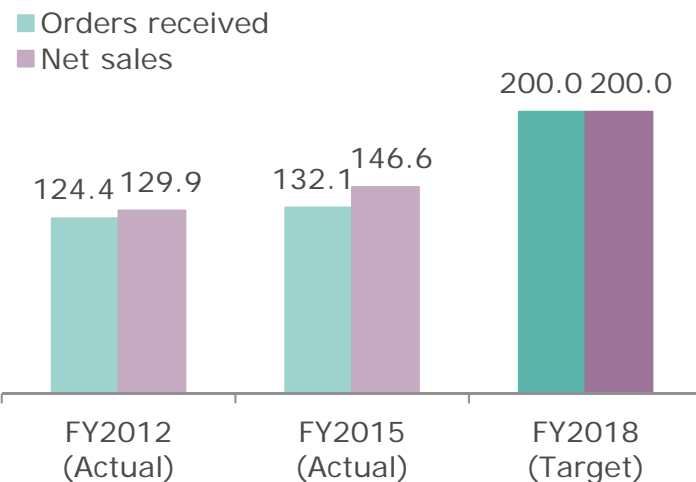
<Business Vision>

Most trusted rolling stock systems manufacturer, drawing on top-notch teamwork and top-level technology and quality to deliver dreams and inspiration to customers around the world

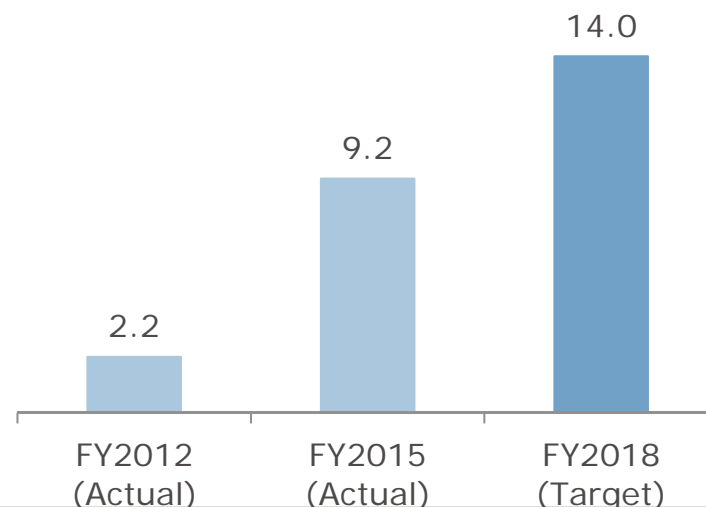
MTBP 2016 Outlook

Operating environment	Business and management directions	Toward achieving FY2018 targets
<ul style="list-style-type: none"> ➤ Domestic: Amid flat demand for new rail cars, market seeks value across overall product lifecycle, and demand for high-value-added components likely to rise ➤ North America: Thriving demand for subway and commuter train systems to continue, and demand for stock-style businesses, such as components and maintenance, to expand ➤ Asia: Demand for new railcars to parallel opening of new lines and replacement in Taiwan and Singapore, and brisk demand for system projects in emerging Asia markets 	<ul style="list-style-type: none"> ➤ Domestic: Differentiate with high-value-added products that leverage synergies and high-tech expertise built on comprehensive heavy industry strengths as well as ability to provide value across whole product lifecycle ➤ North America: Tap into constant order activity for new cars on high-share northeastern corridor, and actively promote high-profit stock-style business underpinned by delivery record exceeding 4,000 cars ➤ Asia: Secure revenue base in markets, particularly Taiwan and Singapore, where Kawasaki brand is known for excellence, and develop wider presence in emerging markets with growth potential 	<ul style="list-style-type: none"> ➤ Solidify sales position with Shinkansen (bullet trains) for JR, electric train cars for domestic private railways, and commuter train cars for North American market, and expand sales in Asia ➤ Deepen cost-cutting efforts on existing orders/projects ➤ Reinforce bogie business through promotion of efWING ➤ Expand earnings through wider presence in stock-style businesses ➤ Respond to orders for systems, on the rise, and bundled projects for rail cars and maintenance ➤ Strengthen existing and peripheral businesses through M&A and alliances

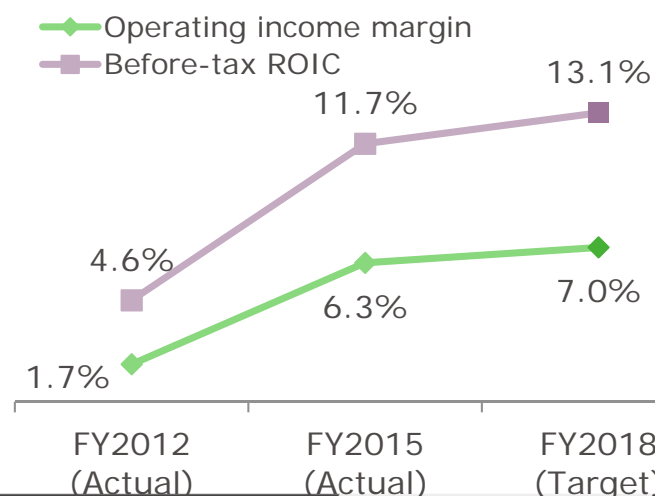
Orders Received and Net Sales
(Billion yen)



Operating Income (Billion yen)



Operating Income Margin and Before-tax ROIC



Aerospace

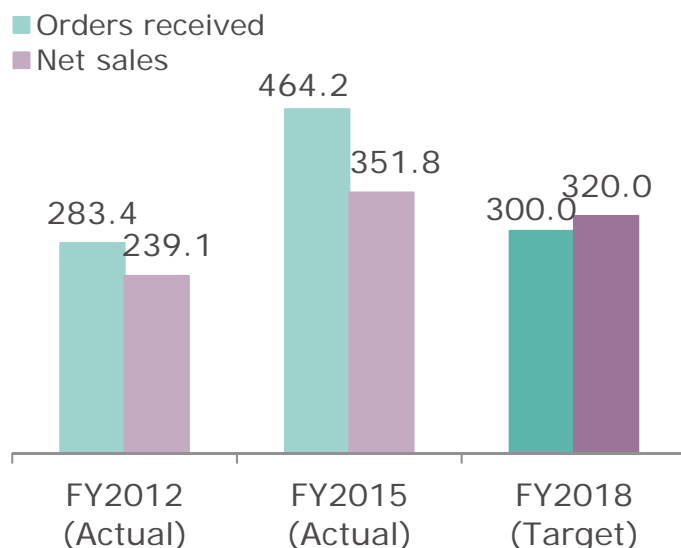
<Business Vision>

A leader in Japan's aerospace industry and an aircraft manufacturer with international competitiveness in terms of quality, cost and on time delivery

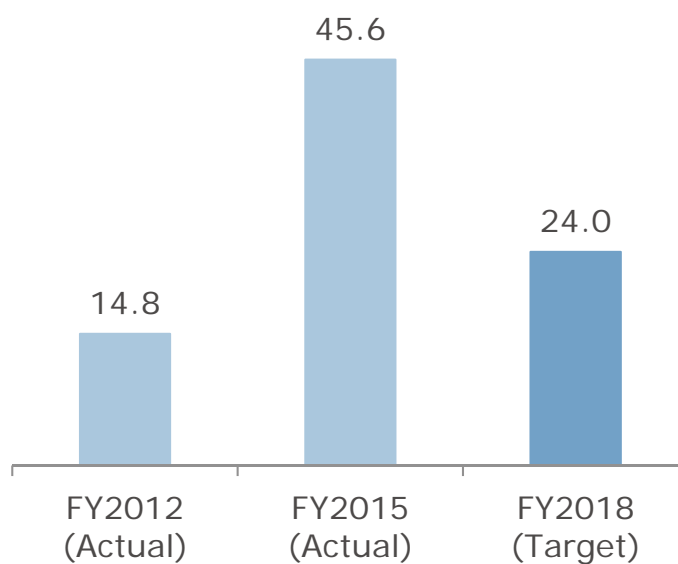
MTBP 2016 Outlook

Operating environment	Business and management directions	Toward achieving FY2018 targets
Defense <ul style="list-style-type: none"> ➢ Dramatic increase in defense budget unlikely ➢ New trends, including bulk procurement contracts covering several fiscal years Commercial <ul style="list-style-type: none"> ➢ Average annual growth in air passenger and air-freight volume to increase about 5% over medium to long term ➢ Tough pricing environment against backdrop characterized by competition between Boeing and Airbus for market share 	Defense <ul style="list-style-type: none"> ➢ Steady progress on existing development project orders and production contracts ➢ Expand orders for new projects Commercial <ul style="list-style-type: none"> ➢ Push ahead on development of Boeing 787-10 and respond to production increases ➢ Smooth start on Boeing 777X 	Defense <ul style="list-style-type: none"> ➢ Complete XC-2 development, and push ahead with steady production contracts of P-1 patrol aircraft and C-2 transport aircraft Commercial <ul style="list-style-type: none"> ➢ Emphasize enhanced productivity through KPS* activities to offset causes of reduced earnings, namely drop in number of Boeing 777 deliveries and start-up of 777X <p>*KPS: Kawasaki Production System</p>

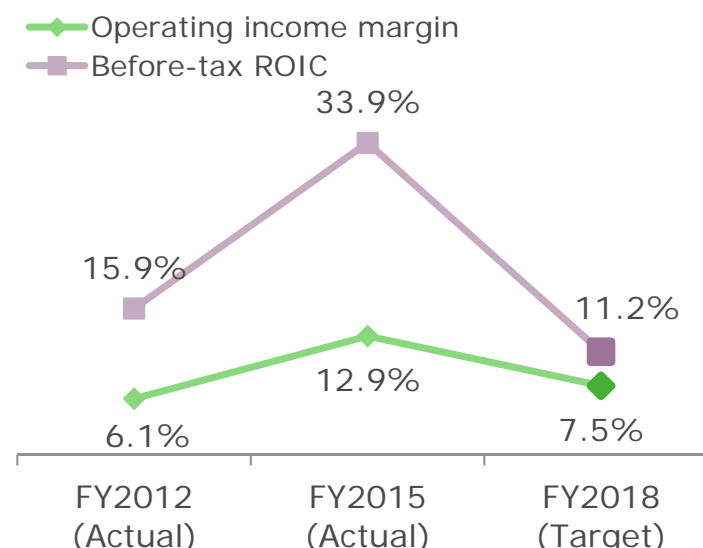
Orders Received and Net Sales
(Billion yen)



Operating Income (Billion yen)



Operating Income Margin and Before-tax ROIC



Gas Turbine & Machinery

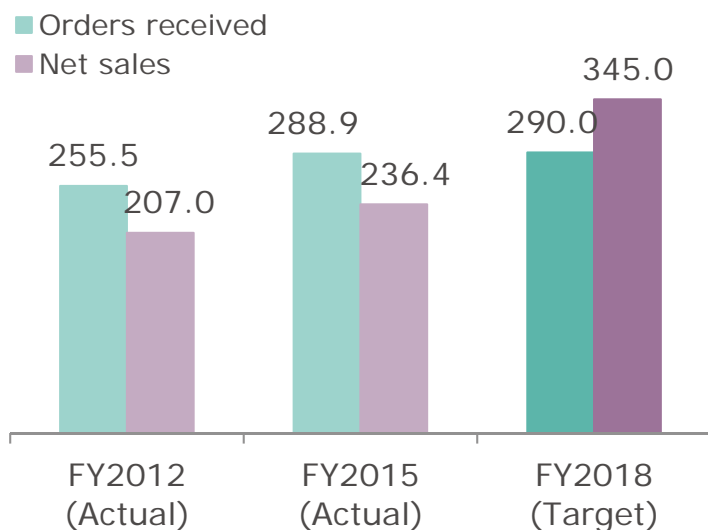
<Business Vision>

Global equipment and system manufacturer in transportation systems and energy & environment sectors

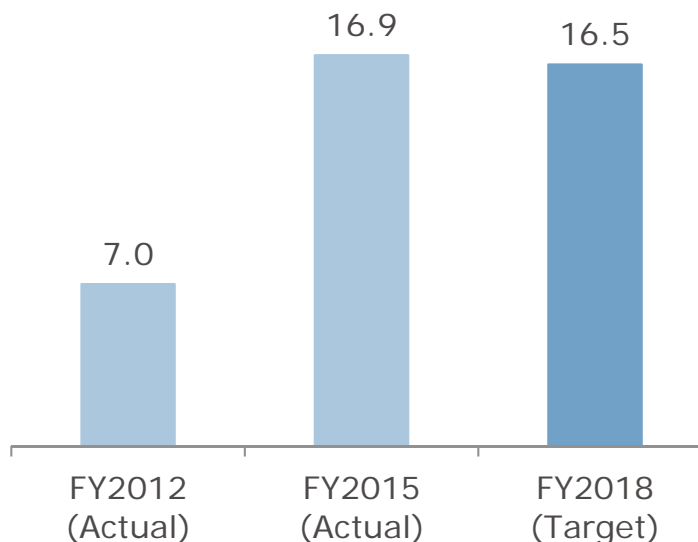
MTBP2016 Outlook

Operating environment	Business and management directions	Toward achieving FY2018 targets
<p>Jet Engines</p> <ul style="list-style-type: none"> Commercial aircraft market to sustain favorable growth New-type engines to gradually shift into mass production, with after-market services to rise from fiscal 2018 onward <p>Energy & Environmental Engineering</p> <ul style="list-style-type: none"> Construction/full operation of distributed power generations Increase in after-market demand from fiscal 2018 onward <p>Marine</p> <ul style="list-style-type: none"> Lackluster offshore vessel market conditions paralleling low oil prices LNG-powered ships beginning to appear 	<p>Jet Engines</p> <ul style="list-style-type: none"> Enhance presence in jet engine sector by improving development capabilities <p>Energy & Environmental Engineering</p> <ul style="list-style-type: none"> Expand share in distributed power generation market with industry's most efficient, environment-friendly performance equipment <p>Marine</p> <ul style="list-style-type: none"> Strive to expand share by developing and bringing to market next-generation marine equipment and systems, and take a spot among the world's top manufacturers 	<p>Jet Engines</p> <ul style="list-style-type: none"> Implement planned reinforcement of production capabilities over whole supply chain to boost output <p>Energy & Environmental Engineering</p> <ul style="list-style-type: none"> Accelerate overseas expansion, especially in Southeast Asia Enhance product competitiveness by developing high-efficiency equipment <p>Marine</p> <ul style="list-style-type: none"> Strive to strengthen competitive edge and enhance product lineup through debut of new-type propulsion systems and marine gas engines, and promote shift to systems Maintain stable profitability with after-market services

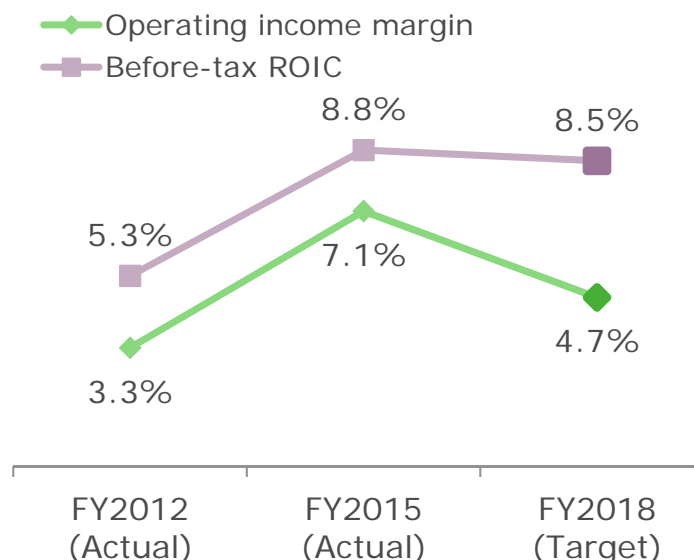
Orders Received and Net Sales (Billion yen)



Operating Income (Billion yen)



Operating Income Margin and Before-tax ROIC



Plant & Infrastructure

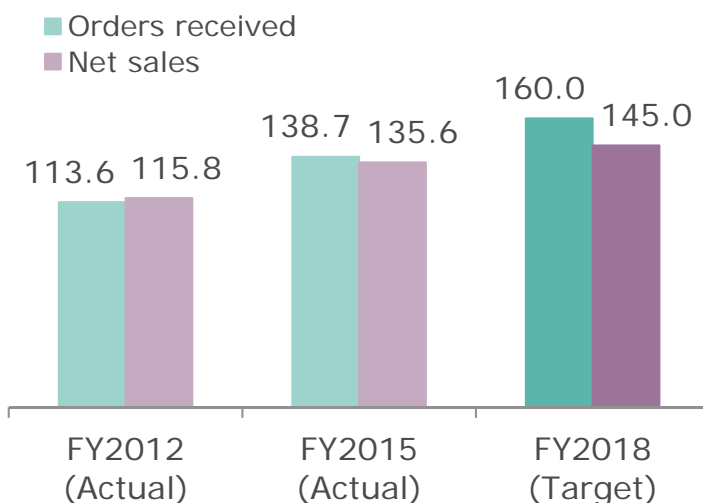
<Business Vision>

Emphasizing energy and environment, to become a distinctive plant manufacturer that provides products and services to help protect the global environment and also earn high customer satisfaction through technologies and quality underpinned by high product development expertise and engineering know-how

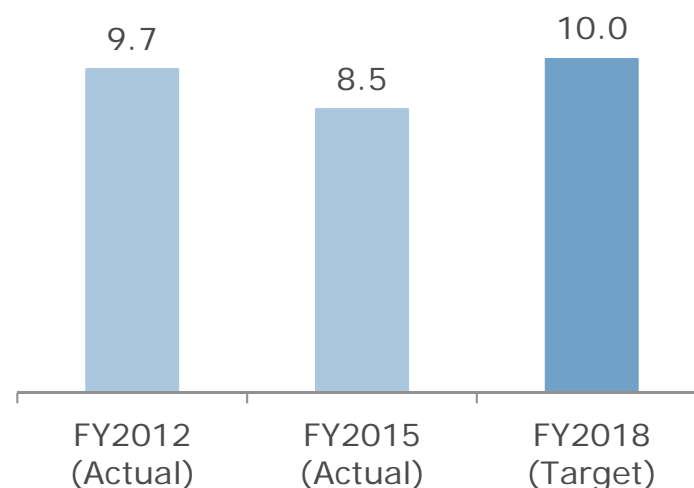
MTBP 2016 Outlook

Operating environment	Business and management directions	Toward achieving FY2018 targets
Domestic <ul style="list-style-type: none"> ➢ Stable shift in replacement demand for refuse incineration plants ➢ Increase in number of material handling systems and ash treatment facilities for coal-fired thermal power plants ➢ Increase in number of shield machines for civil engineering projects in Kanto area Overseas <ul style="list-style-type: none"> ➢ Plans delayed on such projects as LNG tanks and industrial plants, mainly due to drop in oil prices, concern over economic slowdowns in emerging markets and resource-producing countries, and heightened geopolitical risk 	<ul style="list-style-type: none"> ➢ Improve profitability: Carefully select orders with emphasis on profitability over scale, ensure thorough risk management on upstream processes, and improve estimate accuracy ➢ Ensure stability: Execute projects mindful of human resources, assign engineers flexibly in response to market trends, and emphasize QCD management ➢ Seek growth: Develop market for next-generation products by improving upon existing products, and promote hydrogen projects 	<ul style="list-style-type: none"> ➢ Improve profitability through committed approach to careful project selection ➢ Reduce failure costs, such as cost of defective work and guarantees on construction ➢ Steady progress toward completion of existing orders ➢ Transfer technologies and know-how to next generation of engineers and develop skills of human resources

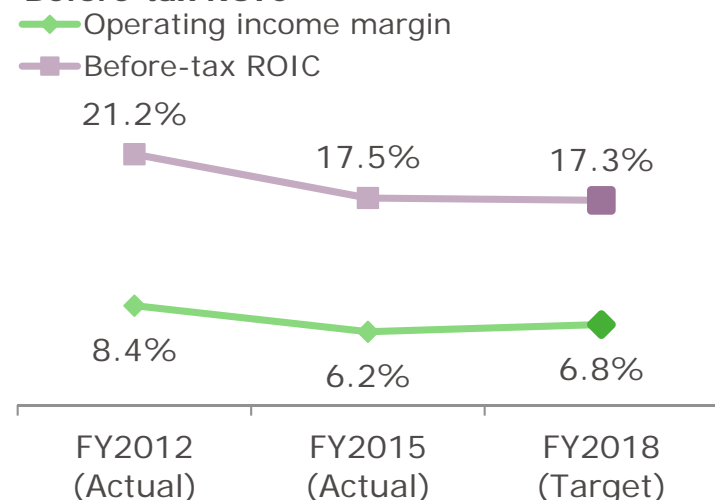
Orders Received and Net Sales (Billion yen)



Operating Income (Billion yen)



Operating Income Margin and Before-tax ROIC



Motorcycle & Engine

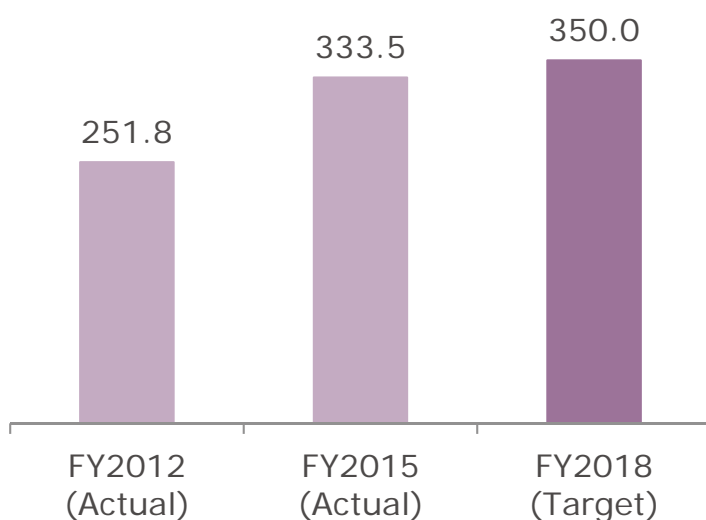
<Business Vision>

Guided by "Kawasaki, working as One" philosophy, grow and endure as manufacturer with core competence underpinned by high brand power firmly rooted in customer value, product competitiveness far exceeding that of other companies and efficient management at world class level and with primary focus on domains with high value-added in the power sports and general-purpose engine markets

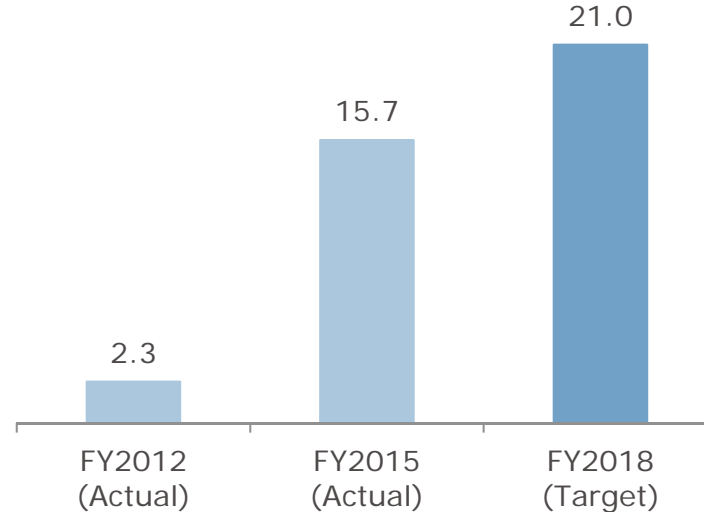
MTBP 2016 Outlook

Operating environment	Business and management directions	Toward achieving FY2018 targets
Motorcycles <ul style="list-style-type: none"> Economic conditions in developed countries showing gradual recovery but competition is intensifying due to pricing strategies of other companies Economic conditions in emerging markets remain sluggish at present but should return to growth track in 2018, with competition getting fierce as other companies debut new products General-purpose engines <ul style="list-style-type: none"> Gradual recovery in number of housing starts in the United States, heralding favorable shift in demand for engines for yardcare market 	<ul style="list-style-type: none"> High brand value Create brand that is clearly different from other companies and is worth a higher price Product competitiveness far sharper than that of other companies Be frontrunner with product development structure geared to customer requirements Industry's highest management efficiency Build efficient management structure through realignment according to functions of consolidated companies 	<ul style="list-style-type: none"> Set prices based on high brand power firmly rooted in customer value Establish development structure to maintain constant market debut of attractive new models Strive for efficient operation through integrated operations of sales and manufacturing bases globally, with emphasis on faster R&D, more efficient marketing practices and optimized supply chain Generate investment capacity by reinforcing profit-making capabilities and improving free cash flow to capitalize on growth markets of the future

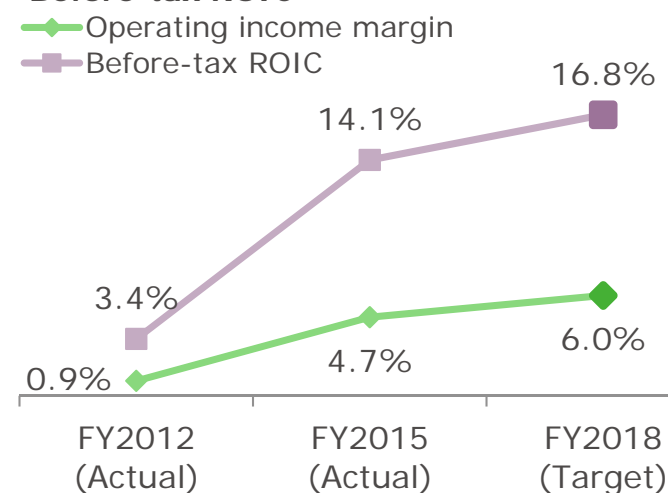
Net Sales (Billion yen)



Operating Income (Billion yen)



Operating Income Margin and Before-tax ROIC



Precision Machinery

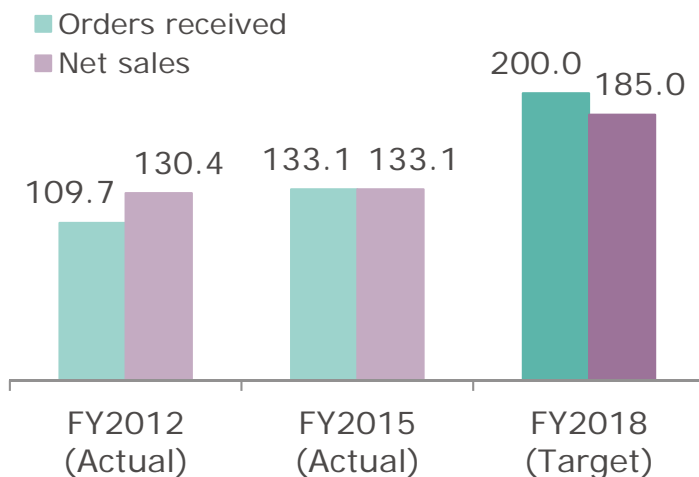
<Business Vision>

World's top brand in motion control, creating and providing total solutions for providers of medical and healthcare services and for various industries, including automobile, construction machinery and electronic equipment, with a focus on hydraulic components and robots boasting a level of performance and quality far surpassing that of other companies

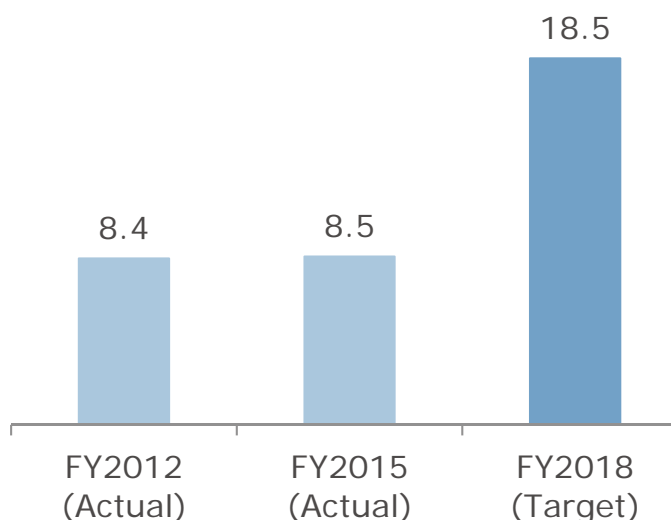
MTBP 2016 Outlook

Operating environment	Business and management directions	Toward achieving FY2018 targets
Hydraulic equipment <ul style="list-style-type: none"> Sluggish construction machinery market in China Global construction machinery market should hit bottom in fiscal 2016 and start gradual recovery Heightened pressure to drop prices on marine equipment, owing to low ship prices Heightened interest in energy-saving, differentiated products for industrial machinery market Robots <ul style="list-style-type: none"> Wider use of robots for automobile production, not only in welding and painting but also assembly Increased demand for semiconductor, electric appliance, electronics and other industrial sectors overall Progress in application of robots in non-industrial sectors, such as medical services and nursing care 	Hydraulic equipment <ul style="list-style-type: none"> Maintain high share of excavator market but strive to expand Develop business beyond excavators, to construction and agricultural machinery sectors Explore business potential for industrial machinery and marine application machines Robots <ul style="list-style-type: none"> Increase current market share Develop and debut new technologies and new types of human-friendly robots that coexist with humans Actively promote innovative development of robots for medical applications Both <ul style="list-style-type: none"> Pursue efficiency by demonstrating synergistic effect as business segment comprising Hydraulic Machinery and Robot Division 	Hydraulic equipment <ul style="list-style-type: none"> Expand sales by having components incorporated into products made in-house by major global construction machinery manufacturers and by promoting sales beyond excavators to construction machinery and agricultural machinery sectors Enrich lineup featuring world's most cutting-edge technologies, and sharpen competitive edge Apply wide-ranging technology to products, from high-pressure, large-capacity components to fluid-pressure microactuators for medical robots, and expand after-market services Robots <ul style="list-style-type: none"> Increase sales by cultivating demand in emerging markets Use new technologies and higher level technology for human-friendly robots that coexist with humans, to expand sales Expand service business using IoT Strengthen brand profile of Kawasaki robots

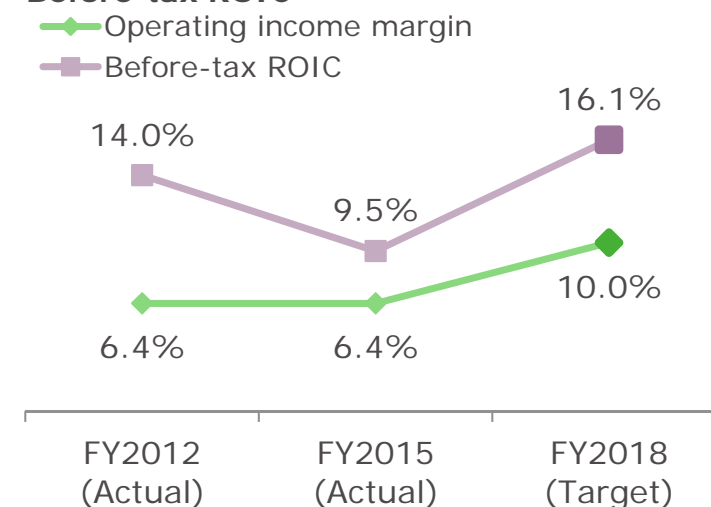
Orders Received and Net Sales
(Billion yen)



Operating Income (Billion yen)



Operating Income Margin and Before-tax ROIC



Quantitative Targets by Segment (1)

(Billion yen)

	Orders Received			Net Sales			Operating Income		
	FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)	FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)	FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)
Ship & Offshore Structure	105.7	98.3	140.0	90.3	94.8	110.0	4.1	-7.9	1.5
Rolling Stock	124.4	132.1	200.0	129.9	146.6	200.0	2.2	9.2	14.0
Aerospace	283.4	464.2	300.0	239.1	351.8	320.0	14.8	45.6	24.0
Gas Turbine & Machinery	255.5	288.9	290.0	207.0	236.4	345.0	7.0	16.9	16.5
Plant & Infrastructure	113.6	138.7	160.0	115.8	135.6	145.0	9.7	8.5	10.0
Motorcycle & Engine	251.8	333.5	350.0	251.8	333.5	350.0	2.3	15.7	21.0
Precision Machinery	109.7	133.1	200.0	130.4	133.1	185.0	8.4	8.5	18.5
Other	125.1	104.4	100.0	124.2	108.8	85.0	-6.7	-0.8	-5.5
Eliminations and corporate*	-	-	-	-	-	-	-	-	-
Total	1,369.5	1,693.6	1,740.0	1,288.8	1,541.0	1,740.0	42.0	95.9	100.0

* "Eliminations and corporate" includes some expenses incurred at Head Office but not allocated to any particular business segment for internal reporting.

Quantitative Targets by Segment (2)

	Before-tax ROIC ((EBIT + Interest Expense) / Invested Capital)		
	FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)
Ship & Offshore Structure	17.3%	-38.4%	6.1%
Rolling Stock	4.6%	11.7%	13.1%
Aerospace	15.9%	33.9%	11.2%
Gas Turbine & Machinery	5.3%	8.8%	8.5%
Plant & Infrastructure	21.2%	17.5%	17.3%
Motorcycle & Engine	3.4%	14.1%	16.8%
Precision Machinery	14.0%	9.5%	16.1%
Total	6.1%	9.4%	11.0%

Operating Income Margin (Operating Income / Net Sales)			Asset Turnover (Times) (Net Sales / Total Assets)		
FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)	FY2012 (Actual)	FY2015 (Actual)	FY2018 (Target)
4.6%	-8.3%	1.3%	0.80	0.61	0.70
1.7%	6.3%	7.0%	0.79	0.85	1.00
6.1%	12.9%	7.5%	0.76	0.92	0.70
3.3%	7.1%	4.7%	0.82	0.75	0.90
8.4%	6.2%	6.8%	1.00	1.12	1.20
0.9%	4.7%	6.0%	0.92	1.36	1.35
6.4%	6.4%	10.0%	1.13	0.93	1.00
3.2%	6.2%	5.7%	0.87	0.95	1.00

Kawasaki, Working as one for the good of the planet

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.