

Kawasaki Heavy Industries, Ltd.

November 2, 2020

**Policy Decision: Rolling Stock and Motorcycle & Engine
Businesses to be Spun Off, Ship & Offshore Structure and
Energy System & Plant Engineering Businesses to be
Integrated**

Tokyo, November 2, 2020 — Kawasaki Heavy Industries, Ltd. has decided to spin off its Rolling Stock and Motorcycle & Engine Businesses in October 2021. In addition, Kawasaki has decided to integrate its Ship & Offshore Structure and Energy System & Plant Engineering Businesses in April 2021 in order to accelerate its efforts to realize a hydrogen-based society.

1. Spin-Off of Rolling Stock and Motorcycle & Engine Businesses

(1) Rolling Stock Business

In the short term, the COVID-19 (novel coronavirus) pandemic has caused railway operators in Japan to review their investment plans in response to declining passenger numbers, while in overseas, delays have been occurring in the construction of new railway lines. However, looking ahead, railway systems - which are an environmentally-friendly means of public transportation and an integral part of daily life - are projected to enjoy relatively stable growth globally. This trend is anticipated to be driven by urban transportation initiatives to reduce congestion and improve the environment in large cities experiencing population concentration, as well as the need to develop railway infrastructure in Asian countries together with their economic development.

Based on this view of the market situation, Kawasaki will take agile and flexible measures (including through close alliances and collaborations with industry partners) to satisfy demand for highly-challenging projects and railway systems overall.

At the same time, Kawasaki will further advance the ongoing application of production technologies and quality control methods from the Aerospace Systems Business, stabilizing quality and enhancing cost competitiveness in order to meet solid railway-related demand.

(2) Motorcycle & Engine Business

The Power Sports Business which comprises a part of the Motorcycle & Engine Business, includes motorcycles and off-road four wheelers, and is Kawasaki's only mass-production consumer-facing business. Spinning off this business will speed up decision making, and by offering products and services in sync with customers - including new lifestyle offerings - Power Sports will further enhance its role as the flagship Group business building the strong Kawasaki brand.

In the short term, we will continue working to improve our financial situation. However, when taking a broad view of the industry as a whole, it faces significant issues such as an aging customer base and compliance with environmental regulations. Kawasaki is strengthening intra-industry cooperation - such as through joint development of electric drive and advanced safety technologies as well as greater commonality of functional parts - in order to catalyze growth in the Power Sports Business and achieve market revitalization.

The Motorcycle & Engine Business is also instigating innovative projects to capture new business opportunities. Its initiatives include extending corporate resources to mass-production businesses in cooperation with the Precision Machinery & Robot Business, collaborating in the agricultural machinery and turf care markets in hydraulic systems and general-purpose engines, and promoting the development of near-future mobility such as by incorporating robotics and remote technologies.

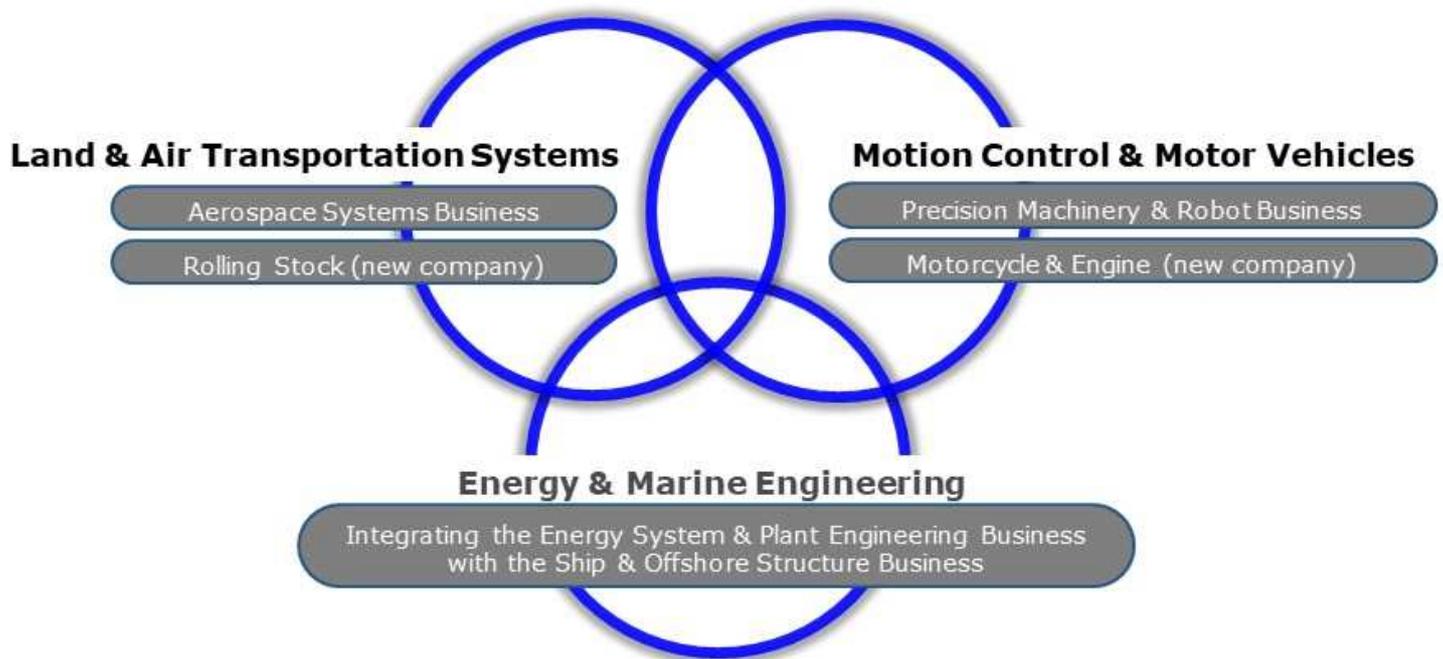
2. Integration of the Ship & Offshore Structure and Energy System & Plant Engineering Businesses

Kawasaki has been working on reconstruction of the Ship & Offshore Structure merchant ship construction business by focusing on gas carriers while also reducing the scale of the Sakaide Works. However, the business faces an extremely adverse environment due to factors such as the prolonged stagnation in crude oil prices. On the other hand, the increasing attention being paid worldwide to hydrogen in recent years as a clean energy source that does not emit CO₂ means that opportunities to leverage Kawasaki's strengths - which has been working on the utilization of hydrogen energy for many years - are rapidly expanding.

Kawasaki is currently engaged in the development of liquefied hydrogen carriers in the Ship & Offshore Structure Business, and hydrogen gas turbines, hydrogen storage tanks, and hydrogen liquification systems in the Energy System & Plant Engineering Business. Kawasaki has determined to integrate these two businesses in order to focus corporate resources and accelerate its efforts to realize a hydrogen-based society as a leading company in the hydrogen energy field. Kawasaki will also chart the enhancement of marine engineering by combining the expertise of the two businesses, such as fuel gas supply systems and marine propulsion technologies including autonomous operating vessels.

While continuing to build products such as LPG carriers there for the time being, Kawasaki will reorganize the Sakaide Works as a hub for the development, manufacturing, and engineering of hydrogen-related products such as liquefied hydrogen carriers. Kawasaki will also investigate utilization of Sakaide Works' expansive site as a focal area for new business initiatives.

As a result of the spin-off and integration, Kawasaki's businesses will be operated in three groups - Land & Air Transportation Systems, Motion Control & Motor Vehicles, and Energy & Marine Engineering - making the collaboration between each business more effective.



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