

Consolidated Financial Results for FY2017

[Announcement of Financial Statements and New Midterm Business Plan]

Keihin Corporation

May 12, 2017

Summary of Consolidated Financial Results for FY2017 and FY2018 Financial Forecast

President and CEO
Chitoshi Yokota

Topics for FY2017 2nd Half

- ▶ Our products installed in KTM 1290 SUPER DUKE R (October 2016)
- ▶ Our products installed in Honda CBR250RR, which went on sale in Indonesia (November 2016)
- ▶ Our products installed in Honda CR-V, which went on sale in the United States (December 2016)
- ▶ Keihin's subsidiary in Thailand obtained FORD Q1 quality certification from Ford Motor Company (Thailand) Limited (January 2017)
- ▶ Our electronic control units supplied to HI-LEX Corporation (February 2017)
 - * For Mazda CX-5, which went on sale in Japan
- ▶ Our products installed in Honda Scoopy i, which went on sale in Thailand (March 2017)



Keihin products installed
in Honda CR-V



Electronic control unit
supplied to HI-LEX Corporation

FY2017 Consolidated Financial Results

[IFRS] (Unit: 100 millions yen)				
	FY2016 results	FY2017 results	Change	
			amount	%
Revenue	3,415.8	3,255.5	-160.3	-4.7%
* Ratio of sales to other than main customer	14.1%	14.8%		
Operating profit	164.4	229.5	+65.1	+39.6%
* Operating profit margin	4.8%	7.1%		
Profit before tax	155.5	207.3	+51.8	+33.3%
Profit for the year attributable to owners of the parent	56.8	110.8	+54.1	+95.2%
Dividends per share	¥36	*¥40	¥4	—
* Dividends payout ratio	46.9%	26.7%		
Exchange Rate (against 1 U.S. dollar)	¥119.95	¥108.80	¥11.15	—
Total number of vehicles (million units)	42.57	44.15	+1.59	+3.7%
Motorcycle and power products	32.22	32.36	+0.13	+0.4%
Automobile products	10.34	11.80	+1.45	14.0%

* Ordinary dividend of 38.00 ¥/share, Commemorative dividend of 2.00 ¥/share
(Commemorative dividend for the 60th anniversary)

► Year-to-year: Decrease in revenue and increase in profit

Revenue: Decrease due to unfavorable exchange rate, despite increased sales of automobile products such as products installed in hybrid vehicles in Japan, increased sales of automobile products in China, and increased sales of motorcycle products in Asia.

Operating profit: Increase due to cost reduction and effect from strengthening of domestic business constitution, despite increased depreciation and unfavorable exchange rate.

(Note: ¥=Japanese Yen)
(Note: Amounts are rounded to the nearest millions yen)

Topics for FY2018

- ▶ Start preparations ahead of the full-scale mass production of FI system products for small motorcycles in India
- ▶ Expansion of production capacity of Intelligent Power Modules (IPM) installed in power control units for hybrid vehicles in Japan
- ▶ Start mass production of newly developed, compact and lightweight air conditioning units for mini vehicles to go on sale in Japan
- ▶ Transfer some production lines for direct injectors from Miyagi (Japan) to Suzuka (Japan) and adopt a two-site (Miyagi and Suzuka) production structure to avoid the risks of overconcentrated production



Intelligent Power Module production line
(current line)



Air conditioning unit production line
installed in Suzuka

FY2018 Consolidated Financial Forecast

[IFRS] (Unit: 100 millions yen)

	FY2017 results	FY2018 forecasts	Change	
			amount	%
Revenue	3,255.5	3,180.0	-75.5	-2.3%
* Ratio of sales to other than main customer	14.8%	15.2%		
Operating profit	229.5	185.0	-44.5	-19.4%
* Operating profit margin	7.1%	5.8%		
Profit before tax	207.3	184.0	-23.3	-11.2%
Profit for the year attributable to owners of the parent	110.8	105.0	-5.8	-5.3%
Dividends per share	*¥40	¥40	—	—
* Dividends payout ratio	26.7%	28.2%		
Exchange Rate (against 1 U.S. dollar)	¥108.80	¥110.00	-¥1.20	—
Total number of vehicles (million units)	44.15	46.28	+2.13	+4.8%
Motorcycle and power products	32.36	34.16	+1.81	+5.6%
Automobile products	11.80	12.12	+0.32	+2.7%

* Ordinary dividend of 38.00 ¥/share, Commemorative dividend of 2.00 ¥/share
(Commemorative dividend for the 60th anniversary)

► Year-to-year: Decrease in revenue and profit

Revenue: Decrease due to factors including sales unit prices in North America despite increased sales of automobile products including products installed in hybrid vehicles in Japan.

Operating profit: Decrease due to factors including lower profits due to reduced revenue and higher R&D expenses for the future, despite the effect of cost reductions and other factors.

(Note: ¥=Japanese Yen)
(Note: Amounts are rounded to the nearest millions yen)

Detail of FY2017 Financial Results and FY2018 Financial Forecasts

Director and Chief Operating Officer
for Business Administration Operations
Masayasu Shigemoto

FY2017 Consolidated Financial Results

[IFRS] (Unit: 100 millions yen)

	FY2016 results	FY2017 results	Change	
			amount	%
Revenue	3,415.8	3,255.5	-160.3	-4.7%
Motorcycle and power products	869.9	828.7	-41.2	-4.7%
Automobile products	2,545.8	2,426.8	-119.0	-4.7%
Operating profit	164.4	229.5	+65.1	+39.6%
Profit before tax	155.5	207.3	+51.8	+33.3%
Income tax expenses	75.7	74.9	+0.8	+1.0%
Profit for the year	79.8	132.4	+52.6	+65.9%
Profit for the year attributable to owners of the parent	56.8	110.8	+54.1	+95.2%

Exchange Rate

1 U.S. Dollar	¥119.95	¥108.80	¥11.15
1 Thai Baht	¥3.42	¥3.10	¥0.32
1 Chinese Yuan	¥18.80	¥16.12	¥2.68
1 Indian Rupee	¥1.84	¥1.62	¥0.22
1 Indonesian Rupiah (100-unit rate)	¥0.88	¥0.82	¥0.06
1 Brazilian Real	¥33.63	¥33.21	¥0.42

(Note: ¥=Japanese Yen)
(Note: Amounts are rounded to the nearest millions yen)

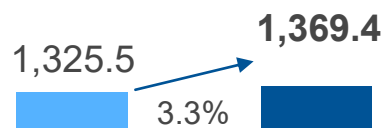
FY2017 Consolidated Results by Segment

[IFRS] (100 millions yen)

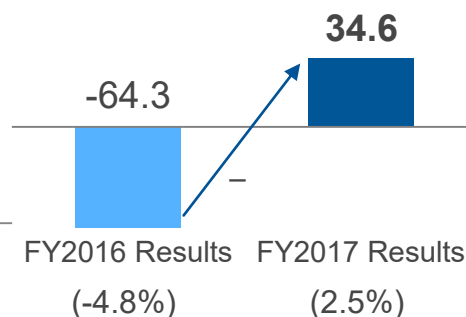
percentage in (brackets) operating profit margin

Japan

Revenue



Operating profit



Revenue

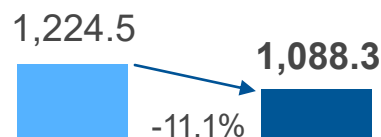
Increase due to increased sales of motorcycle and power products particularly in Indonesia and Thailand, increased sales of domestic automobile products, as well as higher sales of air conditioning heat exchanger products in China and Europe, despite an unfavorable exchange rate.

Operating profit

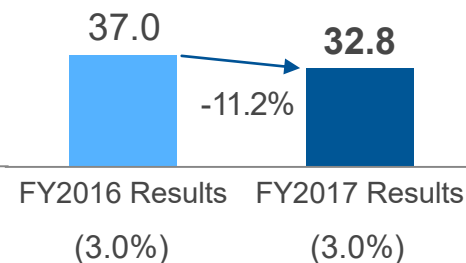
Increase due to effect from strengthening of domestic business constitution in addition to the effect of higher revenue.

Americas

Revenue



Operating profit



Revenue

Decrease due to unfavorable exchange rate in addition to decreased sales of motorcycle and power products in South America, and lower sales of automobile products in North America and Central America

Operating profit

Decrease due to lower production efficiency in addition to the effect of lower revenue.

* The amounts listed include amounts for internal revenue between segments.

* Keihin Thermal Technology group were under control of the management as part of the automotive air-conditioning heat exchange business in the Japan segment in FY2016. However, the American subsidiary and the Thailand subsidiary are included in "the American segment" and "the Asia segment" respectively in FY2017. Each subsidiary has been placed under control of Americas headquarter and Asia headquarter to strengthen corporation between air-conditioning production subsidiary and regional headquarters. Accordingly, results for the year ended March 31, 2016 and year ended March 31, 2017 have been restated to current year presentation.

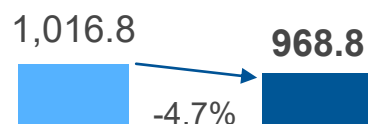
FY2017 Consolidated Results by Segment

[IFRS] (100 millions yen)

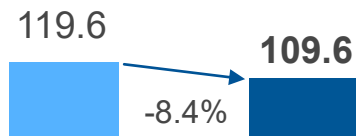
percentage in (brackets) operating profit margin

Asia

Revenue



Operating profit



FY2016 Results FY2017 Results (11.8%) (11.3%)

Revenue

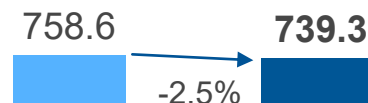
Decrease due to unfavorable exchange rate, despite increased sales of motorcycle and power products in Indonesia and Vietnam, and increased sales of automobile products in Thailand, Malaysia and elsewhere.

Operating profit

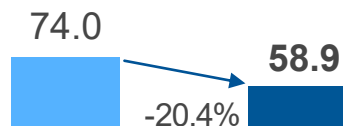
Decrease primarily due to unfavorable exchange rate.

China

Revenue



Operating profit



FY2016 Results FY2017 Results (9.8%) (8.0%)

Revenue

Decrease due to unfavorable exchange rate, despite increased sales of motorcycle and power products and automobile products

Operating profit

Decrease due to unfavorable exchange rate despite increased sales mainly of automobile products, as well as cost reductions.

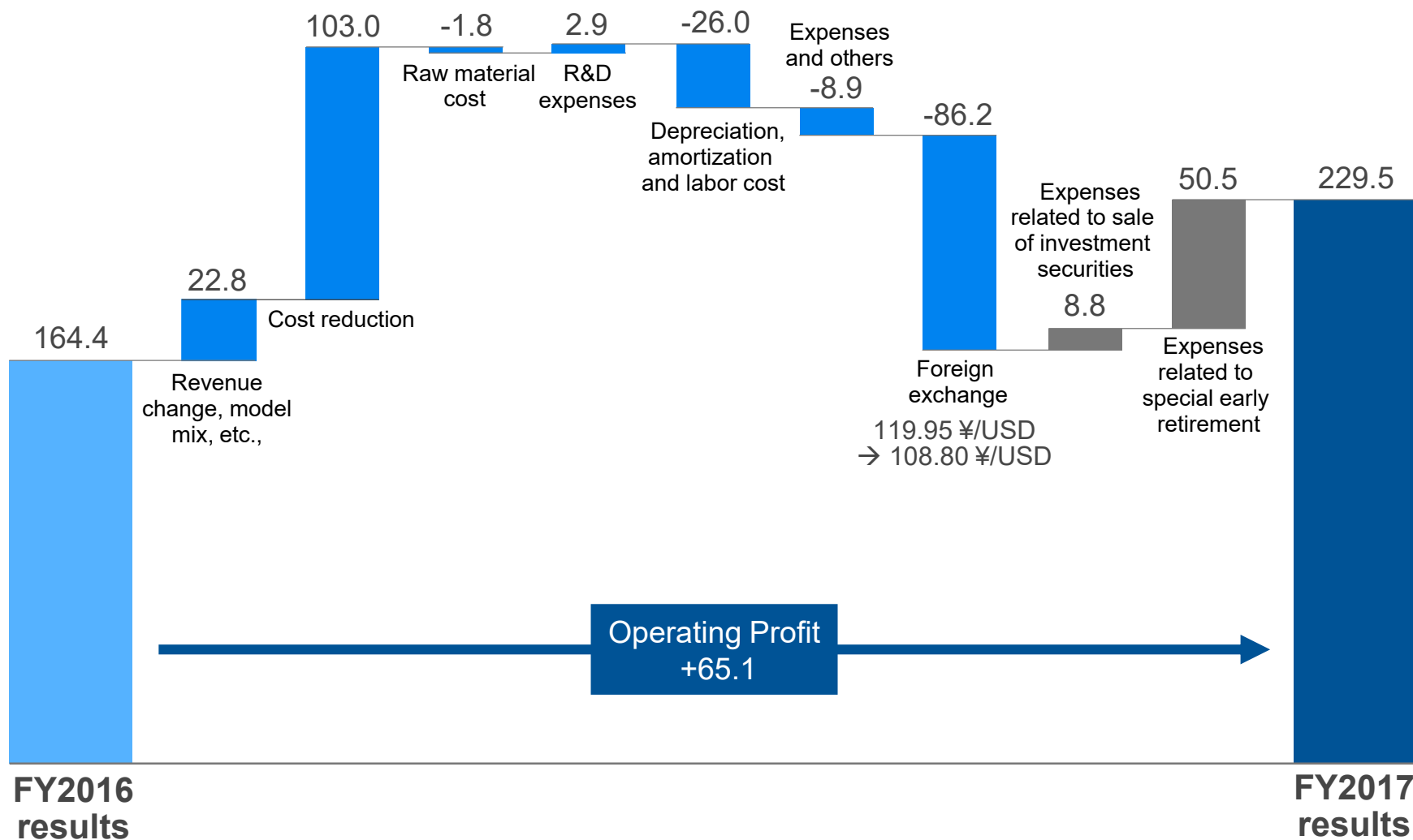
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Factors for Change in FY2017 Consolidated Operating Profit

[IFRS]

(Unit: 100 millions yen)



(Note: Amounts are rounded to the nearest millions yen)

FY2017 Capital Expenditure, Depreciation and Research & Development Expenses

[IFRS] (Unit: 100 millions yen)

	FY2016 results	FY2017 results	Change	
			amount	%
Capital expenditure	136.1	162.9	26.7	19.6%
Depreciation	173.6	168.9	-4.7	-2.7%
Research & Development expenses	195.6	194.0	-1.6	-0.8%
Ratio of R&D expenses to consolidated revenue	5.7%	6.0%	—	—

▶ Capital expenditure

Capital expenditure increased due to expanded supply capacity to meet the higher demand for advanced environmental products such as gasoline direct injectors

▶ Depreciation

Depreciation decreased due to the impact of the exchange rate despite higher depreciation charges associated with increased investment

▶ Research & development expenses

Sustain enhanced research and development with a view to the future

Impact of Foreign Exchange in FY2017

Impact of foreign exchange		Impact of amount (unit : 100 million yen)
	1 U.S. Dollar	-44.6
	1 Thai Baht	0.0
	1 Chinese Yuan	-8.8
	1 Indian Rupee	-1.0
	1 Indonesian Rupiah	1.8
	1 Brazilian Real	0.0
	Other	-3.1
Difference in exchange rates for sales *1 (at the line of Operating profit)		-55.7
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)		-15.6
Subtotal		-71.3
Difference from foreign exchange translation *3 (at the line of Profit before tax)		-29.7
Total		-101.0
	At the line of Operating profit	-86.2
	Financial balance	-14.8

FY2016 results	FY2017 results	Change
¥119.95	¥108.80	¥11.15
¥3.42	¥3.10	¥0.32
¥18.80	¥16.12	¥2.68
¥1.84	¥1.62	¥0.22
¥0.88	¥0.82	¥0.06
¥33.63	¥33.21	¥0.42

(Indonesian rupiah rates are based on 100 currency units)

*1: Difference, from the previous fiscal year, in the exchange rates used for posting revenues denominated in foreign currencies

*2: Difference, from the previous fiscal year, between the exchange rates used for posting revenues denominated in foreign currencies and the exchange rates for posting sales proceeds received

*3: Difference, from the previous fiscal year, in yen exchange rates used for consolidating individual financial statements denominated in foreign currencies

(Note: ¥=Japanese Yen)
(Note: Amounts are rounded to the nearest millions yen)

FY2017 Consolidated Statement of Financial Position

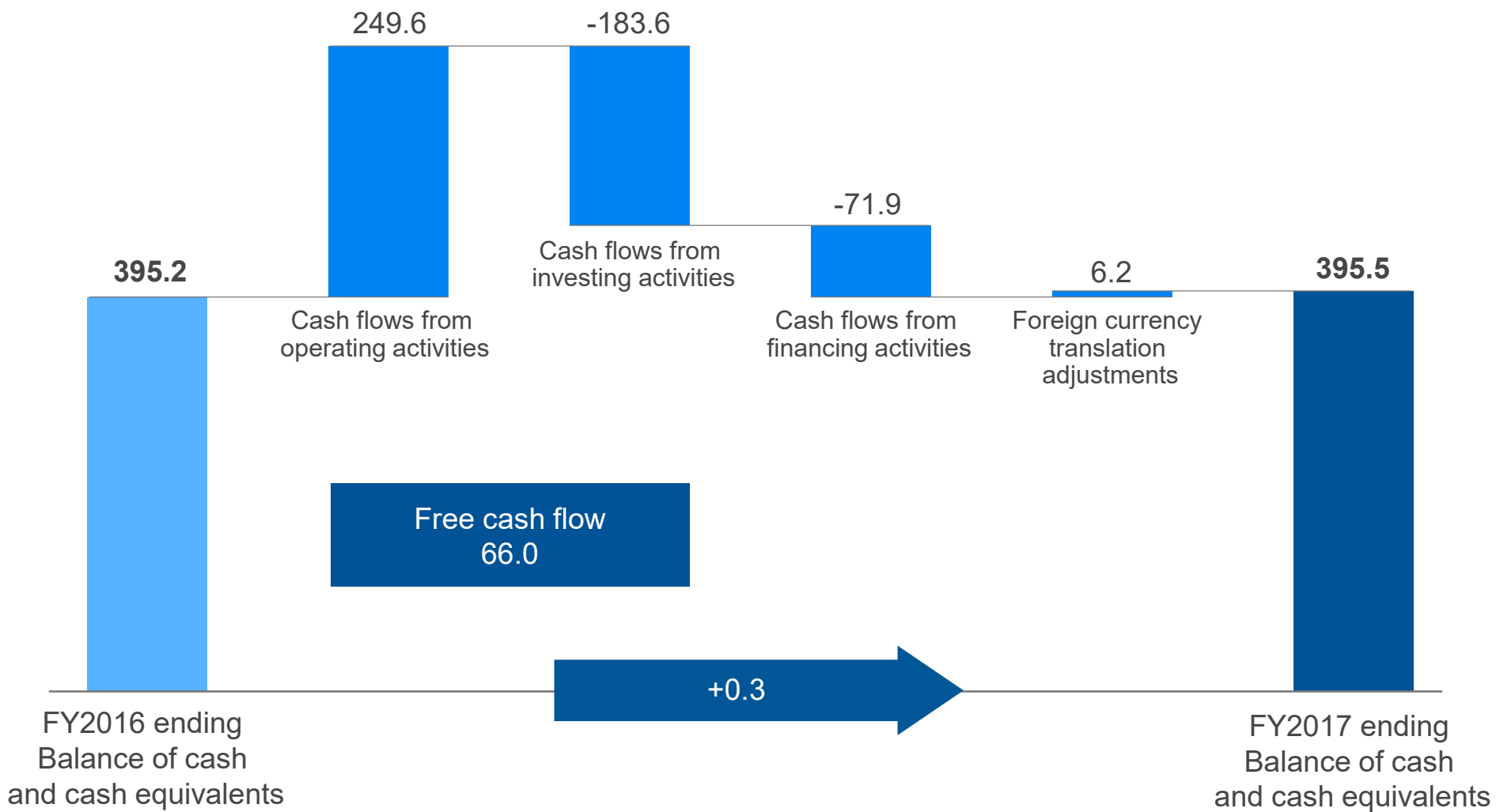
[IFRS]
(100 millions yen)

	FY2016 end	FY2017 end	Change		FY2016 end	FY2017 end	Change
Total assets	2,570.7	2,668.5	97.9	Total liabilities and equity	2,570.7	2,668.5	97.9
Total current assets	1,429.8	1,471.6	41.8	Total current liabilities	660.7	639.2	-21.5
Cash and cash equivalents	395.2	395.5	0.3	Trade and other payables	532.7	522.2	-10.4
Trade and other receivables	549.3	569.8	20.5	Short-term loans	99.8	85.9	-13.9
Inventories	447.8	457.7	9.9	Others	28.2	31.1	2.9
Others	37.5	48.5	11.0	Total non-current liabilities	84.8	90.5	5.7
Total non-current assets	1,140.9	1,197.0	56.1	Long-term loans	5.6	—	-5.6
Property, plant and equipment	959.6	971.5	11.9	Others	79.1	90.5	11.4
Intangible assets	65.6	61.8	-3.8	Total equity	1,825.2	1,938.8	113.6
Other non-current financial assets	49.5	53.4	3.9	Equity attributable to owners of the parent	1,592.9	1,704.2	111.3
Others	66.2	110.3	44.1	Non-controlling interests	232.3	234.6	2.4

(Note: Amounts are rounded to the nearest millions yen)

FY2017 Consolidated Cash Flow

[IFRS]
(Unit: 100 millions yen)



(Note: Amounts are rounded to the nearest millions yen)

Forecasts of FY2018 Consolidated Financial Results

[IFRS] (Unit: 100 millions yen)

	FY2017 results	FY2018 forecasts	Change	
			amount	%
Revenue	3,255.5	3,180.0	-75.5	-2.3%
Motorcycle and power products	828.7	860.0	31.3	3.8%
Automobile products	2,426.8	2,320.0	-106.8	-4.4%
Operating profit	229.5	185.0	-44.5	-19.4%
Profit before tax	207.3	184.0	-23.3	-11.2%
Income tax expenses	74.9	64.0	-10.9	-14.6%
Profit for the year	132.4	120.0	-12.4	-9.3%
Profit for the year attributable to owners of the parent	110.8	105.0	-5.8	-5.3%

Exchange Rate

1 U.S. Dollar	¥108.80	¥110.00	- ¥1.20
1 Thai Baht	¥3.10	¥3.10	—
1 Chinese Yuan	¥16.12	¥15.90	¥0.22
1 Indian Rupee	¥1.62	¥1.70	- ¥0.08
1 Indonesian Rupiah (100-unit rate)	¥0.82	¥0.82	—
1 Brazilian Real	¥33.21	¥35.20	- ¥1.99

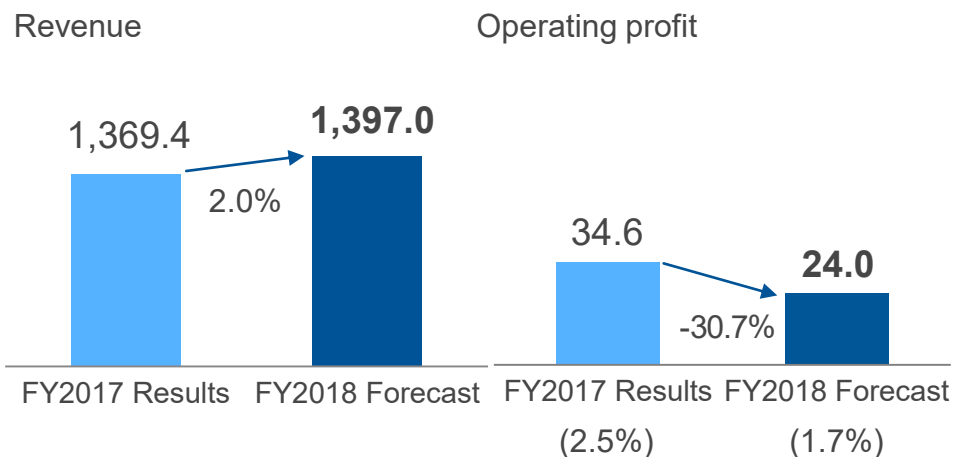
(Note: ¥=Japanese Yen)
(Note: Amounts are rounded to the nearest millions yen)

Forecasts of FY2018 Consolidated Results by Segment

[IFRS] (100 millions yen)

percentage in (brackets) operating profit margin

Japan



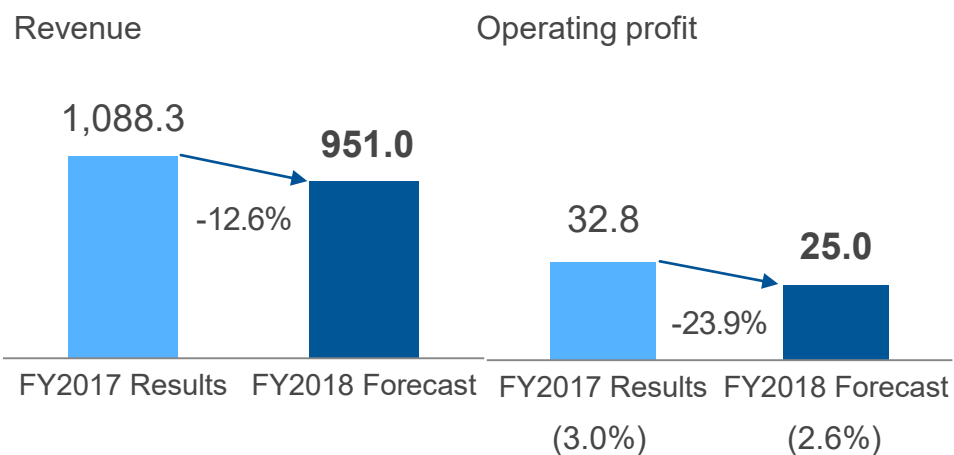
Revenue

Increase due to launch of new automobile product models in Japan

Operating profit

Decrease due to expanded future-oriented capital investment and research & development, despite the effects of higher revenue.

Americas



Revenue

Decrease due to reduced volume and unit prices of automobile products, and other factors.

Operating profit

Decrease due to lower revenue, despite the effects of cost reductions.

* The Amounts listed include amounts for internal revenue between segments.

(Note: Amounts are rounded to the nearest millions yen)

Forecasts of FY2018 Consolidated Results by Segment

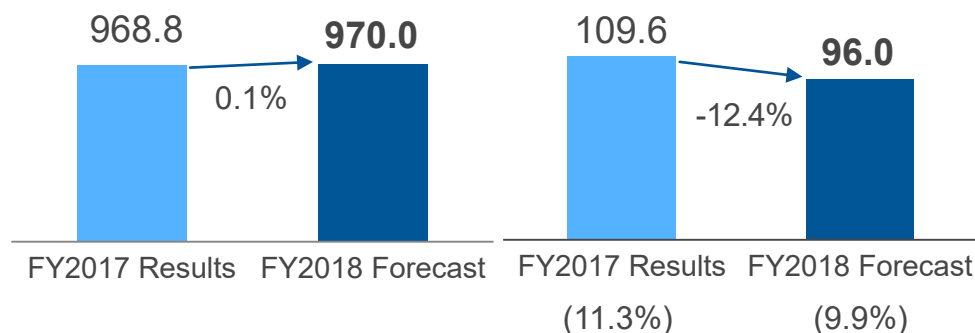
[IFRS] (100 millions yen)

percentage in (brackets) operating profit margin

Asia

Revenue

Operating profit



Revenue

Increase due to increase in sales of motorcycle and power products in India and elsewhere and the exchange rate, despite the impact of sales unit prices for automobile products

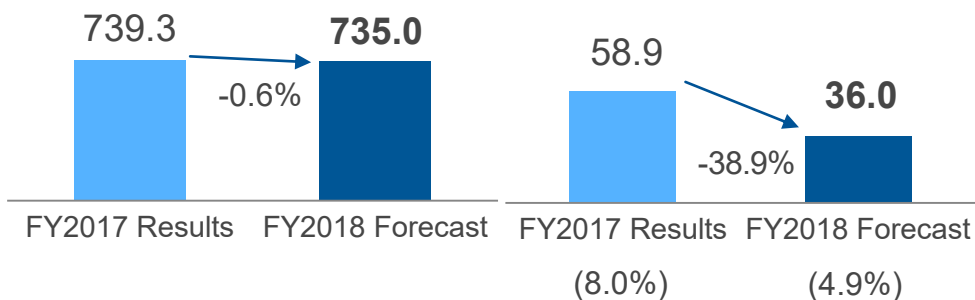
Operating profit

Decrease due to factors such as sales unit prices, despite the effects of cost reductions.

China

Revenue

Operating profit



Revenue

Decrease due to unfavorable exchange rate despite increased sales volume of automobile products.

Operating profit

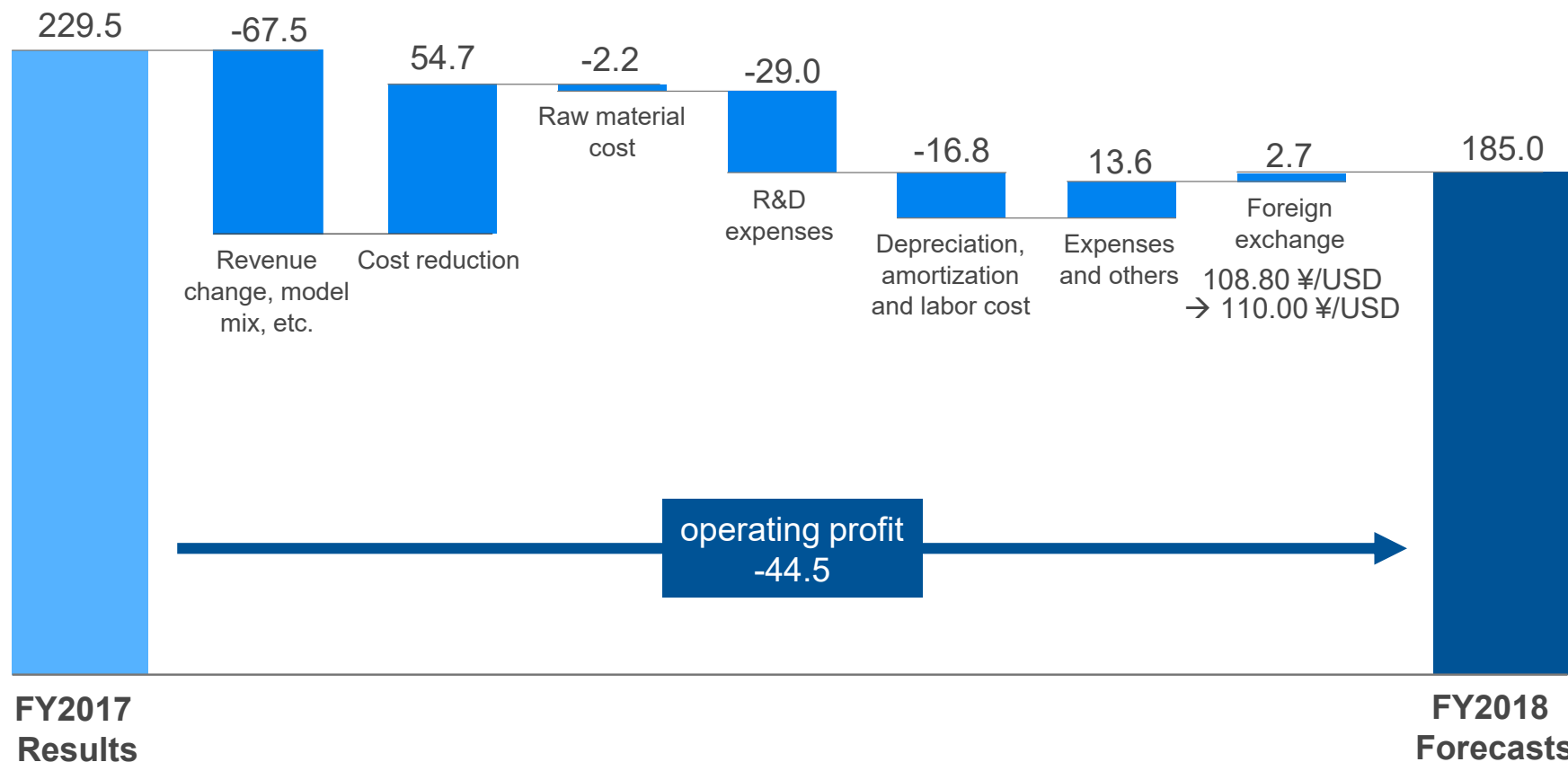
Decrease due to unfavorable exchange rate, despite the effects of cost reductions.

* The Amounts listed include amounts for internal revenue between segments.

(Note: Amounts are rounded to the nearest millions yen)

Expected Factors for Change in FY2018 Consolidated Operating Profit

[IFRS] (100 millions yen)



(Note: Amounts are rounded to the nearest millions yen)

Forecasts of Capital Expenditure, Depreciation and Research & Development Expenses for FY2018

	FY2017 results	FY2018 forecasts	Change	
			amount	%
Capital expenditure	162.9	230.0	67.1	41.2%
Depreciation	168.9	173.0	4.1	2.5%
Research & Development expenses	194.0	223.0	29.0	14.9%
Ratio of R&D expenses to consolidated revenue	6.0%	7.0%	—	—

- ▶ Capital expenditure
Capital expenditure will increase due to the shift to fuel injection (FI) motorcycle products in India, adoption of electrification vehicle automobile products and the reinforcement of testing facilities for upstream development.
- ▶ Depreciation
Depreciation will increase due to the launch of advanced environmental products and expansion of supply capacity.
- ▶ Research & development expenses
Additional research and development will be conducted to expand new customers

Forecast of Foreign Exchange impact in FY2018

Impact of foreign exchange		Impact of amount (unit : 100 million yen)
	1 U.S. Dollar	6.6
	1 Thai Baht	0.2
	1 Chinese Yuan	-3.2
	1 Indian Rupee	1.1
	1 Indonesian Rupiah	-0.5
	1 Brazilian Real	0.1
	Other	-1.6
Difference in exchange rates for sales *1 (at the line of Operating profit)		2.7
Difference between exchange rates for sales and exchange rates for sales proceeds *2 (Financial balance)		23.7
Subtotal		26.4
Difference from foreign exchange translation *3 (at the line of Profit before tax)		0.0
Total		26.4
	At the line of Operating profit	2.7
	Financial balance	23.7

FY2017 results	FY2018 forecasts	Change
¥108.80	¥110.00	- ¥1.20
¥3.10	¥3.10	—
¥16.12	¥15.90	¥0.22
¥1.62	¥1.70	- ¥0.08
¥0.82	¥0.82	—
¥33.21	¥35.20	- ¥1.99

(Indonesian rupiah rates are based on 100 currency units)

*1: Difference, from the previous fiscal year, in the exchange rates used for posting revenues denominated in foreign currencies

*2: Difference, from the previous fiscal year, between the exchange rates used for posting revenues denominated in foreign currencies and the exchange rates for posting sales proceeds received

*3: Difference, from the previous fiscal year, in yen exchange rates used for consolidating individual financial statements denominated in foreign currencies

The 13th Medium-Term Business Plan

(Three Years from FY2018 to FY2020)

Chitoshi Yokota
President and CEO

The 12th Medium-Term Business Plan (Three Years from FY2015 to FY2017)

12th Midterm Global Policy (Three Years from FY2015 to FY2017)

Create New Value by Utilizing Keihin's Collective Global Power

1. **Innovation of “Products” and “Manufacturing Technology” with a View to the Future**
2. **Creation of a Strong and Flexible Business Constitution for Survival in the Global Competition**
3. **Establishment of a Corporate Culture in which “Autonomy and Independence” are Deeply Rooted**

Products Released during the 12th Midterm – Motorcycle and Power Products

For small motorcycles

Global rollout of new FI system
(FY2015)



Market launch of electronic control unit with
ACG starter control system
(FY2016)



For large motorcycles

Market launch of FI system products
for super sports motorcycles (FY2016)



Market launch of industry's first FI system using an electronic
control-type throttle body in a class of 250cc or less
(FY2017)



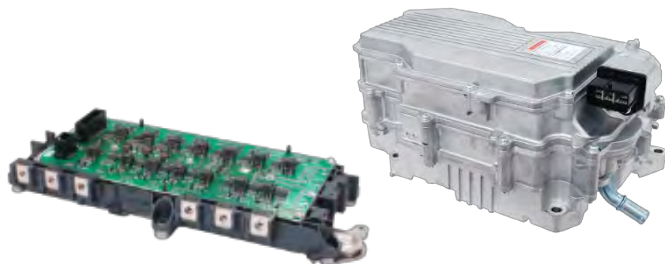
*FI: Fuel Injection

Keihin undertook a global expansion of low-cost FI systems
with high environmental performance

Products Released during the 12th Midterm – Automobile Products

Electrification

Developed new power control unit
for hybrid vehicles (FY2016)



Developed 22 products for
new fuel cell vehicles (FY2016)



Direct injection



Global expansion of products
installed in Honda Fit
(FY2015)



Developed system products for downsizing
direct injection turbo engine
(FY2016)



Developed products for
installation in V6 engines
(FY2016)

Adapted to the expanding market for electrification vehicles,
and the evolution of fuel-efficient gasoline engines

Business Expansion during the 12th Midterm



Environment

Started mass production of intelligent power modules for hybrid vehicles (FY2016)



Environment

Expanded production capacity of gasoline direct injectors (FY2017)



Higher efficiency

Automation line of DBW throttle body for automobiles began operation (FY2017)



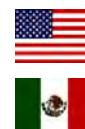
Global expansion



Plant III for motorcycle products entered into full-scale operation in India (FY2015)



New site for production of automotive air conditioning products began full-scale operation in China (FY2016)



Started mass production of direct injectors in United States, and also reconfigured production allocations (FY2016)

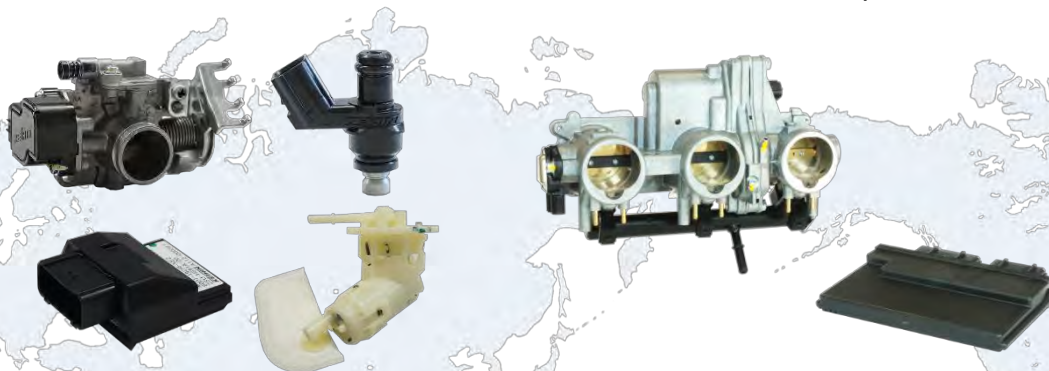
Enhanced QCD globally to strengthen operating foundations and competitiveness

Expanded Sales to OEMs Around the World

Motorcycle Products

FI system for small motorcycles
installed in Yamaha and Kawasaki models

FI system for large motorcycles
installed in Triumph and KTM models



No. of Motorcycles with
Keihin Products Installed
26.84 million units

Main customers 17.18 million units
Other customers 9.66 million units

Automobile Products

No. of Automobiles with
Keihin Products Installed
11.8 million units

Main customers 5.05 million units
Other customers 6.74 million units
(FY2017 results)

NGV products installed in
Daimler and Maruti Suzuki
models



Condenser installed in VW
Group and Ford models



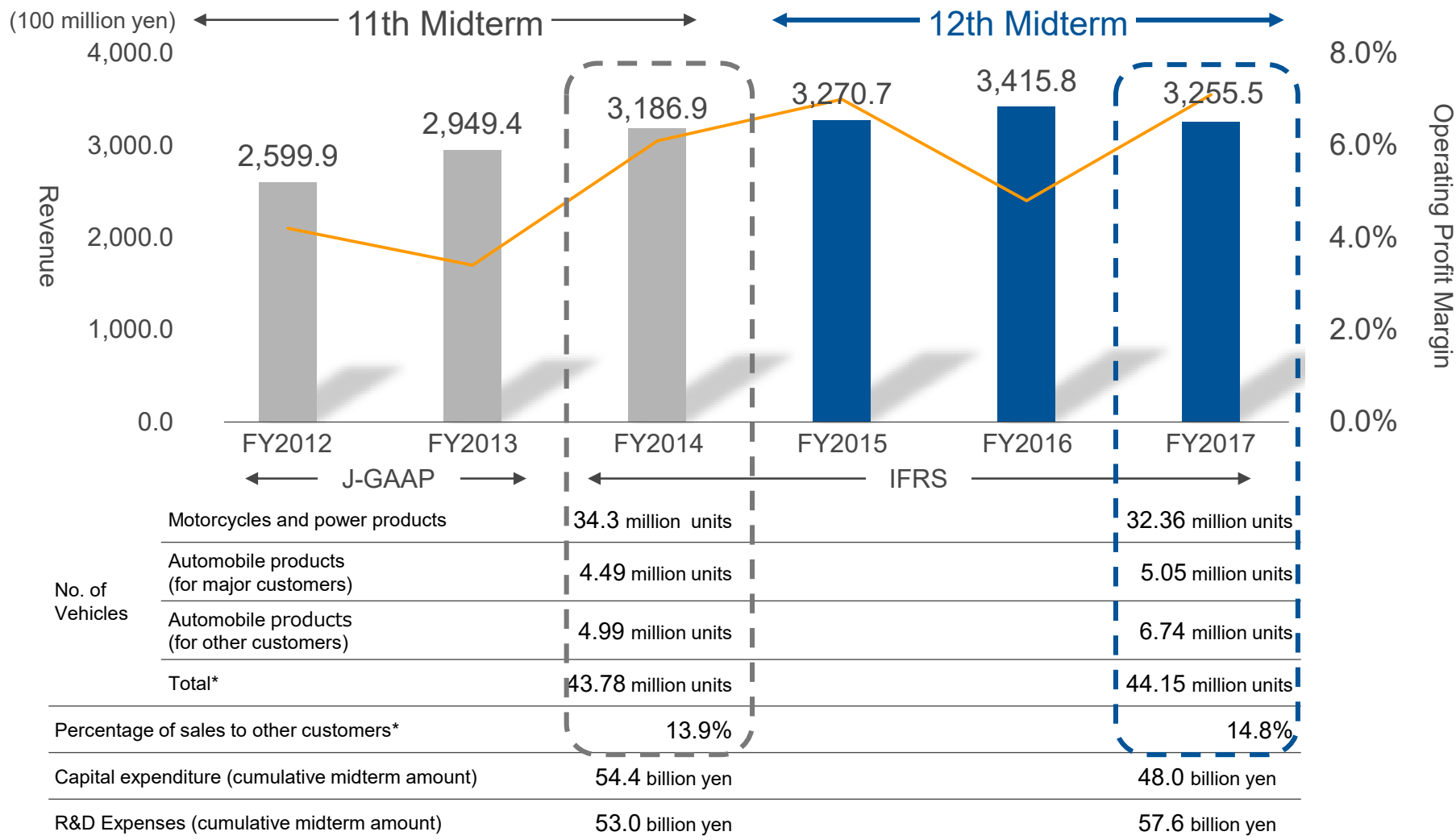
Electronic control product
supplied to HI-REX Corporation



Expanded sale to OEMs worldwide resulted in growth of around 1.8 million unit for automobiles. Over the last three years, revenue from other customers has increased 3.5 billion yen.

Review of the 12th Midterm Business Plan

Change in Revenue and Operating Profit, etc.



* Amounts at the end of each midterm

Review of the 12th Midterm Business Plan

(Unit: 100 millions yen)

12th Midterm Business Plan Targets

Initial Plan (April 25, 2014)

Results (FY2017)

Revenue
10% Increase
(compared to 11th
midterm plan)

3,500

3,255.5

Lower orders due to economic downturn in developing countries

Operating Profit
Margin
8%

280 (8.0%)

229.5 (7.1%)

Business profit structure improved due to strengthening of domestic business constitution despite fewer orders caused by economic downturn in developing countries

Percentage of Other
Customers
Accounting for Sales
20%

700

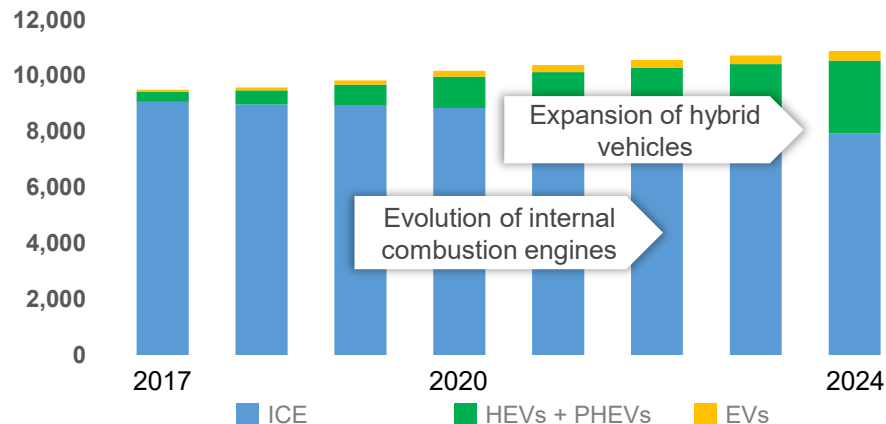
478 (14.8%)

Although we gained new customers, we failed to meet the target due to a short of resources required to expand sales

Future Automobile and Motorcycle Markets

Automobile Products

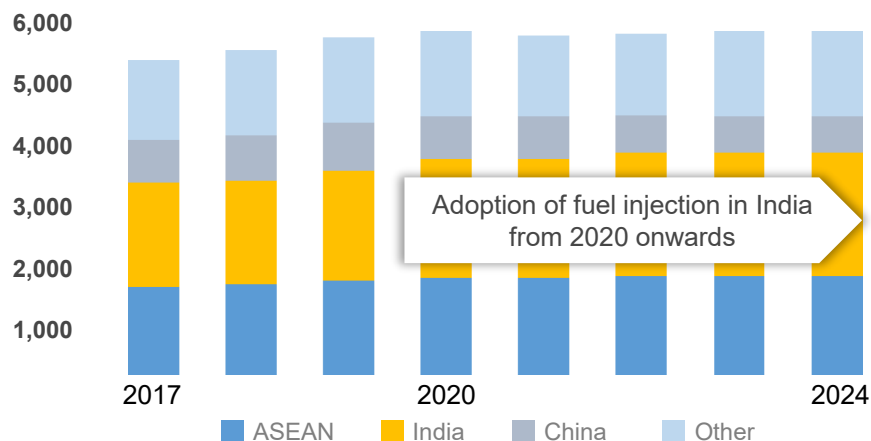
(ten thousands of units)



► Further expansion of vehicles equipped with the engines

Motorcycle Products


(ten thousands of units)



► India, the largest market in Asia, will shift to fuel injection with the introduction of the BS-VI standards in 2020

While the shift to environmentally-friendly vehicles will continue for both motorcycles and automobiles, vehicles equipped with engines will continue to expand

Keihin's Strengths and Future Direction

	Motorcycles and Power Products	Automobile Products	Heat Exchanger Products
Strengths	Industry-leading global supplier Global infrastructure and resources	Engine system supplier Electrification technologies	Global market share of about 8% due to stronger cost competitiveness* <small>* As of year ended March 2016 Based on MARKLINES results</small>
Customers	Honda Group companies Yamaha Group companies Kawasaki Heavy Industries, Suzuki KTM-Sportmotorcycle TVS Motor, Bajaj Auto, Hero MotoCorp, others	Honda Group companies Marti Suzuki India, SUBARU, others	Volkswagen Group companies Honda Group companies Ford Group companies Mitsubishi Heavy Industries, others
			
Future	Adapt to the introduction of fuel injection in India and expand business as an industry-leading global supplier	Share motorcycle product and automobile product infrastructure and resources while providing gasoline-based and electrification vehicle systems to the customers established to date and expanding the business	
Areas to be Enhanced	<div>- Upstream development of engine systems</div> <div>- Building of next-gen electrification vehicle technologies</div> <div>- Device evolution</div> <div>- Thorough cost reductions</div>		

13th Midterm Business Plan and Vision for 2030

Vision for 2030

Evolve into a global green vehicle solutions brand
Seek a doubling of sales (compared with FY2017 levels)

13th Midterm Business Plan (Three Years from FY2018 to FY2020)

Build a **strong company** with healthy growth
and a **good company** we can be proud of

1. Provide eco-friendly solutions for the green technology era
2. Greatly expand our customer base
3. Enhance the attraction toward the Keihin brand

12th Midterm Business Plan (Three Years from FY2015 to FY2017)

Create New Value by Utilizing Keihin's Collective Global Power

12th Midterm
FY2015 to FY2017

13th Midterm
FY2018 to FY2020

FY2031 Target

Position expanded sales to other customers as a pillar and declare a pivot into to an independent company

13th Midterm Business Plan (Three Years from FY2018 to FY2020)

13th Midterm Global Policy (Three Years from FY2018 to FY2020)

Build a **strong company** with healthy growth
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13th Midterm Business Plan (Three Years from FY2018 to FY2020)

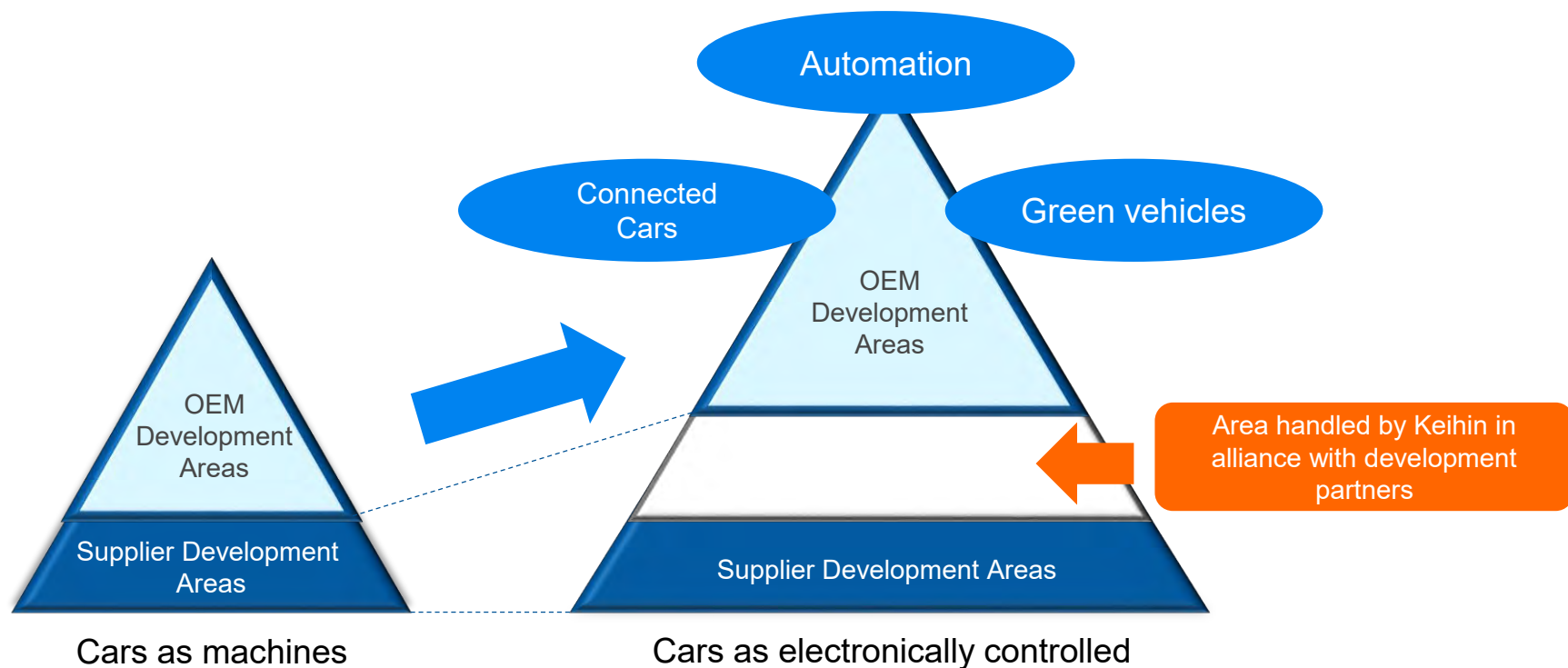
13th Midterm Global Policy (Three Years from FY2018 to FY2020)

Build a **strong company** with healthy growth
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Provide solutions for the new green technology era

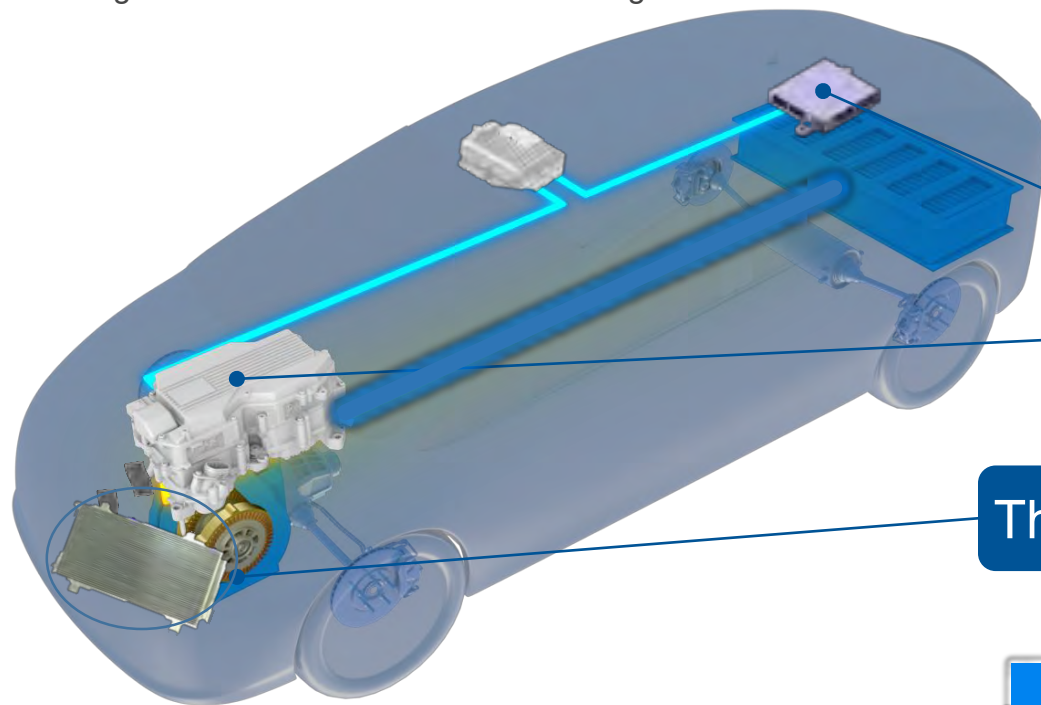
Upstream development and proposal of original engine systems



By handling system development into the OEM area, we can maintain and expand existing business for our main customers while branching out to the business of new customers

Provide solutions for the new green technology era

Build next generation electric vehicles technologies



xEV System

Smaller / lower cost

Battery Management System

Power Control Unit

Thermal Management System

Building New Systems

Electric water pump

Water control valve

Radiator

In addition to the traditional area of engine management,
seek to develop next-generation eDrive systems

13th Midterm Business Plan (Three Years from FY2018 to FY2020)

13th Midterm Global Policy (Three Years from FY2018 to FY2020)

Build a **strong company** with healthy growth
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Doubling our customer base

Develop unique products the world desires

Next-generation power control units forming a core component of green vehicles

Thorough cost reductions

Next-generation high-pressure direct injection engine systems to respond to the further evolution of gasoline engines

Compact next-generation motorcycle fuel injection system supporting world's most stringent emissions standards

Create Keihin original products that can be sold to OEMs around the world.

13th Midterm Business Plan (Three Years from FY2018 to FY2020)

13th Midterm Global Policy (Three Years from FY2018 to FY2020)

Build a **strong company** with healthy growth
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Enhance the attraction toward the Keihin brand

13th Midterm Global Policy (Three Years from FY2018 to FY2020)

Build a **strong company** with healthy growth
and a **good company** we can be proud of

Provide solutions for the new green
technology era
Doubling our customer base

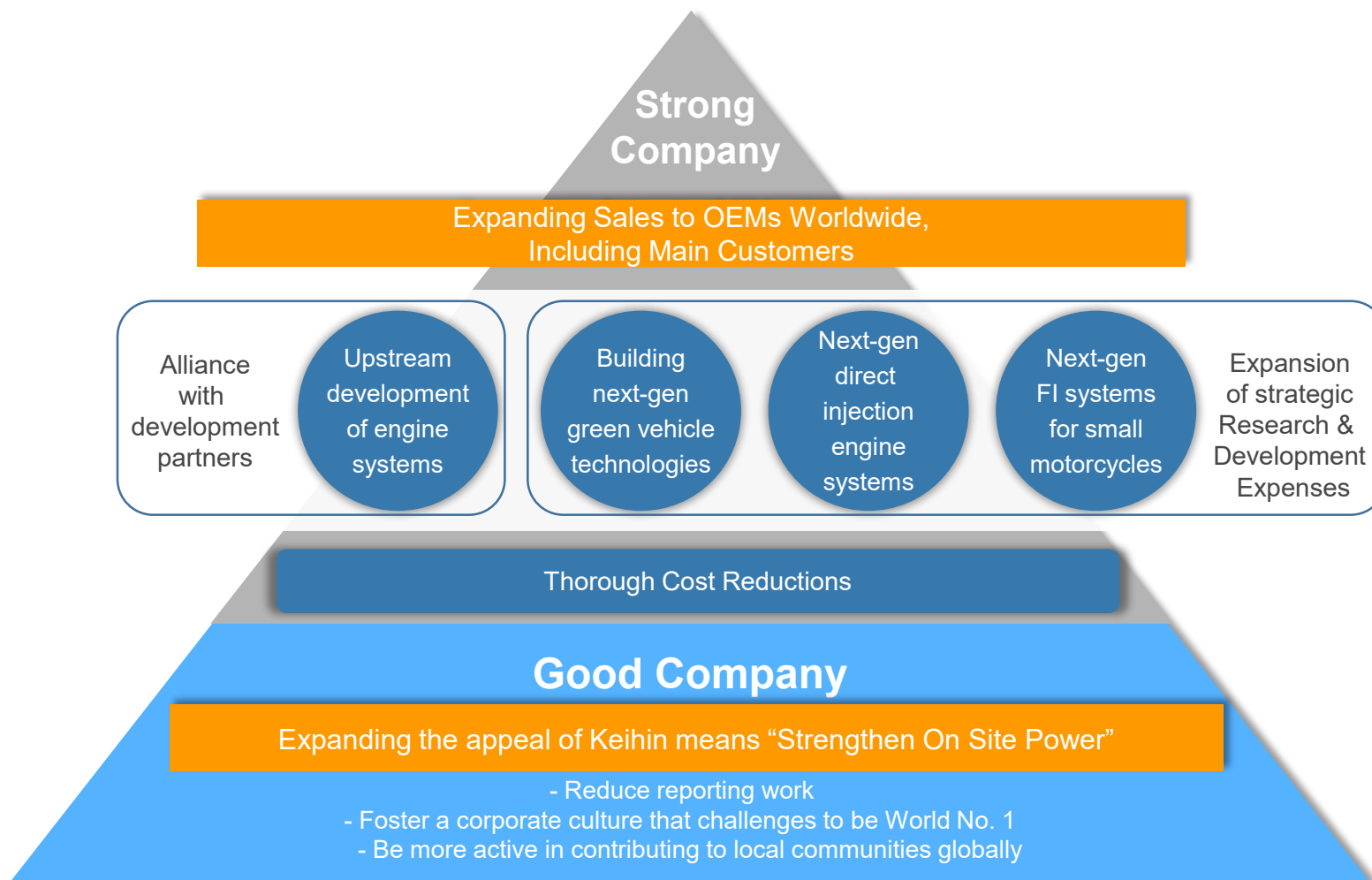
Create a lively and fulfilling
workplace

Actively promote global CSR
activities

- Reduce reporting work (reduce reporting sessions by about 90%)
- Foster a corporate culture that challenges to be World No. 1
- Be more active in contributing to local communities globally
- Expand global environmental conservation activities

Strengthen “Corporation Constitution = On-Site Power” by developing a fulfilling workplace and pursuing activities we can take pride in

Structure of the 13th Midterm Business Plan



Management Resources to Achieve the 13th Midterm Business Plan

1

Stronger Organizational Structure

Strengthen organizational strength toward electrification

- Establish xEV business strategy office
- Establish BMS development department
- Enhance production technological capabilities in the area of power modules

Expand into field of fuel supply technologies

- Promote upstream development

Strengthen systems aimed at developing new customers

- Establish New Sales Promotion Division under the direct supervision of the president

2

Capital Expenditure: About 70 billion yen (48 billion in 12th midterm)

(Three years total)

In addition to investment for the adoption of fuel injection for motorcycles in India and xEV-related investment, introduce testing facilities aimed at upstream development

Capital expenditure as a percentage of consolidated revenue: 5% → 7%

3

Research & Development Expenses: About 67 billion yen (57.6 billion in 12th midterm)

(Three years total)

Seek efficiency gains through reformed development flow while adding development resources to new fields

Research and development expenses expenditure as a percentage of consolidated revenue: 6% → 7%

13th Midterm Management Target (Three Years from FY2018 to FY2020)

13th Midterm Business Plan (Three Years from FY2018 to FY2020)

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Management Target

Consolidated Operating Profit Margin **7** %

* Forward-looking statements provided in this document, such as performance forecasts, are based on assumptions made by the Company's management in light of information available at this time, and therefore contain risks and uncertainties. Consequently, you should not solely rely on these performance forecasts to make investment decisions. Please note that actual results may differ materially from these performance forecasts due to various important factors. Such factors that may impact actual performance include economic conditions surrounding the Company's business domains, market trends and yen exchange rates against the U.S. dollar and other currencies.

Sales unit numbers of Carburetors and FI systems

Motorcycle carburetors: Sales unit numbers by each location

(ten thousands of units)

	Japan	U.S.	Europe	Brazil	Taiwan	Thailand	China	India	Indonesia	Malaysia	Vietnam	Total
FY2016 results	12	2	—	19	18	112	190	1,256	5	9	71	1,694
FY2017 results	9	5	—	6	14	135	176	1,263	10	3	69	1,689
FY2018 forecast	8	2	—	5	10	127	161	1,418	4	6	70	1,811
Change	-11%	-60%	—	-17%	-29%	-6%	-9%	12%	-60%	100%	1%	7%

Motorcycle FI systems: Sales unit numbers by each location

(ten thousands of units)

	Japan	U.S.	Europe	Brazil	Taiwan	Thailand	China	India	Indonesia	Malaysia	Vietnam	Total
FY2016 results	42	14	3	81	13	153	28	12	463	2	153	964
FY2017 results	41	14	3	71	19	165	41	4	453	5	179	994
FY2018 forecast	44	14	3	65	18	167	53	9	478	4	190	1,045
Change	7%	0%	0%	-8%	-5%	1%	29%	125%	6%	-20%	6%	5%