

Report of Earnings and Financial Statements for the Year Ended March 31, 2011

April 28, 2011

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
 Listed on: 1st sections of TSE, OSE, NSE
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 Scheduled dates:
 Ordinary General Meeting of shareholders June 28, 2011
 Commencement date of dividend payments June 29, 2011
 Submission of financial statements: June 28, 2011
 Supplementary materials to financial results Available
 Earnings presentation Conducted

1. Consolidated Financial Results for the Year Ended March 31, 2011 (April 1, 2010 to March 31, 2011)

(Amounts rounded down to the nearest million yen)

(1) Operating Results

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Recurring profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended March 31, 2011	1,226,949	4.5	42,628	-	49,136	243.7	25,965	-
Year ended March 31, 2010	1,173,473	(12.3)	(1,316)	(104.5)	14,293	(63.0)	(10,860)	(192.6)

Note: Comprehensive income March 31, 2011: 18,252 million yen
 March 31, 2010: (5,464) million yen

	Earnings per share	Earnings per share – diluted	Return on equity	Return on assets	Operating income to net sales
	yen	yen	%	%	%
Year ended March 31, 2011	15.55	15.32	9.1	3.6	3.4
Year ended March 31, 2010	(6.51)	-	(3.8)	1.0	(0.1)

For reference: Equity in income of non-consolidated subsidiaries and affiliates:
 Year ended March 31, 2011: 9,205 million yen
 Year ended March 31, 2010: 6,522 million yen

(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	million yen	million yen	%	yen
March 31, 2011	1,354,278	297,433	21.3	173.03
March 31, 2010	1,352,439	283,053	20.4	166.13

Note: Shareholders' equity: March 31, 2011: 289,056 million yen
 March 31, 2010: 277,081 million yen

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	million yen	million yen	million yen	million yen
Year ended March 31, 2011	81,929	(52,942)	(18,862)	44,629
Year ended March 31, 2010	30,178	(63,277)	35,911	34,137

2. Dividends

Record date or term	Dividend per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends / Net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of financial year	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended March 31, 2010	-	0.00	-	3.00	3.00	5,003	-	1.7
Year ended March 31, 2011	-	0.00	-	3.00	3.00	5,011	19.3	1.7
Year ending March 31, 2012 (forecast)	-	0.00	-	4.00	4.00		20.8	

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2012

(April 1, 2011 to March 31, 2012)

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Recurring profit		Net income		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For six months ending September 30, 2011	650,000	13.6	20,000	(4.3)	21,000	(1.1)	12,000	(2.7)	7.18
Full year	1,360,000	10.8	50,000	17.2	52,000	5.8	32,000	23.2	19.15

4. Other Information

1) Changes affecting the status of material subsidiaries (scope of consolidation): None

2) Changes in accounting principles, procedures, and methods of presentation applicable to the preparation of consolidated financial statements:

(1) Changes in accordance with revisions to accounting standards: Yes

(2) Changes other than (1) above: None

Note: For details, see "Changes in basis of preparation of financial statements" on page 22 in the "Consolidated Financial Statements" section.

3) Number of shares issued (common stock)

(1) Number of shares issued at end of period (treasury stock included):

March 31, 2011: 1,670,646,460 shares

March 31, 2010: 1,669,629,122 shares

(2) Number of shares held in treasury at end of period:

March 31, 2011: 100,288 shares

March 31, 2010: 1,780,388 shares

(3) Average number of shares during respective periods

March 31, 2011: 1,669,359,273 shares

March 31, 2010: 1,668,119,883 shares

For reference:

Overview of Non-Consolidated Financial Results

(1) Operating Results

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Recurring profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended March 31, 2011	817,455	26.9	1,731	(109.1)	32,837	280.6	33,341	-
Year ended March 31, 2010	644,133	(16.5)	(18,995)	-	8,627	230.0	(5,417)	-

	Earnings per share	Earnings per share – diluted
	yen	yen
Year ended March 31, 2011	19.97	19.66
Year ended March 31, 2010	(3.24)	-

(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	million yen	million yen	%	yen
March 31, 2011	1,116,076	246,888	22.1	147.78
March 31, 2010	976,460	220,720	22.6	132.33

Note: Shareholders' equity: March 31, 2011: 246,888 million yen
March 31, 2010: 220,720 million yen

*** Review status**

This report is exempt from the review of accounts conducted in accord with Japan's Financial Instruments and Exchange Act. As of this report's publication, the review of the financial results had not been completed.

*** Appropriate use of financial forecasts and other important matters**

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For the assumptions underlying the earnings forecasts presented and other information regarding the use of such forecasts, refer to "Consolidated Earnings Outlook" in "Qualitative Information and Financial Statements," beginning on page 8.

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1. Qualitative Information and Financial Statements

(1) Consolidated operating results

In the fiscal year ended March 31, 2011, the KHI Group was beset by an adverse business environment marked by continued domestic economic sluggishness, yen appreciation, and sharply rising material prices. Moreover, the Japanese economic outlook has recently become even murkier in the aftermath of the catastrophic earthquake that struck eastern Japan on March 11.

The global economy generally remained in a moderate recovery trend despite a minor slowdown in emerging market economies' robust growth rates. The US economic outlook, however, remained uncertain. In Europe, concerns about certain countries' financial systems have yet to be dispelled, posing a worrisome risk to the global economy.

Amid such an economic environment, most of the Group's businesses achieved year-on-year earnings growth. Orders received grew across all business segments except two: Gas Turbine & Machinery and Plant & Infrastructure. Overall orders received also were up from the previous fiscal year, bolstered by large orders booked by the Rolling Stock and Aerospace segments. Overall sales likewise increased from the previous fiscal year despite sales declines in certain segments. The Precision Machinery, Motorcycle & Engine, Gas Turbine & Machinery, and Aerospace segments all achieved sales growth. Earnings similarly declined in a few segments but improved substantially overall, largely by virtue of improved operating performance in the Motorcycle & Engine and Precision Machinery segments.

The Group's consolidated orders received totaled ¥1,270.6 billion, a ¥269.3 billion increase from the previous fiscal year. Consolidated net sales were up ¥53.4 billion to ¥1,226.9 billion. Consolidated operating income totaled ¥42.6 billion, a ¥43.9 billion improvement from the previous fiscal year. Consolidated recurring profit grew ¥34.8 billion year on year to ¥49.1 billion. Consolidated net income was ¥25.9 billion, a ¥36.8 billion improvement from the previous fiscal year.

Consolidated operating performance in the fiscal year ended March 31, 2011, is summarized by segment below.

Segment Information

Effective from the first quarter of the fiscal year ended March 31, 2011, the Group adopted the Accounting Standards Board of Japan's *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, March 27, 2009) and associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Guidance No. 20, March 21, 2008). The Group also renamed its Consumer Products & Machinery segment the Motorcycle & Engine segment and its Hydraulic

Machinery segment the Precision Machinery segment in conjunction with new industry segmentation for internal reporting adopted in April 2010. Also effective from April 2010, the crushing machine business was shifted from the Rolling Stock segment to the Plant & Infrastructure segment, and the industrial robot business was shifted from the Consumer Products & Machinery segment to the Precision Machinery segment. Additionally, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment in conjunction with its October 2010 reorganization.

To reflect this change, year-earlier figures for net sales, operating income/loss, and orders received in the table below have been restated based on the newly adopted accounting standard and guidance and resegmentation of operations.

Segment net sales, operating income, and orders received (billions of yen)

	Fiscal year ended March 31,				Orders received	
	2011		2010		Fiscal year ended March 31,	
	Net sales	Operating income	Net sales	Operating income	2011	2010
Ship & Offshore Structure	118.4	(1.0)	151.8	1.5	78.9	16.1
Rolling Stock	131.1	8.1	150.0	8.7	187.1	66.2
Aerospace	196.8	3.0	188.8	3.7	206.7	171.3
Gas Turbine & Machinery	202.6	9.5	191.3	8.9	187.5	226.2
Plant & Infrastructure	89.0	8.2	107.5	7.9	119.9	135.6
Motorcycle & Engine	234.4	(4.9)	203.0	(27.0)	234.4	203.0
Precision Machinery	140.3	22.3	82.7	3.4	148.9	84.9
Other	114.0	2.5	97.8	(1.0)	106.8	97.5
Adjustments	—	(5.3)	—	(7.5)	—	—
Total	1,226.9	42.6	1,173.4	(1.3)	1,270.6	100.12

Note: Net sales include only sales to external customers.

Ship & Offshore Structure

Consolidated orders received totaled ¥78.9 billion, a ¥62.8 billion increase from the previous fiscal year, when only one newbuild order was received. The increase was attributable to an influx of newbuild orders for 11 bulk carriers and one submarine.

Consolidated net sales totaled ¥118.4 billion, a decrease of ¥33.4 billion from the previous fiscal year, when revenues from large newbuild sales were recognized.

The segment incurred an operating loss of ¥1.0 billion, ¥2.5 billion below the previous fiscal year's operating income, largely due to provisioning of additional reserves against losses on construction contracts.

Rolling Stock

Consolidated orders received totaled ¥187.1 billion, up ¥120.8 billion from the previous fiscal year. The increase was largely attributable to subway car orders from the Washington Metropolitan Area Transit Authority.

Consolidated net sales decreased ¥18.9 billion year on year to ¥131.1 billion, largely reflecting a decline in overseas railway car sales.

The decrease in overseas railway car sales weighed on profits, with consolidated operating income down ¥500 million to ¥8.1 billion.

Aerospace

Consolidated orders received totaled ¥206.7 billion, a ¥35.3 billion year-on-year increase derived largely from growth in orders for component parts for the Boeing 777 and 787.

Consolidated net sales totaled ¥196.8 billion, up ¥7.9 billion from the previous fiscal year, largely by virtue of growth in sales to Japan's Ministry of Defense and sales of Boeing 787 component parts. Despite the sales growth, consolidated operating income fell ¥700 million year on year to ¥3.0 billion, largely due to yen appreciation.

Gas Turbine & Machinery

Consolidated orders received totaled ¥187.5 billion, a ¥38.6 billion decrease from the previous fiscal year, when the segment's order book was swelled by large orders for aircraft engine components and gas compressors.

Consolidated net sales increased ¥11.3 billion year on year to ¥202.6 billion, boosted by growth in sales of gas compressor and diesel generators.

Consolidated operating income was up ¥600 million year on year to ¥9.5 billion, largely as a result of sales growth.

Plant & Infrastructure

Consolidated orders received totaled ¥119.9 billion, down ¥15.6 billion from the previous fiscal year, when the segment booked overseas orders for large plant installations.

Consolidated net sales decreased ¥18.5 billion year on year to ¥89.0 billion, although the segment booked a diverse mix of domestic and overseas sales of various plant installations.

Despite the sales decline, consolidated operating income increased ¥300 million year on year to ¥8.2 billion, largely due to improved profitability stemming from brisk progress in fulfilling existing orders.

Motorcycle & Engine

Consolidated net sales grew ¥31.3 billion year on year to ¥234.4 billion, largely reflecting sales growth in emerging markets.

Consolidated operating loss was reduced to ¥4.9 billion, a dramatic ¥22.0 billion improvement from the previous fiscal year despite the strong yen's adverse impact. The improvement was attributable to fixed-cost cutting and an increase in contribution margin ratio in addition to sales growth.

Precision Machinery

Consolidated orders received totaled ¥148.9 billion, a ¥64.0 billion increase from the previous fiscal year. Order growth was driven predominantly by demand for hydraulic equipment from construction machinery makers.

Consolidated net sales rose ¥57.6 billion year on year to ¥140.3 billion, buoyed by growth in hydraulic equipment sales to construction machinery makers and sales of clean robots for semiconductor production facilities.

Consolidated operating income was up ¥18.9 billion year on year to ¥22.3 billion as profitability improved by virtue of sales growth coupled with increased capacity utilization.

Other Operations

Consolidated net sales totaled ¥114.0 billion, a ¥16.1 billion increase from the previous fiscal year. Consolidated operating income totaled ¥2.5 billion, a ¥3.6 billion improvement from the previous fiscal year.

Consolidated Earnings Outlook

The global economic outlook remains uncertain, clouded by deceleration of economic recovery in developed countries, Europe's fiscal crisis, and heightened tensions in the Middle East. Nonetheless, the global economy as a whole will likely remain in a gradual recovery driven by emerging market economies, particularly Asian ones. The Japanese economy faces likely ripple effects from supply chain disruptions and destabilization of power supplies stemming from the March 11 earthquake, in addition to concerns about exchange rate movements and raw material cost inflation.

Faced with such a highly uncertain business environment, the Company will steadily and vigorously push ahead with specific initiatives to rebuild its earnings foundation and re-embark on a sustained growth trajectory toward realization of *Kawasaki Business Vision 2020*.

For the fiscal year ending March 31, 2012, the Company forecasts consolidated net sales of ¥1,360 billion, a ¥140 billion increase from the fiscal year just ended. The Company plans to derive the bulk

of this sales growth from the Plant & Infrastructure, Motorcycle & Engine, and Precision Machinery segments.

In terms of earnings, the Company forecasts consolidated operating income of ¥50 billion, ordinary income of ¥52 billion, and net income of ¥32 billion. The Company plans to achieve these forecasts by continuing to pursue ongoing initiatives to improve earnings across all operations through such means as reducing fixed and overhead costs and boosting productivity.

The Company's earnings forecasts assume exchange rates of ¥83 to the US dollar and ¥115 to the euro.

(2) Consolidated financial position

Financial Condition

At March 31, 2011, consolidated assets totaled ¥1,354.2 billion, essentially unchanged from March 31, 2010. Of this total, current assets accounted for ¥951.7 billion, a 2.1% increase from March 31, 2010. The increase was mainly attributable to growth in deferred tax assets, growth in trade receivables in conjunction with sales activities, and inventory growth reflecting progress toward completion of construction jobs. Fixed assets totaled ¥402.5 billion at March 31, 2011, a 4.3% decrease from a year earlier. The decrease was largely attributable to fixed-asset impairment losses and valuation losses on investment securities holdings.

Consolidated liabilities at March 31, 2011, totaled ¥1,056.8 billion, down 1.1% from March 31, 2010, largely as a result of advances from customers being recognized as revenues. Interest-bearing debt at March 31, 2011, totaled ¥429.1 billion, roughly unchanged from a year earlier.

Consolidated net assets at March 31, 2011, totaled ¥297.4 billion, a 5.0% increase from March 31, 2010. The increase was largely attributable to net income partially offset by dividend payments.

Cash Flows

Operating activities provided net cash of ¥81.9 billion, a ¥51.7 billion increase from the previous fiscal year. Major sources of operating cash flow included depreciation expense of ¥50.2 billion, a ¥15.3 billion increase in reserves against losses on construction contracts, asset impairment losses of ¥9.9 billion, and a ¥25.1 billion increase in trade payables. Major uses of operating cash flow included a ¥17.7 billion increase in inventories, ¥15.5 billion decrease in advances from customers, and ¥13.2 billion in tax payments.

Investing activities used net cash of ¥52.9 billion, ¥10.3 billion less than in the previous fiscal year, mainly to acquire property, plant and equipment.

Financing activities used net cash of ¥18.8 billion, a ¥54.7 billion increase from the previous fiscal year, mainly for repayment of borrowings.

Cash Flow Ratios

Year ended March 31:	2007	2008	2009	2010	2011
Ratio of shareholders' equity to total assets (%)	21.3	22.7	20.7	20.4	21.3
Market-value equity ratio (%)	60.9	26.8	23.3	31.8	45.1
Debt-to-cash-flow ratio (%)	663.3	364.8	—	1,421.2	523.7
Interest-coverage ratio (times)	7.1	9.4	—	5.5	17.2

Notes:

1. Ratios are calculated as follows.
Ratio of shareholders' equity to total assets: Shareholders' equity / Total assets
Market-value equity ratio: Market capitalization / Total assets
Debt-to-cash-flow ratio: Interest-bearing debt / Cash flow from operating activities
Interest-coverage ratio: Cash flow from operating activities / Interest paid
2. All ratios are calculated using consolidated-basis financial data.
3. Market capitalization is calculated by multiplying the closing price of the company's stock by the number of shares issued and outstanding (excluding treasury stock) at the end of the fiscal year.
4. The figure for cash flow from operating activities is taken from cash flow from operating activities on the consolidated statement of cash flows.
5. Interest-bearing debt is all interest-bearing debt listed under liabilities on the consolidated balance sheet. Interest paid is the figure for "Cash paid for interest" on the consolidated statement of cash flows.
6. The debt-to-cash-flow ratio and interest coverage ratio are omitted for the fiscal year ended March 31, 2009, because that fiscal year's operating cash flow was negative.

(3) Dividend policy and dividends for the fiscal years through March 31, 2011 and 2012

The Company's basic policy is to pay shareholders stable dividends commensurate with earnings on an ongoing basis while internally retaining sufficient funds to strengthen and expand its earnings power and operating foundation in pursuit of future growth. After comprehensively considering its earnings performance, the sufficiency of its retained earnings, and other relevant factors in light of said policy, the Company intends to pay a dividend of ¥3 per share for the fiscal year ended March 31, 2011.

For the fiscal year ending March 31, 2012, the Company plans to pay a dividend of ¥4 per share.

(4) Business and other risks

No risks other than those disclosed under the heading "Business and Other Risks" in the Company's most recent full-year statutory financial report (filed June 25, 2010) have surfaced since said filing. Updated risk disclosures are therefore omitted here.

2. Status of Group

A "Chart of Operations (Nature of Operations)" is presented on the following page. There have been no material changes in the "Status of Affiliated Companies" in the Company's most recent full-year statutory financial report (filed June 25, 2010). Updated disclosure of said status is therefore omitted here.

Chart of Operations (Nature of Operations)

	Sales & Manufacturing	Manufacturing	Sales	incidental business
Ship & Offshore Structure		Nantong COSCO KHI ShipEngineering Co.,Ltd.		Kawajyu Kobe Support Co., Ltd.
Rolling stock	Kawasaki Heavy Industries, Ltd.	Kawasaki Rail Car, Inc.		Kawasaki Rolling Stock Component Co., Ltd.
		Kawasaki Motors Manufacturing Corp., U.S.A.		Kawasaki Rolling Stock Technology Co., Ltd.
Aerospace		NIPPI Corporation		KGM Co.,Ltd
				Kawaju Gifu Engineering Co.,Ltd.
Gas Turbine & Machinery		Kawasaki Thermal Engineering Co., Ltd.	Kawasaki Machine Systems, Ltd.	
Plant & Infrastructure		EarthTechnica Co., Ltd.		Kawasaki Engineering Co., Ltd.
			KEE Environmental Construction Co.,Ltd.	
Motorcycle & Engine		Kawasaki Motors Manufacturing Corp., U.S.A.	Kawasaki Motors Corporation Japan Kawasaki Motors Corp., U.S.A. Kawasaki Motors Europe N.V.	
		Kawasaki Motors Enterprise(Thailand) Co., Ltd.		
Precision Machinery		Flutek, Ltd.		
		Kawasaki Precision Machinery (UK) Ltd.		
			Kawasaki Machine Systems, Ltd.	
			Kawasaki Robotics (USA) Inc.	
Other Operations		KCM Corporation		
		KCMA Corporation		
			KCMJ Corporation	
	(Intermediate of Order)	(Trading)	(Trading and Others)	
	Kawasaki Heavy Industries (U.S.A.) Inc.	Kawasaki Trading Co.,Ltd.	Kawasaki Life Corporation	
	Kawasaki Heavy Industries (U.K.) Ltd.			

- Notes:
- The above chart includes only major consolidated subsidiaries (in solid boxes) and major equity-method affiliates (in dotted boxes).
 - Kawasaki Thermal Engineering Co., Ltd., is listed on JASDAQ Standard, an Osaka Securities Exchange market.
 - In October 2010, the Company merged Kawasaki Shipbuilding Corporation, Kawasaki Precision Machinery Ltd., and Kawasaki Plant Systems, Ltd. into itself.
 - Kawasaki Machine Systems, Ltd.(Industrial robot business) and Kawasaki Robotics (USA) Inc. were shifted from the Motorcycle & Engine segment to the Precision Machinery segment

3. Management Strategy

(1) Basic management strategy

The Group has amassed a broad range of technologies related to air, marine, and land transport systems, energy, environmental engineering, and industrial machinery. In accord with its Group Mission Statement, “Kawasaki, working as one for the good of the planet,” the Group has embraced a mission of creating new value conducive to formation of an affluent, beautiful society in harmony with the global environment through utilization of its broad array of sophisticated technological capabilities.

In addition to providing products and services, the Group is committed to fulfilling its societal responsibilities as a corporate citizen in all of its operations in accord with its Group Management Principles. The Group aims to meet the expectations of its shareholders and other stakeholders by developing human resources globally and continuously enhancing its earnings power and corporate value.

The Group’s basic policy is to meet shareholders expectations by paying dividends commensurate with earnings on an ongoing basis while internally retaining sufficient funds to strengthen and expand its earnings power and operating foundation in pursuit of future growth.

(2) Target management metrics

In the aim of generating profits sufficient to meet investors’ expectations, the Group has adopted ROIC (return on invested capital: earnings before interest and taxes ÷ invested capital), a measure of capital efficiency, as its target metric of operating performance. While seeking to maximize ROIC, the Group will also endeavor to strengthen its financial condition through earnings growth and improvement in invested-capital efficiency.

(3) Medium- to long-term management strategy

In April 2010, the Company adopted a new three-year business plan, “*Medium-Term Business Plan 2010*” (FY2010-FY2012). The plan sets forth a detailed roadmap for re-embarking on a growth trajectory based on core policies of rebuilding the Group’s earnings foundation and returning to a sustained growth path. At the same time, the Group has formulated *Kawasaki Business Vision 2020*, which clarifies its businesses’ longer-term direction and strategies, in the aim of achieving sustained growth into the future. Based on *Kawasaki Business Vision 2020*, the Group has incorporated specific initiatives for developing new businesses and new products into its “*Medium-Term Business Plan 2010*” (FY2010-FY2012).

(4) Management priorities

In order for the Group to achieve sustained growth into the future, it has become important to secure a level of performance in FY2011 (the interim year of “*Medium-Term Business Plan 2010*” (FY2010-FY2012)) that exceeds that of FY2010 and ensure achievement of the objectives of the plan for FY2012. Although the impact of the strong Yen on the Motorcycle & Engine segment was larger than expected in FY2010, we succeeded in achieving a level of performance that exceeded the initial target, due to securing profitability as a result of large-scale projects and growth of the hydraulic machinery business for China. We will continue to work on the thorough reimplementation of “employing prudent risk management” and “emphasizing quality over quantity”, satisfy demand from emerging countries and enhance measures to respond to exchange fluctuations to reinforce our revenue base.

To strengthen our financial and business position, we will focus on enhancing financial strength, improving the efficiency of capital use and cutting fixed expenses. Moreover, taking the opportunity of the consolidation of four Group companies on October 1, 2010, we will strengthen system proposals as well as system orders on a group-wide basis by sharing and using intellectual properties such as technology and human resources accumulated in each business division across the entire Group.

The earthquake of March 11, 2011 caused unprecedented damage in Japan. Based on experience of the recovery from the Great Hanshin-Awaji Earthquake, the Group will cooperate fully with restoration and recovery from the damage of the earthquake by actively providing our technologies and products in the area of energy and environment.

The initiatives to be undertaken by each business segment are as follows.

- (i) Ship & Offshore Structures: Maintain competitiveness of the business in China, and reform the structure of the domestic segments as the engineering and leading technology development center
- (ii) Rolling Stock: Enhance competitiveness in domestic and overseas markets through low-cost rolling stock, reinforce our project management to handle overseas projects in the North America and Asian markets, overseas high-speed rolling stock, and overseas system projects, etc.
- (iii) Aerospace: Move ahead with major projects, including moving into the mass production of the next maritime patrol aircraft, next transport aircraft, and component parts for the Boeing 787
- (iv) Gas Turbine & Machinery: Promote development of new models of jet engines for commercial aircraft, strengthen the energy and environment business areas through promoting development of new products and models, including industrial gas turbines and high-efficiency gas engines, and increase competitiveness by improving productivity
- (v) Plant & Infrastructure: Bolster research and development in order to expand in the fields of energy and the environment, and accelerate efforts to commercialize new products and new business concepts

- (vi) Motorcycle & Engine: Enhance cost competitiveness through optimal production and optimal procurement on a global basis, expand sales channels and develop new markets in emerging countries we already enter (Southeast Asia and Brazil, etc.) and develop leading technologies to respond to environmental requirements
- (vii) Precision Machinery: Accurately respond to strong demand for hydraulic equipment for construction machinery in China and emerging markets and strengthen system-handling capabilities for industrial robots
- (viii) Others: Improve development and sales capabilities with respect to the construction machinery division by deepening our alliance with Hitachi Construction Machinery Co., Ltd. and enhance profitability by lowering break-even points

Needless to say, compliance is a fundamental premise in carrying out business activities such as those above. The Group strives to ensure that employees are made thoroughly aware of the provisions of the various laws and regulations which apply to them, by implementing such measures as establishing internal regulations concerning corporate ethics, carrying out staff training for each position level, distribution of compliance guidebooks, and setting up CSR committees in each organization. Furthermore, we have continued to take thoroughgoing organizational compliance initiatives by setting up a department which presides over internal controls, compliance, and CSR promotion, and creating units in charge of compliance within each business unit, while also striving to create a corporate culture that places the highest priority at all times on information disclosure and transparency.

The Group aims to increase profitability across all businesses in this way, and along with enhancing corporate value through thorough compliance, it aims to establish the Kawasaki brand as one that can be highly trusted.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

	Millions of yen	
	As of March 31, 2010	As of March 31, 2011
Assets		
Current assets		
Cash on hand and in banks	34,745	47,233
Trade receivables	400,264	401,753
Merchandise and finished products	56,807	50,528
Work in process	281,023	285,977
Raw materials and supplies	80,392	88,817
Deferred tax assets	25,204	35,887
Other current assets	55,663	44,351
Allowance for doubtful receivables	(2,424)	(2,829)
Total current assets	931,678	951,719
Fixed assets		
Net property, plant and equipment		
Buildings and structures	116,123	113,186
Machinery and equipment	79,868	74,156
Land	64,282	64,107
Leased assets	282	283
Construction in progress	9,744	12,651
Other	14,106	11,394
Total property, plant and equipment	284,407	275,780
Intangible assets		
Goodwill	866	626
Other	19,852	18,622
Total intangible assets	20,718	19,249
Investments and other assets		
Investments in securities	28,448	24,641
Long-term loans	515	458
Deferred tax assets	51,503	47,193
Other	36,438	36,221
Allowance for doubtful receivables	(1,270)	(986)
Total investments and other assets	115,635	107,529
Total fixed assets	420,761	402,558
Total assets	1,352,439	1,354,278
Liabilities		
Current liabilities		
Trade payables	302,739	319,271
Short-term debt	125,614	143,972
Lease obligations, current	708	242
Income taxes payable	4,833	5,988
Deferred tax liabilities	859	765
Accrued bonuses	14,202	15,692
Provision for product warranties	6,640	7,288
Provision for losses on construction contracts	17,991	33,068
Provision for restructuring charges	6,326	1,077
Provision for losses on damages suit	5,165	-
Provision for environmental measures	778	499
Advances from customers	99,532	80,815
Current portion of bonds	477	30,483
Commercial paper	32,000	-
Asset retirement obligations	-	10
Other	75,053	64,550
Total current liabilities	692,923	703,726

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Long-term liabilities		
Bonds payable	60,513	50,000
Long-term debt	209,360	203,801
Lease obligations	236	645
Deferred tax liabilities	2,526	3,990
Provision for loss on damages suit	6,706	5,868
Provision for environmental measures	3,713	3,333
Employees' retirement and severance benefits	89,240	80,556
Asset retirement obligations	-	440
Other	4,166	4,480
	<hr/>	<hr/>
	Total long-term liabilities	376,463 353,117
Total liabilities		<hr/> <hr/> 1,069,386 1,056,844
Net assets		
Shareholders' equity		
Common stock	104,328	104,340
Capital surplus	54,275	54,251
Retained earnings	137,689	158,615
Treasury stock	(552)	(30)
	<hr/>	<hr/>
	Total shareholders' equity	295,741 317,176
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities	5,305	3,876
Deferred loss on hedges	(162)	(990)
Foreign currency translation adjustment	(23,803)	(31,006)
	<hr/>	<hr/>
	Total accumulated other comprehensive income	(18,659) (28,119)
Minority interests	5,972	8,376
	<hr/>	<hr/>
Total net assets		283,053 297,433
Total net assets and liabilities		<hr/> <hr/> 1,352,439 1,354,278

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated statements of operations

	Millions of yen	
	Year ended March 31, 2010	Year ended March 31, 2011
Net sales	1,173,473	1,226,949
Cost of sales	1,023,609	1,037,078
Gross profit	149,863	189,870
Selling, general and administrative expenses		
Salaries and benefits	39,570	39,429
Advertising expenses	7,741	7,967
R&D expenses	38,057	37,090
Provision for doubtful receivables	-	282
Other	65,811	62,472
Total selling, general and administrative expenses	151,180	147,242
Operating income (loss)	(1,316)	42,628
Non-operating income		
Interest income	3,065	1,779
Dividend income	549	527
Gain on sale of marketable and investment securities	1,739	0
Equity in income of non-consolidated subsidiaries and affiliates	6,522	9,205
Foreign exchange gain, net	10,955	1,491
Other	6,743	6,326
Total non-operating income	29,575	19,330
Non-operating expenses		
Interest expense	5,399	4,677
Loss on valuation of securities	-	1,577
Other	8,566	6,567
Total non-operating expenses	13,965	12,822
Recurring profit	14,293	49,136
Extraordinary income		
Reversal of provision for environmental measures	1,077	-
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	460	-
Total extraordinary income	1,537	-
Extraordinary losses		
Loss on impairment of fixed assets	3,132	9,923
Provision for doubtful receivables for affiliates	-	325
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	291
Restructuring charges	7,648	-
Provision for losses on damages suit	6,983	-
Provision for environmental measures	1,489	-
Loss on liquidation of affiliate	399	-
Total extraordinary losses	19,651	10,540
Income (loss) before income taxes and minority interests	(3,821)	38,595
Income taxes		
Current	8,805	14,341
Deferred	(2,822)	(3,503)
Total income taxes	5,983	10,837
Income before minority interests	-	27,758
Minority interests in net income of consolidated subsidiaries	1,055	1,792
Net income (loss)	(10,860)	25,965

Consolidated statements of comprehensive income

	Millions of yen	
	Year ended March 31, 2010	Year ended March 31, 2011
Income before minority interests	-	27,758
Other comprehensive income		
Net unrealized gains (losses) on securities	-	(1,437)
Differed loss on hedges	-	(480)
Foreign currency translation adjustment	-	(5,420)
Share of other comprehensive income of associates		(2,167)
Total other comprehensive income	-	(9,505)
Comprehensive Income	-	18,252
Comprehensive income attributable to owners of the parent		16,505
Comprehensive income attributable to minority interests	-	1,746

(3) Consolidated statement of changes in shareholders' equity

	Millions of yen	
	Year ended March 31, 2010	Year ended March 31, 2011
Shareholders' equity		
Common stock		
Balance at end of previous year	104,328	104,328
Changes during the period		
Conversion of convertible bonds	-	11
Total changes during the period	-	11
Balance at end of year	104,328	104,340
Capital surplus		
Balance at end of previous year	54,281	54,275
Changes during the period		
Conversion of convertible bonds	-	(24)
Treasury stock disposed	(6)	(0)
Total changes during the period	(6)	(24)
Balance at end of year	54,275	54,251
Retained earnings		
Balance at end of previous year	154,272	137,689
Changes during the period		
Conversion of convertible bonds	-	(16)
Cash dividend	(5,004)	(5,003)
Net income for the year (loss)	(10,860)	25,965
Other	(718)	(19)
Total changes during the period	(16,583)	20,926
Balance at end of year	137,689	158,615
Treasury stock		
Balance at end of previous year	(467)	(552)
Changes during the period		
Conversion of convertible bonds	-	535
Treasury stock purchased	(107)	(15)
Treasury stock disposed	23	1
Total changes during the period	(84)	521
Balance at end of year	(552)	(30)
Total shareholders' equity		
Balance at end of previous year	312,415	295,741
Changes during the period		
Conversion of convertible bonds	-	506
Cash dividend	(5,004)	(5,003)
Net income for the year (loss)	(10,860)	25,965
Treasury stock purchased	(107)	(15)
Treasury stock disposed	17	1
Other	(718)	(19)
Total changes during the period	(16,674)	21,435
Balance at end of year	295,741	317,176
Total comprehensive income for the year		
Net unrealized gain (loss) on securities		
Balance at end of previous year	3,139	5,305
Changes during the period		
Net changes in items other than shareholders' equity	2,166	(1,429)
Total changes during the period	2,166	(1,429)
Balance at end of year	5,305	3,876
Gains (losses) on hedging items		
Balance at end of previous year	(263)	(162)
Changes during the period		
Net changes in items other than shareholders' equity	101	(828)

Total changes during the period	101	(828)
Balance at end of year	(162)	(990)
Foreign currency translation adjustments		
Balance at end of previous year	(24,850)	(23,803)
Changes during the period		
Net changes in items other than shareholders' equity	1,047	(7,202)
Total changes during the period	1,047	(7,202)
Balance at end of year	(23,803)	(31,006)
Total comprehensive income for the year		
Balance at end of previous year	(21,974)	(18,659)
Changes during the period		
Net changes in items other than shareholders' equity	3,314	(9,460)
Total changes during the period	3,314	(9,460)
Balance at end of year	(18,659)	(28,119)
Minority interests		
Balance at end of previous year	4,804	5,972
Changes during the period		
Net changes in items other than shareholders' equity	1,167	2,404
Total changes during the period	1,167	2,404
Balance at end of year	5,972	8,376
Total net assets		
Balance at end of previous year	295,245	283,053
Changes during the period		
Conversion of convertible bonds	-	506
Cash dividend	(5,004)	(5,003)
Net income for the year (loss)	(10,860)	25,965
Treasury stock purchased	(107)	(15)
Treasury stock disposed	17	1
Other	(718)	(19)
Net changes in items other than shareholders' equity	4,482	(7,055)
Total changes during the period	(12,192)	14,380
Balance at end of year	283,053	297,433

(4) Consolidated cash flow statement

	Millions of yen	
	Year ended March 31, 2010	Year ended March 31, 2011
Cash flow from operating activities		
Income (loss) before income taxes and minority interests	(3,821)	38,595
Depreciation and amortization	51,423	50,276
Loss on impairment of fixed assets	3,132	9,923
Increase (decrease) in employees' retirement and severance benefits	9,317	(8,159)
Increase (decrease) in accrued bonuses	(38)	1,489
Increase (decrease) in allowance for doubtful receivables	(615)	514
Increase (decrease) in provision for product warranties	(1,013)	794
Increase (decrease) in provision for losses on construction contracts	(2,916)	15,349
Increase (decrease) in provision for restructuring charges	6,326	(5,249)
Increase (decrease) in provision for losses on damages suit	4,461	(837)
Increase (decrease) in provision for environmental measures	510	(658)
Loss on disposal of inventories	1,992	1,336
(Gain) loss on sale of marketable and investment securities	(1,739)	(0)
(Gain) loss on valuation of securities	32	1,577
(Gain) loss on sale of property, plant, and equipment	784	552
Equity in income non-consolidated subsidiaries and affiliates	(6,522)	(9,205)
Interest and dividend income	(3,615)	(2,306)
Interest expense	5,399	4,677
(Increase) decrease in trade receivables	(3,792)	14,910
(Increase) decrease in inventories	56,241	(17,775)
(Increase) decrease in other current assets	(2,966)	8,590
Increase (decrease) in trade payables	(56,396)	25,114
Increase (decrease) in advances from customers	(27,179)	(15,552)
Increase (decrease) in other current liabilities	12,165	(17,156)
Other	(404)	1,895
Subtotal	40,764	98,696
Cash received for interest and dividends	7,698	6,407
Cash paid for interest	(5,408)	(4,762)
Cash paid for income taxes	(12,876)	(13,245)
Payment of levies	-	(5,165)
Net cash provided by operating activities	30,178	81,929
Cash flow from investing activities		
Decrease (Increase) in time deposits with maturities over three months	21	(2,138)
Acquisition of property, plant and equipment	(61,198)	(47,408)
Proceeds from sale of property, plant and equipment	993	616
Acquisition of intangible assets	(4,764)	(4,886)
Proceeds from sale of intangible assets	48	37
Acquisition of investments in securities	(123)	(350)
Proceeds from sale of investments in securities	1,913	12
Acquisition of investments in subsidiaries of affiliate	(1,331)	-
Decrease (Increase) in short-term loans receivable	518	287
Additions to long-term loans receivable	(65)	(40)
Proceeds from collection of long-term loans receivable	115	102
Other	594	825
Net cash used for investing activities	(63,277)	(52,942)
Cash flow from financing activities		
Increase (decrease) in short-term debt, net	(21,463)	(53,670)
Proceeds from long-term debt	74,793	24,000
Repayment of long-term debt	(11,518)	(4,836)
Proceeds from issuance of bonds	20,000	20,000
Redemption of bonds payable	(20,000)	-
Acquisition of treasury stock	(90)	(14)
Proceeds from stock issuance to minority shareholders	230	1,209
Cash dividends paid	(5,004)	(5,000)
Cash dividends paid to minority shareholders	(741)	(476)
Other	(293)	(72)
Net cash used for financing activities	35,911	(18,862)
Effect of exchange rate changes	(88)	367
Increase (decrease) in cash and cash equivalents due to changes	2,723	10,491
Cash and cash equivalents at beginning of year	31,413	34,137
Cash and cash equivalents at end of year	34,137	44,629

(5) Notes on the going-concern assumption

Not applicable

(6) Basis of preparation of financial statements

Other than information disclosed under the heading “(7) Changes in Basis of Preparation of Financial Statements” below, no material changes have been made from the information disclosed in the Company’s most recent full-year statutory financial report (filed June 25, 2010). An updated disclosure is therefore omitted here.

(7) Changes in basis of preparation of financial statements

1. Change in the scope of consolidation

(1) Change in the scope of consolidation

Five companies were added as consolidated subsidiaries because they were newly established by the Company.

Six companies ceased to be consolidated subsidiaries. Kawasaki Shipbuilding Corporation, Kawasaki Precision Machinery Ltd., and Kawasaki Plant Systems, Ltd. merged with the Company and were dissolved. One other company merged with another consolidated subsidiary and was dissolved. Another two companies were liquidated.

(2) Number of consolidated subsidiaries after change

96 companies

2. Change in application of the equity method

(1) Non-consolidated subsidiaries which are accounted for under the equity method :

None

(2) Associated companies which are accounted for under the equity method

1) Change in associated companies which are accounted for under the equity method
None

2) Number of associated companies accounted for under the equity method after change
14 companies

3. Changes in accounting standards

(1) Adoption of accounting standards related to asset retirement obligations

Effective the first quarter of the fiscal year ended March 31, 2011, the Company adopted the *Accounting Standard for Asset Retirement Obligations* (Statement No. 18, March 31, 2008) and its associated *Guidance on Accounting Standard for Asset Retirement Obligations* (Guidance No. 21, March 31, 2008).

Due to adoption of the standard and guidance, operating income decreased by 16 million yen, recurring profit decreased by 21 million yen, and income before income taxes decreased by 313 million yen.

(2) Adoption of accounting standards related to equity method accounting

Effective the first quarter of the fiscal year ended March 31, 2011, the Company adopted the *Accounting Standard for Equity Method of Accounting for Investments* (ASBJ 11 Statement No. 16, March 10, 2008) and the *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method* (PITF No. 24, March 10, 2008) and made some adjustments required for preparation of consolidated financial statements. The resulting effect on profit and loss is minor.

(3) Adoption of the Accounting Standard for Business Combinations

Effective the first quarter of the fiscal year ended March 31, 2011, the Company adopted the *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, December 26, 2008), the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No. 22, December 26, 2008), the *Amendments to Accounting Standard for Research and Development Costs* (ASBJ Statement No. 23, December 26, 2008), the *Revised Accounting Standard for Business Divestitures* (ASBJ Statement No. 7, December 26, 2008), the *Revised Accounting Standard for Equity Method of Accounting for Investments* (ASBJ Statement No. 16, December 26, 2008), and the *Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, December 26, 2008).

(8) Change in the presentation of accounts

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Consolidated Statements of Income

1. “Loss on valuation of securities” under non-operating expenses ceased to be included in “other” and was presented separately because it increased to more than ten-hundredths of non-operating expenses. Loss on valuation of securities in the fiscal year ended March 31, 2010, was 32 million yen and included in “other” under non-operating expenses.
2. Due to adoption of the Cabinet Office Ordinance on Partial Revision of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements and Others (Cabinet Office Ordinance No. 5, March 24, 2009) based on the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), the Company used the account title “Income before minority interests” for the fiscal year ended March 31, 2011.

(9) Additional information

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Effective the fiscal year ended March 31, 2011, the Company adopted the *Accounting Standard for Presentation of Comprehensive Income* (ASBJ Statement No. 25, June 30, 2010). The figures for “accumulated other comprehensive income” and “total accumulated other comprehensive income” for the fiscal year ended March 31, 2010 were stated with figures for “valuation and translation adjustments” and “total valuation and translation adjustments.”

(10) Notes on financial statements

Consolidated balance sheets

Year ended March 31, 2011 (As of March 31, 2011)

Information is omitted here as its disclosure in this report is not of material importance.

Consolidated Statements of Income

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

1. Loss on impairment of fixed assets

(1) Outline asset groups in which loss on impairment of fixed assets was recognized

Purpose	Location	Type
Assets held for business	Akashi-city, Hyogo	Buildings and structures, Machinery and equipment, etc.
Assets held for business	Chuo-ku, Kobe	Buildings and structures, Machinery and equipment, etc.

(2) Method for asset grouping

Asset grouping is based on line of business, and principle assets held for lease and idle assets are treated as independent asset groups.

(3) Reason for recognition of loss on impairment of fixed assets

The book values of some assets were written down to recoverable amounts due to deteriorating business income, market price declines, or diminished expectation of future use.

(4) Calculation of recoverable amount

Recoverable amounts are measured by net sales price or utility value. Net sales price is principally calculated based on assessment by a real estate appraiser or on fixed assets' tax-assessment values. Utility value is calculated based on expected future cash flows with a 4.0% discount rate.

(5) Loss on impairment of fixed assets

A write-down of 9,923 million yen was recorded as loss on impairment of fixed assets in extraordinary losses. Amounts by asset type are listed below.

Buildings and structures	3,731 million yen
Machinery and equipment, etc.	2,300 million yen
Other	3,891 million yen
	<hr/>
	9,923 million yen

Other than the notes on consolidated statements of income stated above, information is omitted here as its disclosure in this report is not of material importance.

Consolidated Statements of Comprehensive Income

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

*1. Comprehensive income for the fiscal year ended March 31, 2010

	Millions of yen
Comprehensive income attributable to owners of the parent	(7,545)
Comprehensive income attributable to minority interests	2,081
<hr/>	
Total	(5,464)

*2. Other comprehensive income for the fiscal year ended March 31, 2010

	Millions of yen
Net unrealized gains (losses) on securities	2,215
Gain (losses) on hedge items	833
Foreign currency translation adjustments	859
Share of other comprehensive income of associated companies accounted for under the equity method	431
<hr/>	
Total	4,340

Information Omitted

Notes on the consolidated statements of changes in shareholders' equity, the consolidated cash flow statements, lease transactions, related-party transactions, tax-effect accounting, financial instruments, securities, derivative transactions, retirement benefits, stock-based compensation, asset retirement obligations, investment and rental property, and special purpose companies are omitted here, as their disclosure in this report is not of material importance.

Segment information

1) Information by industry segment

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

	Sales and operating income (loss)					Millions of yen Assets, depreciation/amortization, and capital expenditures		
	External sales	Intersegment sales or transfers	Total sales	Operating expenses	Operating income (loss)	Assets	Depreciation/amortization	Capital expenditures
Shipbuilding	151,893	1,564	153,458	151,967	1,490	128,948	4,350	6,693
Rolling Stock	167,156	2,413	169,570	161,810	7,759	172,420	3,668	5,264
Aerospace	188,892	2,005	190,897	189,147	1,749	304,371	8,192	9,142
Gas Turbines & Machinery	191,379	22,765	214,144	207,450	6,694	215,874	6,222	10,278
Plant & Infrastructure								
Engineering	90,495	11,076	101,571	95,294	6,277	104,851	975	1,111
Consumer Products & Machinery	216,990	3,973	220,964	252,614	(31,649)	236,306	19,283	17,105
Hydraulic Machinery	68,809	7,319	76,129	69,167	6,961	57,901	3,883	2,282
Other Operations	97,855	32,550	130,406	130,825	(419)	154,652	3,064	5,551
Total	1,173,473	83,669	1,257,142	1,258,277	(1,134)	1,375,326	49,639	57,429
Eliminations/corporation	-	(83,669)	(83,669)	(83,487)	(181)	(22,886)	1,783	1,843
Consolidated total	1,173,473	-	1,173,473	1,174,789	(1,316)	1,352,439	51,423	59,272

Notes: 1. Method of segmentation

Business segmentation is based on the categorization used by management.

2. Major products by industry segment

Industry segment	Major products
Shipbuilding	Ships and vessels
Rolling Stock	Rolling stock, snow plows, crushers
Aerospace	Aircrafts
Gas Turbines & Machinery	Jet engines, general-purpose gas turbine generators, prime movers
Plant & Infrastructure	Industrial equipment, boilers, environmental equipment, steel structures
Engineering	
Consumer Products & Machinery	Motorcycles, personal watercraft, all-terrain vehicles (ATV), utility vehicles, general-purpose gasoline engines, industrial robots
Hydraulic Machinery	Industrial hydraulic products
Other Operations	Construction machinery, commercial activities, sales/order agency and intermediary activities, management of welfare facilities

3. The figure for “Eliminations/corporation” under “Assets” includes working funds (cash on hand and in banks) of the Company, fixed assets shared by all the segments, deferred tax assets, and long-term investment funds (investment in securities), together totaling 114,487 million yen.

4. The figure for “Eliminations/corporation” under “Depreciation/amortization” includes depreciation expenses for fixed assets shared by all the segments, and the figure for “Eliminations/corporation” under “Capital expenditure” includes expenses related to fixed assets shared by all the segments.

5. Change in method of segmentation

In October 2008, the Company, Hitachi Construction Machinery Co., Ltd., and TCM Corporation reached an agreement on forming an alliance with respect to their wheel loader businesses. The alliance is to involve (i) joint research and development and (ii) a spin-off of the Company's wheel loader operation into a newly created subsidiary of the Company, and Hitachi's investment in that subsidiary.

In accordance with the agreement, the construction machinery business was spun-off in April 2009 and succeeded by the Company's subsidiary, KCM Corporation. As a result, said business's relationship with the Rolling Stock & Construction Machinery segment was weakened and effective the fiscal year ended March 31, 2010, it was therefore shifted from the Rolling Stock & Construction Machinery segment to the Other Operations segment.

Due to this change, compared with what they would have been under the previous method, net sales for the fiscal year ended March 31, 2010, in the Rolling Stock segment was 20,625 million yen lower (including 22,207 million yen of external sales) and in the Other Operations segment, 21,622 million yen higher (including 22,207 million yen of external sales). By the same comparison, operating income in the Rolling Stock segment was 3,321 million yen higher, while operating loss in the Other Operations segment was 3,322 million yen higher.

6. Change in accounting standard for construction revenue and cost

As stated under the heading "Changes in accounting standard" in the "Changes in basis of preparation of financial statements" section, the Company previously used the percentage-of-completion method for accounting of revenues associated mainly with construction contracts with a contract amount of 3 billion yen or more and a construction period of over one year, and other construction works were accounted for with the completed-contract method. Effective the fiscal year ended March 31, 2010, however, in conjunction with adoption of the *Accounting Standard for Construction Contracts* (ASBJ Statement No.15, December 27, 2007) and its associated *Guidance on Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27, 2007), the percentage-of-completion method was applied to construction contracts that were started during the fiscal year ended March 31, 2010, for which certain elements were determinable with certainty as of March 31, 2010. The percentage of completion is estimated mainly with the proportion-of-cost method, under which the percentage of construction completed during the period is calculated as the ratio of the construction cost incurred during that period relative to the total construction cost. The completed-contract method was applied to other works.

Due to this change, net sales for the fiscal year ended March 31, 2010, in the Shipbuilding segment was 15,609 million yen higher; in the Rolling Stock segment, 702 million yen higher; in the Aerospace segment, 5,663 million yen higher; in the Gas Turbines & Machinery segment, 7,247 million yen higher; and in the Plant & Infrastructure Engineering segment, 2,991 million yen higher. Also due to the change, operating income in the Shipbuilding segment was 1,374 million yen higher; in the Rolling Stock segment, 65 million yen higher; in the Aerospace segment, 494 million yen higher; in the Gas Turbines & Machinery segment, 649 million yen higher; and in the Plant & Infrastructure Engineering segment, 504 million yen higher.

2) Information by geographic area

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

Millions of yen

	External sales	Intersegment sales or transfers	Total sales	Operating expenses	Operating income (loss)	Assets
Japan	917,366	154,199	1,071,566	1,072,557	(990)	1,130,537
North America	135,306	16,764	152,070	160,241	(8,170)	159,335
Europe	66,865	1,792	68,657	67,809	848	47,042
Asia	42,909	37,842	80,751	74,676	6,075	39,328
Other areas	11,025	190	11,215	10,287	927	6,870
Total	1,173,473	210,788	1,384,261	1,385,571	(1,310)	1,383,113
Eliminations/corporate	-	(210,788)	(210,788)	(210,781)	(6)	(30,674)
Consolidated total	1,173,473	-	1,173,473	1,174,789	(1,316)	1,352,439

- Notes: 1. Classification method of geographic segment: by geographic proximity
2. Major countries or regions in each segment other than Japan:

North America	The U.S.A. and Canada
Europe	The Netherlands, the United Kingdom, and Germany
Asia	Thailand, Indonesia, the Philippines, and Korea
Other areas	Australia and Brazil

3. The figure for “Eliminations/corporation” under “Assets” includes working funds (cash on hand and in banks) of the Company, fixed assets shared by all the segments, deferred tax assets, and long-term investment funds (investment in securities), together totaling 114,487 million yen.

4. Change in accounting standard for construction revenue and cost

As stated under the heading “Changes in accounting standard” in the “Changes in basis of preparation of financial statements” section, the Company previously used the percentage-of-completion method for accounting of revenues associated mainly with construction contracts with a contract amount of 3 billion yen or more and a construction period of over one year, and other construction works were accounted for with the completed-contract method. Effective the fiscal year ended March 31, 2010, however, in conjunction with adoption of the *Accounting Standard for Construction Contracts* (ASBJ Statement No.15, December 27, 2007) and its associated *Guidance on Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27, 2007), the percentage-of-completion method was applied to construction contracts that were started during the fiscal year ended March 31, 2010, for which certain elements were determinable with certainty as of March 31, 2010. The percentage of completion is estimated mainly with the proportion-of-cost method, under which the percentage of construction completed during the period is calculated as the ratio of the construction cost incurred during that period relative to the total construction cost. The completed-contract method was applied to other works.

Due to this change, net sales for the fiscal year ended March 31, 2010, in Japan was 32,214 million yen higher, while operating loss in Japan was 3,088 million yen lower.

3) Overseas sales

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

			Millions of yen
	Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated sales (%)
North America	226,859	-	19.3
Europe	93,035	-	7.9
Asia	141,577	-	12.0
Other areas	100,124	-	8.5
Total	561,595	1,173,473	47.8

Notes: 1. "Overseas sales" includes sales by the Company and its consolidated subsidiaries to the countries and regions other than Japan.

2. Classification method of geographic segment: by geographic proximity

3. Major countries or regions in each segment:

North America	The U.S.A. and Canada
Europe	The United Kingdom, Germany, France, and the Netherlands
Asia	China, Taiwan, Korea, the Philippines, and Indonesia
Other areas	Panama, Brazil and Australia

4) Segment Information

1. Overview of reportable segments

The Company's reportable segments are components of the company about which separate financial information is available. These segments are subject to periodic reviews by the Company's board of directors to decide how to allocate resources and assess performance. The Company's operations are divided into internal companies based on product categories. Certain authority is delegated to each of the internal companies, based on which they conduct businesses in Japan and overseas. The Company's operations are therefore segmented based on each internal company's product categories. The Company's eight reportable segments are the Ship & Offshore Structure segment, the Rolling Stock segment, the Aerospace segment, the Gas Turbine & Machinery segment, the Plant & Infrastructure segment, the Motorcycle & Engine segment, the Precision Machinery segment, and the Other segment.

In conjunction with its October 2010 organizational restructuring, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment.

Main segment businesses are listed below.

Industry segment	Major products
Ship & Offshore Structure	Construction and sale of ships and other vessels, etc.
Rolling Stock	Production and sale of rolling stock, snow plows, etc.
Aerospace	Production and sale of aircraft, etc.
Gas Turbines & Machinery	Production and sale of jet engines, general-purpose gas turbine generators, prime movers, etc.
Plant & Infrastructure	Production and sale of industrial equipment, boilers, environmental equipment, steel structures, crushers, etc.
Motorcycle & Engine	Production and sale of motorcycles, personal watercraft, all-terrain vehicles (ATV), utility vehicles, general-purpose gasoline engines, etc.
Precision Machinery	Production and sale of industrial hydraulic products, industrial robots, etc.
Other	Production and sale of construction machinery, commercial activities, sales/order agency and intermediary activities, administration of welfare facilities, etc.

2. Calculation methods for sales, income (loss), assets, liabilities and other items by reportable segment

Accounting methods applied for calculation of sales, income (loss), assets, liabilities, and other items by industry segment largely correspond to information presented under "(6) Basis of Preparation of Financial Statements". Segment income is based on operating income. Intersegment sales or transfers are based on market prices.

3. Sales, income (loss), assets, liabilities, and other items by reportable segment

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

	Sales			Segment income (loss)	Segment assets	Other items		
	External sales	Intersegment sales or transfer	Total			Depreciation/amortization	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	151,893	1,564	153,458	1,550	128,948	4,350	13,133	6,693
Rolling Stock	150,071	1,755	151,826	8,726	161,648	3,165	77	4,843
Aerospace	188,892	2,005	190,897	3,766	304,371	8,192	-	9,142
Gas Turbines & Machinery	191,379	22,765	214,144	8,941	215,874	6,222	190	10,278
Plant & Infrastructure	107,580	11,122	118,702	7,944	115,408	1,478	7,719	1,533
Motorcycle & Engine	203,084	1,550	204,634	(27,005)	219,150	18,483	998	16,335
Precision Machinery	82,715	10,260	92,976	3,415	75,066	4,683	-	3,052
Other Operations	97,855	32,550	130,406	(1,080)	154,652	3,064	2,207	5,551
Total	1,173,473	83,574	1,257,047	6,259	1,375,120	49,639	24,327	57,429
Adjustments	-	(83,574)	(83,574)	(7,575)	(22,680)	1,783	-	1,843
Consolidated total	1,173,473	-	1,173,473	(1,316)	1,352,439	51,423	24,327	59,272

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

	Sales			Segment income (loss)	Segment assets	Other items			
	External sales	Intersegment sales or transfers	Total			Depreciation/amortization	Impairment loss	Investment in equity-method affiliates	Increase in property, plant and equipment and intangibles
Ship & Offshore Structure	118,416	1,894	120,311	(1,013)	115,800	4,264	-	13,125	3,183
Rolling Stock	131,104	2,079	133,183	8,173	151,212	3,634	-	123	2,416
Aerospace	196,876	1,810	198,687	3,030	288,495	9,402	-	-	7,121
Gas Turbines & Machinery	202,692	20,782	223,475	9,545	211,369	6,550	67	61	5,659
Plant & Infrastructure	89,012	12,017	101,029	8,281	95,115	1,554	141	8,603	2,033
Motorcycle & Engine	234,479	1,211	235,690	(4,961)	216,559	15,294	9,520	946	11,340
Precision Machinery	140,328	13,277	153,605	22,318	99,612	4,872	-	-	9,822
Other Operations	114,038	34,340	148,378	2,576	159,616	2,474	193	2,305	8,013
Total	1,226,949	87,412	1,314,362	47,950	1,337,780	48,047	9,923	25,166	49,591
Adjustments	-	(87,412)	(87,412)	(5,322)	16,497	2,228	-	-	5,743
Consolidated total	1,226,949	-	1,226,949	42,628	1,354,278	50,276	9,923	25,166	55,334

4. Reconciliation and main components of difference between total for reportable segments and amounts on the consolidated financial statements

Millions of yen

Net sales	Year ended March 31, 2010	Year ended March 31, 2011
Total for reportable segments	1,257,047	1,314,362
Intersegment transactions	(83,574)	(87,412)
Net sales reported on the consolidated financial statements	1,173,473	1,226,949

Millions of yen

Income	Year ended March 31, 2010	Year ended March 31, 2011
Total for reportable segments	6,259	47,950
Intersegment transactions	9	(3)
Corporate expenses*	(7,585)	(5,318)
Operating income (loss) on consolidated financial statements	(1,316)	42,628

*Note: Corporate expenses mainly comprise general and administrative expenses not attributed to reportable segments.

Millions of yen

Assets	As of March 31, 2010	As of March 31, 2011
Total for reportable segments	1,375,120	1,337,780
Corporate assets shared by all segments*	114,487	141,028
Intersegment transactions etc.	(137,168)	(124,531)
Total assets on consolidated financial statements	1,352,439	1,354,278

*Note: Corporate assets shared by all segments mainly comprise fixed assets not attributed to reportable segments.

Millions of yen

Other items	Total for reportable segments		Adjustments*		Amounts reported on the consolidated financial statements	
	Year ended March 31,		Year ended March 31,		Year ended March 31,	
	2010	2011	2010	2011	2010	2011
Depreciation/amortization	49,639	48,047	1,783	2,228	51,423	50,276
Increase in property, plant and equipment and intangibles	57,429	49,591	1,843	5,743	59,272	55,334

*Note: Adjustments are mainly due to fixed assets not attributed to reportable segments

Additional information

Effective the fiscal year ended March 31, 2011, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information* (ASBJ Statement No.17, revised March 27, 2009) and its associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Guidance No. 20, March 21, 2008).

5) Related Information

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

1. Information by product and service

Information by product and service is omitted here as segmentation is equivalent to that used for reportable segments.

2. Information by geographic area

(1) Net sales

Millions of yen					
Japan	USA	Europe	Asia	Other areas	Total
558,126	236,572	87,162	224,685	120,402	1,226,949

(2) Property, plant and equipment

Millions of yen					
Japan	North America	Europe	Asia	Other areas	Total
241,132	20,611	2,304	10,945	785	275,780

3. Information by major clients

Millions of yen		
Clients	Net sales	Related segments
Ministry of Defense	182,633	Ship & Offshore Structure, Aerospace, Gas Turbines & Machinery

6) Impairment loss on fixed assets by reportable segment

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Information is omitted here as it is equivalent to that stated in “4) Segment information”.

7) Amortization amount for and unamortized balance of goodwill

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Information is omitted here as it is not of material importance.

8) Gain on negative goodwill by reportable segment

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Information is omitted here as it is not of material importance.

Business combination

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Transactions under common control

The Company merged Kawasaki Shipbuilding Corporation, Kawasaki Precision Machinery Ltd. (KPM), and Kawasaki Plant Systems, Ltd. (K Plant) into the Company as of October 1, 2010, pursuant to decisions made at the Board Meeting of September 30, 2009.

1. Name and outline of business of constituent company, date of business combination, legal form of business combination, name of company after business combination, and outline of transactions including purpose of transactions

(1) Name and outline of business of constituent company

Company surviving in absorption-type merger

Name: Kawasaki Heavy Industries, Ltd. (KHI)
Outline of business: Production and sale of ships and vessels, rolling stock, construction machinery, crushers, aircrafts, jet engines, general-purpose gas turbine generators, prime movers, various industrial plants/industrial equipment, boilers, environmental equipment, steel structures, motorcycles, all-terrain vehicles (ATV), industrial robots, and various industrial hydraulic products

Company absorbed in absorption-type merger

Name: Kawasaki Shipbuilding Corporation
Outline of business: Design, production, sale and maintenance of ships, naval vessels, marine equipment, other transportation equipment, and accompanying equipment and parts
Name: Kawasaki Precision Machinery Ltd. (KPM)
Outline of business: Design, procurement, production, installation, maintenance, and sale of industrial hydraulic products, hydraulic systems, electronic control equipment and systems, and accompanying devices, parts, and accessories
Name: Kawasaki Plant Systems, Ltd. (K Plant)
Outline of business: Design, production, installation, and sale of various plant machinery and equipment

(2) Date of business combination

October 1, 2010

(3) Legal form of business combination

The merger was an absorption-type merger whereby the Company (KHI) is the surviving entity and the three subsidiaries were dissolved.

(4) Name of company after business combination

Kawasaki Heavy Industries, Ltd.

(5) Outline of transactions including purpose of transactions

Guided by its mission statement adopted in 2007, the Company has been working to create new value for a better environment and brighter future by leveraging its advanced technological

capability across a broad range of fields. Creating new value involves making existing products smarter through innovation and developing brand new products in totally new fields. To do this, Kawasaki must work quickly to efficiently integrate and make the most of the entire Kawasaki Group's intellectual assets.

For these reasons, KHI decided to remerge Kawasaki Shipbuilding, KPM, and K Plant in order to achieve maximum efficiency in leveraging the Group's technological assets and human resources, while removing any restrictions caused by being subsidiaries.

In addition to the pursuit of greater competitiveness in existing businesses, the *Kawasaki Business Vision 2020*, formulated in April 2011, designates the development of new products and businesses as a key measure for accelerating sustained Group growth. The Company will use the merger to draw together technological expertise and knowhow across conventional organizational and product boundaries to develop new products in the transportation systems, energy and environment, and industrial equipment sectors. The Company also intends to advance research and development of core technologies in new business fields such as CO₂-free hydrogen technologies and ocean energy. By accelerating initiatives aimed at Group-wide sharing and maximal utilization of intellectual assets amassed by KHI Group companies, such as those related to sales expertise, technologies, procurement, and human resources, the Company seeks to realize its Group Mission Statement, "Kawasaki, working as one for the good of the planet."

2. Outline of accounting procedure used

The merger was accounted for as a transaction under common control based on the *Accounting Standard for Business Combinations* (ASBJ Statement No.21, December 26, 2008) and its associated *Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No.10, revised December 26, 2008).

Per-share Data

(Yen)

Year ended March 31, 2010		Year ended March 31, 2011	
Net assets per share	166.13	Net assets per share	173.03
Loss per share - basic	6.51	Earnings per share - basic	15.55
Diluted net earnings per share is not stated because we posted net loss for the period.		Earnings per share - diluted	15.32

Notes:

1. Net assets per share were calculated based on the following:

		As of March 31, 2010	As of March 31, 2011
Total net assets	(millions of yen)	283,053	297,433
Amounts excluded from total net assets	(millions of yen)	5,972	8,376
<i>Of which: minority interest</i>	<i>(millions of yen)</i>	<i>(5,972)</i>	<i>(8,376)</i>
Net assets attributable to the common shares	(millions of yen)	277,081	289,056
Number of common shares used to compute net assets per share	(thousands of shares)	1,667,848	1,670,546

2. Net income/loss per share and net income per share (diluted) were calculated based on the following:

		Year ended March 31, 2010	Year ended March 31, 2011
Earnings per share - basic			
Net income (loss)	(millions of yen)	(10,860)	25,965
Earnings not attributable to common shareholders	(millions of yen)	-	-
Net income (loss) allocated to the common shares	(millions of yen)	(10,860)	25,965
Average number of common shares outstanding	(thousands of shares)	1,668,119	1,669,359
Earnings per share (diluted)			
Net income adjustment	(millions of yen)	-	44
<i>Of which: interest expense etc. (after-tax equivalent)</i>	<i>(millions of yen)</i>	<i>(-)</i>	<i>(44)</i>
Increase in common shares	(thousands of shares)	-	28,052
<i>Of which: exercise of convertible bonds</i>	<i>(thousands of shares)</i>	<i>(-)</i>	<i>(11,769)</i>
<i>Of which: Zero-coupon convertible bond</i>	<i>(thousands of shares)</i>	<i>(-)</i>	<i>(16,283)</i>
Summary of non-diluting residual securities not included in the computation of diluted earnings per share		9th Series Convertible Unsecured Bonds (aggregate face value: 7,038 million yen), Euro Yen Convertible Bonds due 2010 (aggregate principal: 477 million yen), Euro Yen Convertible Bonds due 2011 (aggregate principal: 3,475 million yen)	-

Material subsequent events

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Not applicable

5. Non-consolidated Financial Statements

(1) Non-consolidated balance sheets

	Millions of yen	
	As of March 31, 2010	As of March 31, 2011
Assets		
Current assets		
Cash on hand and in banks	17,495	29,970
Notes receivable-trade	1,372	5,460
Accounts receivable-trade	229,499	317,841
Work in process	221,869	230,601
Raw materials and supplies	50,570	65,076
Advance payments	15,829	17,949
Prepaid expenses	371	370
Deferred tax assets	13,765	29,360
Short-term loans	44,621	16,042
Accounts receivable, other	12,280	19,410
Accrued income	50	75
Derivative assets	5,850	2,504
Other	3,997	3,893
Allowance for doubtful receivables	(399)	(611)
Total current assets	617,175	737,948
Fixed assets		
Net property, plant and equipment		
Buildings	53,671	59,216
Structures	10,446	15,054
Docks	-	1,621
Machinery and equipment	39,580	52,525
Vessels	0	6
Aircraft	94	75
Vehicles	498	689
Tools, furniture and fixtures	7,886	7,336
Land	33,698	37,629
Leased assets	144	155
Construction in progress	5,594	8,821
Total property, plant and equipment	151,615	183,132
Intangible assets		
Software	8,716	9,527
License production and licensee's execution right	726	598
Other	5,649	5,514
Total intangible assets	15,091	15,639
Investments and other assets		
Investments in securities	25,394	22,750
Shares of affiliates	111,853	87,764
Investments in capital of affiliates	3,537	17,006
Long-term loans	11	6
Long-term loans to employees	224	227
Long-term loans to affiliates	11,127	6,487
Claims in bankruptcy and rehabilitation	318	292
Deferred tax assets	35,779	38,582
Other	6,487	6,911
Allowance for doubtful receivables	(2,157)	(675)
Total investments and other assets	192,577	179,354
Total fixed assets	359,285	378,127
Total assets	976,460	1,116,076

Liabilities

Current liabilities

Notes payable-trade	20,480	28,181
Accounts payable-trade	190,559	251,141
Short-term debt	93,529	74,972
Current portion of long-term debt	3,613	29,017
Lease obligations, current	4	9
Accounts payable, other	12,569	16,782
Accrued expenses	24,981	23,757
Income taxes payable	462	618
Advances from customers	41,297	54,054
Deposits received	1,620	2,118
Unearned revenue	17	10
Accrued bonuses	6,615	10,164
Provision for product warranties	744	5,152
Provision for losses on construction contracts	8,717	26,618
Provision for restructuring charges	6,326	1,077
Provision for losses on damages suit	5,165	-
Provision for environmental measures	778	499
Asset retirement obligations	-	10
Current portion of bonds payable	-	20,000
Current portion of convertible bonds payable	-	7,038
Current portion of bonds with stock acquisition rights	477	3,445
Commercial paper	32,000	-
Notes payable-facilities	1,488	874
Other	2,092	4,061
Total current liabilities	453,541	559,604

Long-term liabilities

Bonds payable	50,000	50,000
Convertible bond	7,038	-
Bonds with stock acquisition rights	3,475	-
Long-term debt	205,587	203,591
Lease obligations	1	13
Provision for losses on damages suit	6,706	5,868
Provision for environmental measures	2,461	2,993
Employees' retirement and severance benefits	26,131	45,163
Asset retirement obligations	-	422
Long-term accounts payable	91	27
Other	706	1,503
Total long-term liabilities	302,198	309,582

Total liabilities**755,740** **869,187****Net assets**

Shareholders' equity

Common stock	104,328	104,340
Capital surplus		
Legal capital surplus	52,058	52,067
Other capital surplus	33	0
Total capital surplus	52,091	52,067

Retained earnings

Other retained earnings		
Provision for special depreciation	715	942
Provision for advanced depreciation of fixed assets	7,044	6,959
Retained earnings brought forward	52,136	80,316
Total retained earnings	59,895	88,217

Treasury stock

Treasury stock	(552)	(30)
Total shareholders' equity	215,764	244,595

Valuation and translation adjustments

Net unrealized gains (losses) on securities	4,775	3,219
Gains (losses) on hedging items	180	(925)
Total valuation and translation adjustments	4,955	2,293

Total net assets**220,720** **246,888****Total net assets and liabilities****976,460** **1,116,076**

(2) Non-consolidated statements of income

	Millions of yen	
	Year ended March 31, 2010	Year ended March 31, 2011
Net sales	644,133	817,455
Cost of sales	597,898	742,870
Gross profit	46,234	74,585
Selling, general and administrative expenses		
Salaries and benefits	12,027	14,593
Depreciation and amortization	861	1,178
Allowance for doubtful receivables	-	245
R&D expenses	32,316	33,755
Unallocated expenses	5,330	8,556
Contract expenses	3,014	3,324
Other	11,678	11,199
Total selling, general and administrative expenses	65,229	72,853
Operating income (loss)	(18,995)	1,731
Non-operating income		
Interest income	1,054	859
Dividend income	20,888	34,374
Gain on sale of marketable and investment securities	1,741	0
Foreign exchange gains, net	9,745	2,172
Other	3,317	3,508
Total non-operating income	36,747	40,915
Non-operating expenses		
Interest expense	3,761	3,355
Interest on bonds	805	907
Loss on valuation of securities	-	1,551
Loss on reduction of non-current assets	999	-
Loss on assignment of accounts receivable	934	-
Other	2,623	3,994
Total non-operating expenses	9,125	9,809
Recurring profit	8,627	32,837
Extraordinary income		
Gain on extinguishment of tie-in shares	-	8,116
Reversal of provision for environmental measures	1,077	-
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	460	-
Total extraordinary income	1,537	8,116
Extraordinary losses		
Loss on impairment of fixed assets	-	9,923
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	192
Loss on investment in subsidiaries and affiliates	7,234	-
Provision for losses on damages suit	6,983	-
Restructuring charges	6,326	-
Provision for environmental measures	1,368	-
Total extraordinary losses	21,912	10,116
Income (loss) before income taxes	(11,748)	30,837
Income taxes		
Current	260	1,201
Deferred	(6,591)	(3,704)
Total income taxes	(6,330)	(2,503)
Net income (loss)	(5,417)	33,341

(3) Non-consolidated statement of changes in shareholders' equity

Millions of yen

	Year ended March 31, 2010	Year ended March 31, 2011
Shareholders' equity		
Common stock		
Balance at end of previous year	104,328	104,328
Changes during the period		
Conversion of convertible bonds	-	11
Total changes during the period	-	11
Balance at end of year	104,328	104,340
Capital surplus		
Capital reserve		
Balance at end of previous year	52,058	52,058
Changes during the period		
Conversion of convertible bonds	-	9
Total changes during the period	-	9
Balance at end of year	52,058	52,067
Other capital surplus		
Balance at end of previous year	39	33
Changes during the period		
Conversion of convertible bonds	-	(33)
Treasury stock disposed	(6)	(0)
Total changes during the period	(6)	(33)
Balance at end of year	33	0
Retained earnings		
Other retained earnings		
Provision for special depreciation		
Balance at end of previous year	146	715
Changes during the period		
Provision for special depreciation	672	389
Reversal of provision for special depreciation	(103)	(162)
Total changes during the period	569	226
Balance at end of year	715	942
Provision for advanced depreciation of fixed assets		
Balance at end of previous year	6,798	7,044
Changes during the period		
Provision for advanced depreciation of fixed assets	411	66
Reversal of provision for advanced depreciation of fixed assets	(165)	(150)
Total changes during the period	245	(84)
Balance at end of year	7,044	6,959
Provision for special account for advanced depreciation of fixed assets		
Balance at end of previous year	384	-
Changes during the period		
Provision for special account for advanced depreciation of fixed assets	-	-
Reversal of provision for special account for advanced depreciation of fixed assets	(384)	-
Total changes during the period	(384)	-
Balance at end of year	-	-
Retained earnings brought forward		
Balance at end of previous year	62,988	52,136
Changes during the period		
Conversion of convertible bonds	-	(16)
Cash dividend	(5,004)	(5,003)
Net income (loss)	(5,417)	33,341
Provision for special depreciation	(672)	(389)
Reversal of provision for special depreciation	103	162
Provision for advanced depreciation of fixed assets	(411)	(66)
Reversal of provision for advanced depreciation of fixed assets	165	150

Provision for special account for advanced depreciation of fixed assets		
Reversal of provision for special account for advanced depreciation of fixed assets	384	-
Total changes during the period	(10,852)	28,179
Balance at end of year	52,136	80,316
Treasury stock		
Balance at end of previous year	(467)	(552)
Changes during the period		
Conversion of convertible bonds	-	535
Treasury stock purchased	(107)	(15)
Treasury stock disposed	23	1
Total changes during the period	(84)	521
Balance at end of year	(552)	(30)
Total shareholders' equity		
Balance at end of previous year	226,277	215,764
Changes during the period		
Conversion of convertible bonds	-	506
Cash dividend	(5,004)	(5,003)
Net income for the year	(5,417)	33,341
Treasury stock purchased	(107)	(15)
Treasury stock disposed	17	1
Total changes during the period	(10,512)	28,830
Balance at end of year	215,764	244,595
Valuation and translation adjustments		
Net unrealized gain (loss) on securities		
Balance at end of previous year	2,872	4,775
Changes during the period		
Net changes in items other than shareholders' equity	1,902	(1,555)
Total changes during the period	1,902	(1,555)
Balance at end of year	4,775	3,219
Gains (losses) on hedging items		
Balance at end of previous year	1,649	180
Changes during the period		
Net changes in items other than shareholders' equity	(1,469)	(1,106)
Total changes during the period	(1,469)	(1,106)
Balance at end of year	180	(925)
Total valuation and translation adjustments		
Balance at end of previous year	4,522	4,955
Changes during the period		
Net changes in items other than shareholders' equity	433	(2,662)
Total changes during the period	433	(2,662)
Balance at end of year	4,955	2,293
Total net assets		
Balance at end of previous year	230,799	220,720
Changes during the period		
Conversion of convertible bonds	-	506
Cash dividend	(5,004)	(5,003)
Net income for the year	(5,417)	33,341
Treasury stock purchased	(107)	(15)
Treasury stock disposed	17	1
Net changes in items other than shareholders' equity	433	(2,662)
Total changes during the period	(10,079)	26,168
Balance at end of year	220,720	246,888

(4) Events or circumstances that raise material doubt regarding the going-concern assumption

Not applicable.

6. Others

(1) Corporate officer changes

Refer to the Company's press release on February 21, 2011, titled "Directors and Executive Officers to Change."

(2) Consolidated orders and sales

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No.17, March 27, 2009) and its associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Guidance No.20, March 21, 2009). The Group also changed the name of its Consumer Products & Machinery segment to the Motorcycle & Engine segment and the name of its Hydraulic Machinery segment to the Precision Machinery segment in conjunction with the April 2010 adoption of new industry segmentation for internal reporting. Also effective from April 2010, the crushing machine business was shifted from the Rolling Stock segment to the Plant & Infrastructure segment and the industrial robot business was shifted from the Consumer Products & Machinery segment to the Precision Machinery segment. Additionally, in conjunction with its October 2010 organizational restructuring, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment.

To reflect this change, orders received, net sales, and order backlog for the year ended March 31, 2010 in the table below have been restated based on the newly adopted accounting standard and guidance and the resegmentation of operations.

Orders received

	Year ended March 31, 2010 (A)		Year ended March 31, 2011 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	16,128	1.6	78,953	6.2	62,824	389.5
Rolling Stock	66,269	6.6	187,122	14.7	120,852	182.3
Aerospace	171,380	17.1	206,730	16.2	35,350	20.6
Gas Turbine & Machinery	226,228	22.5	187,582	14.7	(38,646)	(17.0)
Plant & Infrastructure	135,664	13.5	119,987	9.4	(15,677)	(11.5)
Motorcycle & Engine	203,084	20.2	234,479	18.4	31,394	15.4
Precision Machinery	84,948	8.4	148,955	11.7	64,006	75.3
Other	97,584	9.7	106,841	8.4	9,257	9.4
Total	1,001,290	100.0	1,270,652	100.0	269,362	26.9

Note: The Motorcycle & Engine segment's orders received are equal to its net sales as production is based mainly on estimated demand.

Net sales

	Year ended March 31, 2010 (A)		Year ended March 31, 2011 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	151,893	12.9	118,416	9.6	(33,477)	(22.0)
Rolling Stock	150,071	12.7	131,104	10.6	(18,966)	(12.6)
Aerospace	188,892	16.1	196,876	16.0	7,984	4.2
Gas Turbine & Machinery	191,379	16.3	202,692	16.5	11,313	5.9
Plant & Infrastructure	107,580	9.1	89,012	7.2	(18,568)	(17.2)
Motorcycle & Engine	203,084	17.3	234,479	19.1	31,394	15.4
Precision Machinery	82,715	7.0	140,328	11.4	57,612	69.6
Other	97,855	8.3	114,038	9.2	16,183	16.5
Total	1,173,473	100.0	1,226,949	100.0	53,476	4.5

Order backlog

	Year ended March 31, 2010 (A)		Year ended March 31, 2011 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	218,134	14.4	177,254	11.8	(40,880)	(18.7)
Rolling Stock	378,391	25.1	411,560	27.5	33,169	8.7
Aerospace	264,788	17.5	269,470	18.0	4,682	1.7
Gas Turbine & Machinery	426,506	28.3	382,269	25.5	(44,236)	(10.3)
Plant & Infrastructure	153,830	10.2	185,414	12.3	31,583	20.5
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	30,772	2.0	42,790	2.8	12,018	39.0
Other	34,635	2.2	26,589	1.7	(8,046)	(23.2)
Total	1,507,057	100.0	1,495,349	100.0	(11,708)	(0.7)

(3) Non-consolidated orders and sales

Due to merger with Kawasaki Shipbuilding Corporation (Ship & Offshore Structure segment), Kawasaki Precision Machinery Ltd. (Precision Machinery segment), and Kawasaki Plant Systems, Ltd. (Plant & Infrastructure segment) as of October 1, 2010, the year-on-year rate of these segment does not mentioned below.

The Company changed the name of its Consumer Products & Machinery segment to the Motorcycle & Engine segment and the name of its Hydraulic Machinery segment to the Precision Machinery segment in conjunction with the April 2010 adoption of new industry segmentation for internal reporting. Also effective from April 2010, the industrial robot business was shifted from the Consumer Products & Machinery segment to the Precision Machinery segment. Additionally, in conjunction with its October 2010 organizational restructuring, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment.

To reflect this change, orders received, net sales, and order backlog for the year ended March 31, 2010 in the table below have been restated based on the resegmentation of operations.

Orders, net sales and order backlog by industry segment

Orders received

	Year ended March 31, 2010 (A)		Year ended March 31, 2011 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	-	-	39,994	4.9	-	-
Rolling Stock	53,617	9.2	116,019	14.2	62,402	116.3
Aerospace	153,077	26.4	189,740	23.2	36,662	23.9
Gas Turbine & Machinery	216,216	37.3	173,821	21.3	(42,395)	(19.6)
Plant & Infrastructure	12,778	2.2	55,433	6.7	42,655	333.8
Motorcycle & Engine	130,620	22.5	150,023	18.3	19,403	14.8
Precision Machinery	12,366	2.1	91,054	11.1	78,687	636.3
Total	578,676	100.0	816,086	100.0	237,409	41.0
Export orders received	318,553	55.0	493,738	60.5	175,184	54.9

Note: The Motorcycle & Engine segment's orders received are equal to its net sales as production is based mainly on estimated demand.

Net sales

	Year ended March 31, 2010 (A)		Year ended March 31, 2011 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	-	-	54,807	6.7	-	-
Rolling Stock	118,679	18.4	102,851	12.5	(15,827)	(13.3)
Aerospace	169,211	26.2	179,780	21.9	10,569	6.2
Gas Turbine & Machinery	184,886	28.7	191,690	23.4	6,803	3.6
Plant & Infrastructure	28,368	4.4	50,773	6.2	22,404	78.9
Motorcycle & Engine	130,620	20.2	150,023	18.3	19,403	14.8
Precision Machinery	12,366	1.9	87,529	10.7	75,162	607.8
Total	644,133	100.0	817,455	100.0	173,322	26.9
Net export sales	337,390	52.3	454,793	55.6	117,403	34.8

Order backlog

	Year ended March 31, 2010 (A)		Year ended March 31, 2011 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	-	-	176,594	13.0	-	-
Rolling Stock	285,197	27.6	291,985	21.6	6,787	2.3
Aerospace	251,438	24.3	256,226	18.9	4,788	1.9
Gas Turbine & Machinery	452,429	43.8	394,640	29.2	(57,788)	(12.7)
Plant & Infrastructure	42,889	4.1	182,694	13.5	139,804	325.9
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	-	-	47,622	3.5	-	-
Total	1,031,954	100.0	1,349,764	100.0	317,810	30.8
Export order backlog	507,820	49.2	719,171	53.2	211,350	41.6

(4) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2012

1) Consolidated earnings outlook

Billions of yen

	Outlook for the year ending March 31, 2012 (A)	Year ended March 31, 2011 (B) (actual)	Change (A – B)
Net sales	1,360.0	1,226.9	133.1
Operating income	50.0	42.6	7.4
Recurring profit	52.0	49.1	2.9
Net income	32.0	25.9	6.1
Orders received	1,360.0	1,270.6	89.4
Before-tax ROIC (%)	7.8%	6.0%	1.8%
R&D expenses	43.0	37.0	6.0
Capital expenditures	76.0	55.3	20.7
Depreciation/amortization	55.0	50.3	4.7
Number of employees at end of period	33,200	32,706	494
*Number of employees outside of Japan included therein	*8,200	*8,195	*5

Notes: 1. Outlook's assumed foreign exchange rates: ¥83 = US\$1, ¥115 = 1 euro

2. Before-tax ROIC = (income before income taxes + interest expense) / invested capital.

3. Capital expenditures represent the total of newly recorded property, plant and equipment and newly recorded intangible assets. Depreciation/amortization represents depreciation/amortization expenses for property, plant and equipment and intangible assets.

2) Outlook by reportable segment

(a) Net sales and operating income (loss)

Billions of yen

	Outlook for the year ending March 31, 2012 (A)		Year ended March 31, 2011 (B) (actual)		Change (A – B)	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Ship & Offshore Structure	110.0	(4.0)	118.4	(1.0)	(8.4)	(3.0)
Rolling Stock	150.0	7.0	131.1	8.1	18.9	(1.1)
Aerospace	220.0	8.0	196.8	3.0	23.2	5.0
Gas Turbine & Machinery	210.0	5.0	202.6	9.5	7.4	(4.5)
Plant & Infrastructure Engineering	130.0	11.0	89.0	8.2	41.0	2.8
Motorcycle & Engine	260.0	5.0	234.4	(4.9)	25.6	9.9
Precision Machinery	170.0	25.0	140.3	22.3	29.7	2.7
Other	110.0	2.0	114.0	2.5	(4.0)	(0.5)
Adjustments		(9.0)		(5.3)		(3.7)
Total	1,360.0	50.0	1,226.9	42.6	133.1	7.4

(b) Orders received

Billions of yen

	Outlook for the year ending March 31, 2012 (A)	Year ended March 31, 2011 (B) (actual)	Change (A – B)
Ship & Offshore Structure	60.0	78.9	(18.9)
Rolling Stock	150.0	187.1	(37.1)
Aerospace	260.0	206.7	53.3
Gas Turbine & Machinery	220.0	187.5	32.5
Plant & Infrastructure	120.0	119.9	0.1
Motorcycle & Engine	260.0	234.4	25.6
Precision Machinery	180.0	148.9	31.1
Other	110.0	106.8	3.2
Total	1,360.0	1,270.6	89.4