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(Securities Code 7012)  
June 5, 2012

Dear Shareholders

Satoshi Hasegawa  
President  
Kawasaki Heavy Industries, Ltd.  
1-1 Higashikawasaki-cho 3chome,  
Chuo-ku, Kobe  
(Registered Office)  
1-3 Higashikawasaki-cho 1chome,  
Chuo-ku, Kobe

**NOTICE OF  
THE 189TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 189th Ordinary General Meeting of Shareholders of Kawasaki Heavy Industries, Ltd. (“the Company” or “KHI”). The meeting will be held for the purposes as described below.

**If you are unable to attend on the day of the meeting we kindly ask you to review the “Reference Documents for the General Meeting of Shareholders” (described hereinafter), and exercise your voting right in writing or electronically (via the Internet, etc.) by 5:00 p.m. on June 26, 2012.**

Exercise of Voting Rights in Writing

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return it so that it is delivered by the above-mentioned exercise date.

Exercise of Voting Rights via the Internet

Please exercise your voting right by logging on to the Internet website (<http://www.web54.net>) and entering the voting right exercise code and password stated on the enclosed Voting Rights Exercise Form, and follow the online instructions to submit your vote.

- 1. Date and Time:**                    **Wednesday, June 27, 2012 at 10:00 a.m. (Door opens at 9 a.m.)**
- 2. Place:**                            **Kokusai Hall at The Kobe International House, located at  
1-6, Gokoudori 8-chome, Chuo-ku, Kobe**

### 3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 189th Fiscal Year (April 1, 2011 - March 31, 2012) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
  2. Non-Consolidated Financial Statements for the Company's 189th Fiscal Year (April 1, 2011 - March 31, 2012)

**Proposal No. 1:** Appropriation of Retained Earnings

**Proposal No. 2:** Partial Amendments to the Articles of Incorporation

**Proposal No. 3:** Election of Thirteen Directors

**Proposal No. 4:** Election of One Corporate Auditor

**Proposal No. 5:** Revision of Amount of Compensation Payable to Directors

(Please refer to the "Reference Documents for the General Meeting of Shareholders" hereinafter for information on each of the proposals.)

### 4. Other decisions regarding the General Meeting of Shareholders:

- (1) When voting rights have been exercised twice in writing or electronically, the latter vote received shall be deemed valid, however when votes are received on the same day, the voting right exercised electronically shall be deemed valid.

Shareholders who intend to diversely exercise voting rights are requested to give written notification to that effect, and the reason(s) thereof, no later than three (3) days prior to the day of the General Meeting of Shareholders.

- (2) Because the "Notes to the Consolidated Financial Statements" and "Notes to the Non-consolidated Financial Statements" among the documents to be submitted when sending the Notice are posted on our Website (<http://www.khi.co.jp/english/ir/>) according to laws and the Article 16 of the Articles of Incorporation, they are not included in the Appendix regarding matters to be reported. In addition, the "Notes to the Consolidated Financial Statements" and "Notes to the Non-consolidated Financial Statements" have been combined with the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the auditing process, in order for the preparation of the results of audits by the Accounting Auditor and the Board of Corporate Auditors.

#### Notes:

1. When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk at the venue on the day of the meeting. Please note that persons other than shareholders who are able to exercise voting rights, including representatives and their companions who are not shareholders, are not permitted to enter the venue.  
In order to save resources, please bring this Notice with you to the Meeting.
2. Any updates to the Appendix and the Reference Documents for the General Meeting of Shareholders, will be posted on the Company's Website at the following URL: (<http://www.khi.co.jp/english/ir/>).

## **Business Report**

(April 1, 2011 - March 31, 2012)

### **1. Overview of the Company Group**

#### **(1) Business Progress and Results**

##### **(i) General Conditions**

During the current consolidated fiscal year, the Japanese economy started showing signs of gradual recovery, though there was a concern of economic slowdown due to the impact of the 2011 Thailand Floods as well as the disruption of the supply chain caused by the Great East Japan Earthquake and the continued historic appreciation of the yen. As the post-earthquake reconstruction will boost future demand and concerns about the concept future energy are growing, the social role of KHI Group, which is engaged in the development of various key infrastructures, is becoming more significant.

With respect to the global economy, while employment conditions in the U.S. were gradually improving, the protracted issue of debtor nations in Europe persisted as a cause for concern. In the midst of such circumstances, China has slowed somewhat and yet still maintained its high growth rate. Emerging countries, including Asian nations and Brazil, also showed steady demand for infrastructure. Driven by these nations, the global economy was on a track for a modest growth overall. At the same time, the growth of emerging countries particularly has posed an urgent issue in terms of energy, water and waste disposal, leading to the global expansion of the business areas in which KHI Group can give contributions.

Amid this operating environment, the operations of KHI Group's business segments achieved an overall increase in both revenue and profit compared to the previous fiscal year, except for some business segments which marked revenue or profit decreases. A decrease in orders in the Rolling Stock segment, the Ship & Offshore Structure segment and the Plant & Infrastructure segment were made up for by an increase in the Aerospace segment, the Gas Turbine & Machinery segment and the Precision Machinery segment, resulting in overall orders received amounting to ¥1,311.8 billion, 3% higher than the previous fiscal year.

Net sales were ¥1,303.7 billion, 6% higher than the previous fiscal year. That is because a decrease in the Gas Turbine & Machinery segment and the Ship & Offshore Structure segment was made up for by revenue increases in the Precision Machinery segment, the Plant & Infrastructure segment and the Aerospace segment.

In terms of profit, although the Rolling Stock segment and the Gas Turbine & Machinery segment reported decreased profit, increased profits and improvement in performance of the Plant & Infrastructure segment and the Ship & Offshore Structure segment contributed greatly to overall profit, resulting in operating income of ¥57.4 billion, 35% higher than the previous fiscal year. Recurring profit was ¥63.6 billion, 29% higher than the previous fiscal year.

However, the reversal of deferred tax asset brought about by the amendment of the taxation system resulted in current net income of ¥23.3 billion, 10% lower than the previous fiscal year.

##### **(ii) Operating conditions by business segment**

The **Ship & Offshore Structure segment** orders received were ¥39.9 billion, which was significantly lower than the previous fiscal year, in spite of orders for eight bulk carriers and others.

Net sales were ¥113.5 billion, which was lower than the previous fiscal year, in which sales of large vessels were recorded.

Operating income was ¥3.9 billion, which significantly improved from the previous fiscal year in which a loss was posted, due to a decrease in the provision for losses on construction contracts.

The **Rolling Stock segment** orders received were ¥66.0 billion, which was significantly lower than the previous fiscal year. This is mainly attributable to large-scale orders received in the previous fiscal year and deferrals of orders expected in this fiscal year.

Despite decreased sales of rolling stock to the Japanese market, net sales were ¥132.6 billion, which was higher than the previous fiscal year, due to increased sales of rolling stock to overseas markets.

Operating income declined ¥3.0 billion from the previous fiscal year to ¥5.1 billion, due to the effects of the strong yen and the provision for losses on construction contracts.

The **Aerospace segment** orders received were ¥327.2 billion, which was significantly higher than

the previous fiscal year, due to an increase in orders received from Japan's Ministry of Defense (MOD).

Net sales were ¥206.5 billion, an increase from the previous fiscal year, due in part to an increase in sales to The Boeing Company for component parts for the Boeing 777 and Boeing 787 aircrafts.

Operating income increased ¥4.7 billion from the previous fiscal year to ¥7.8 billion, due in part to increased sales and cost reduction.

The **Gas Turbine & Machinery segment** orders received were ¥227.2 billion, which was significantly higher than the previous fiscal year, due in part to an increase in orders for component parts of commercial aircraft jet engines and an order for construction of Kawasaki Green Gas Engine-equipped power plants.

Net sales were ¥194.6 billion, which was lower than the previous fiscal year, due to a decrease in sales of such items as marine diesel engines and gas compression modules.

Operating income decreased ¥1.7 billion from the previous fiscal year to ¥7.7 billion, due in part to decreased sales.

The **Plant & Infrastructure segment** orders received were ¥119.2 billion, which was lower than the previous fiscal year, despite orders for municipal refuse incineration plants for domestic customers and other projects.

Net sales were ¥122.8 billion, which was significantly higher than the previous fiscal year, due in part to increased sales of plants to overseas customers.

Operating income increased ¥5.8 billion from the previous fiscal year to ¥14.1 billion, due in part to increased sales.

Despite a decrease in sales of motorcycles to developed countries because of the effects of the strong yen, net sales of the **Motorcycle & Engine segment** were ¥235.2 billion, which was higher than the previous fiscal year, due in part to increased sales of motorcycles in emerging countries.

Although the deterioration caused by the 2011 Thailand Floods and the effects of the strong yen were made up for by an increase in sales of motorcycles in emerging countries and a reduction of fixed expenses, operating loss was ¥2.9 billion, an improvement of ¥2.0 billion from the previous fiscal year.

The **Precision Machinery segment** orders received were ¥174.5 billion, which was higher than the previous fiscal year, predominantly due to an increase in orders for hydraulic components for the construction machinery market.

Net sales were significantly higher than the previous fiscal year at ¥175.0 billion, due in part to an increase in sales of hydraulic components for the construction machinery market and painting robots.

Operating income increased ¥4.3 billion from the previous fiscal year to ¥26.6 billion, due in part to increased sales.

In the **Others segment** net sales were higher than the previous fiscal year at ¥123.2 billion.

Operating income increased ¥1.2 billion from the previous fiscal year to ¥3.8 billion.

**(Orders Received, Net Sales and Operating Income/Loss by Segment)**

Unit: 100 million yen

| Segment                    | Orders Received |                     | Net Sales     |                     | Operating Income/Loss |                     |
|----------------------------|-----------------|---------------------|---------------|---------------------|-----------------------|---------------------|
|                            | Amount          | Year-on-Year Change | Amount        | Year-on-Year Change | Amount                | Year-on-Year Change |
| Ship & Offshore Structure  | 399             | (390)               | 1,135         | (48)                | 39                    | 49                  |
| Rolling Stock              | 660             | (1,210)             | 1,326         | 15                  | 51                    | (30)                |
| Aerospace                  | 3,272           | 1,205               | 2,065         | 97                  | 78                    | 47                  |
| Gas Turbine & Machinery    | 2,272           | 396                 | 1,946         | (80)                | 77                    | (17)                |
| Plant & Infrastructure     | 1,192           | (7)                 | 1,228         | 337                 | 141                   | 58                  |
| Motorcycle & Engine        | 2,352           | 7                   | 2,352         | 7                   | (29)                  | 20                  |
| Precision Machinery        | 1,745           | 256                 | 1,750         | 347                 | 266                   | 43                  |
| Others                     | 1,222           | 153                 | 1,232         | 91                  | 38                    | 12                  |
| Eliminations and corporate | —               | —                   | —             | —                   | (88)                  | (35)                |
| <b>Total</b>               | <b>13,118</b>   | <b>412</b>          | <b>13,037</b> | <b>768</b>          | <b>574</b>            | <b>148</b>          |

- (Notes) 1. Net sales recorded are for sales to external customers.  
2. The net sales figure for Motorcycle & Engine segment is also used as the figure for orders received.

**(2) Capital Investments, etc.**

In the current consolidated fiscal year, KHI Group's total amount of capital investment was ¥63.9 billion, predominantly for the renewal of aging equipment and facilities for streamlining production and necessary facilities to handle new model and products, as well as facilities to increase the production capacity of the Precision Machinery segment and the Aerospace segment.

Main capital investments completed and/or acquired during the current consolidated fiscal year, and main capital investments under construction as at the end of the current consolidated fiscal year are listed below.

(i) Main capital investments completed and/or acquired during the consolidated fiscal year under review

- Hydraulic components production facilities (Precision Machinery segment)
- Aircraft production facilities (Aerospace segment)
- Rolling stock production management systems (Rolling Stock segment)
- Kobe Works General Office (company-wide)

(ii) Main capital investments under construction as at the end of the consolidated fiscal year under review

- Production facilities for jet engines (Gas Turbine & Machinery segment)
- Assembly Plant, Harima Works (Plant & Infrastructure segment)
- Renovation of office building, Kobe Works (company-wide)

**(3) Financing**

Funds of ¥19.9 billion from long-term loans and ¥20.0 billion from domestic unsecured straight bonds and other funds from various sources were raised in the current consolidated fiscal year. The funds were allocated to such items as redemption of bonds, long-term loan repayments, capital investments and working capital.

**(4) Assignment of businesses, absorption-type splits and incorporation-type corporate splits**

Not applicable.

**(5) Transfer of business from other companies**

Not applicable.

**(6) Succession of rights and obligations pertaining to the business of another juridical person, etc. due to absorption-type merger or absorption-type company split**

Not applicable.

**(7) Acquisition or disposal of another company's stocks or other holdings, or share options, etc.**

Not applicable.

**(8) Issues to be addressed**

As for the performance of KHI Group for FY2011, the Motorcycle & Engine segment was affected by the strong yen and the disruption of the supply chain caused by the 2011 Thailand Floods. KHI, however, was able to attain the target goal for FY2012, the final year of the "MTBP2010" (operating income of ¥52.0 billion and recurring profit of ¥56.0 billion) one year earlier. We believe that this is because of all business segments have steadily built up better earnings, primarily underpinned by enhanced productivity, wider implementation of measures such as meticulous risk management on large-scale projects, enhanced a global production structure that encompasses overseas procurement and the expansion of the Precision Machinery segment against the backdrop of the steady growth of the Chinese economy.

We will continue to work on thoroughly implementing "selectively focusing resources on strategic businesses," "emphasizing quality over quantity" and "employing prudent risk management," steadily satisfying demand from emerging countries and enhancing measures to respond to exchange fluctuations in order to reinforce our revenue base. To strengthen our management position, we will focus on enhancing our financial strength and fixed cost reduction. In particular, we will conduct global

reviews on production and sales systems of the shipbuilding business and the motorcycle business to developed countries, an area which continues to suffer from stagnant markets, and concentrate our energies on allocation of management resources on a priority basis from the standpoint of selectively focusing resources on strategic businesses.

Moreover, due to nationwide concerns of a limited power supply following the Great East Japan Earthquake, there has been an increasing interest in Japan on in-house and decentralized power generation as well as renewable energy. In this area, KHI Group offers various products, including the world highest efficiency Kawasaki Green Gas Engine, a well-proven gas turbine for dual fuel (oil and gas), power generators using wind power, solar power, micro hydro power and biomass, as well as storage batteries to smooth over the power situation. At the same time, according to demands of society, from here on we are expected to develop these products with systemization and in packages.

In April 2012, we established the Marketing Division in our Head Office. In addition, we will unite the Plant & Infrastructure section with the new Tokyo Head Office, which will be established in December through relocation of the current Tokyo Head Office. With this move, we will further promote the communization of the Group's intellectual properties and strengthen our system solution business in the areas of Transportation equipment, Energy & Environmental Engineering and Industrial Equipment.

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

- (i) Ship & Offshore Structure: Expand the segment scale and strengthen the competitiveness of the business in China, strengthen technological development and reform the structure centering on the "mother factory" system in the domestic segments, and enter into the ocean development field
- (ii) Rolling Stock: Develop new products and reinforce our project management to respond to Enhance competitiveness in domestic and overseas markets through highly versatile standard rolling stock, satisfy demands for railroading and upgrade of rolling stock in North America, and overseas rolling stock system projects, etc.
- (iii) Aerospace: Enhance the mass production of the P-1 patrol aircraft and C-2 transport aircraft, further develop the new utility helicopter (UH-X), enhance the mass production of the Boeing 787, and develop derivative products
- (iv) Gas Turbine & Machinery: Develop the energy solution business, promote the development of new models, including industrial gas turbines and high-efficiency gas engines, and expand these models in the overseas markets, and promote the development of new models of jet engines for commercial aircraft and improve the productivity of these models
- (v) Plant & Infrastructure: Bolster research and development in order to expand in the Energy & Environmental Engineering business sector, accelerate efforts to commercialize new products and new businesses, and expand the infrastructure business mainly for resource-rich countries
- (vi) Motorcycle & Engine: Enhance cost competitiveness through optimized production and expansion of overseas procurement on a global basis, expand sales channels and develop new markets in emerging countries we have already entered (Southeast Asia and Brazil, etc.), and develop leading technologies to respond to environmental requirements
- (vii) Precision Machinery: Strengthen the global production system of hydraulic equipment for construction machinery, establish distinctive production technology through the introduction of mass robots, enhance cost competitiveness in the robot business, and develop technologies to expand the appropriate fields
- (viii) Others: Improve development and sales capabilities with respect to the construction machinery business unit 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. KHI Group places an emphasis on enhancing the monitoring functions of management, including the selection of directors who do not have roles in the executions of operations, the appointment of outside corporate auditors with no business relationships or other vested interests in the Company, and the election of corporate auditors who have substantial knowledge about finance and accounting. Furthermore, KHI 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, distributing 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.

## (9) Trends in Assets and Income

### (i) Company Group Assets and Income

Unit: 100 million yen

| Item                              | The 186th fiscal year | The 187th fiscal year | The 188th fiscal year | The 189th fiscal year (under review) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|
| Orders received                   | 15,405                | 10,012                | 12,706                | 13,118                               |
| Net sales                         | 13,385                | 11,734                | 12,269                | 13,037                               |
| Recurring profit                  | 387                   | 142                   | 491                   | 636                                  |
| Net income (loss)                 | 117                   | (108)                 | 259                   | 233                                  |
| Net income (loss) per share (yen) | ¥7.02                 | (¥6.51)               | ¥15.55                | ¥13.95                               |
| Total assets                      | 13,997                | 13,524                | 13,542                | 13,621                               |
| Net assets                        | 2,952                 | 2,830                 | 2,974                 | 3,159                                |

### (ii) Company Assets and Income

Unit: 100 million yen

| Item                              | The 186th fiscal year | The 187th fiscal year | The 188th fiscal year | The 189th fiscal year (under review) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|
| Orders received                   | 10,545                | 5,786                 | 8,160                 | 10,181                               |
| Net sales                         | 7,714                 | 6,441                 | 8,174                 | 10,033                               |
| Recurring profit                  | 26                    | 86                    | 328                   | 380                                  |
| Net income (loss)                 | (61)                  | (54)                  | 333                   | 114                                  |
| Net income (loss) per share (yen) | (¥3.66)               | (¥3.24)               | ¥19.97                | ¥6.87                                |
| Total assets                      | 9,779                 | 9,764                 | 11,160                | 11,446                               |
| Net assets                        | 2,307                 | 2,207                 | 2,468                 | 2,550                                |

## (10) Major Parent Companies and Subsidiaries

### (i) Parent Companies

Not applicable.

### (ii) Major Subsidiaries

| Company name                           | Capital         | The Company's percentage of equity participation | Main business   |
|--|-----------------|--|---|
| Kawasaki Trading Co., Ltd.             | ¥ 600 million   | 70%  | Sale of various industrial machinery, petroleum, steel, air conditioning equipment, etc.  |
| Kawasaki Machine Systems, Ltd.         | ¥ 350 million   | 100%   | Sale and repair of gas turbine generators, industrial robots, and other industrial machinery (Note 2)   |
| KCM Corporation                        | ¥ 4,825 million | 66%  | Design, manufacture, sale, repair, etc. of construction machinery   |
| NIPPI Corporation                      | ¥ 6,048 million | 100%   | Manufacture, maintenance, and modification of aircraft; manufacture of rocket components, aerospace equipment, targeting systems, nondestructive testing systems, and industrial fans |
| Kawasaki Thermal Engineering Co., Ltd. | ¥ 1,460 million | 83%  | Manufacture, sales, installation and after-sales service for boilers, air-conditioning equipment and absorption-style heat pumps, etc.  |

| Company name  | Capital            | The Company's percentage of equity participation | Main business   |
|---|--------------------|--|---|
| EarthTechnica Co., Ltd.                                   | ¥ 1,200 million    | 100%   | Design, execution and supervision of engineering, construction, installation of machinery and appliances; design, manufacture, and sale of crushers, grinders, sorters, and other equipment |
| KCMJ Corporation  | ¥ 300 million      | Note 3   | Sale and repair of construction machinery, hydraulic components, and other industrial machinery   |
| Kawasaki Motors Corporation Japan                         | ¥ 100 million      | 100%   | Sole distributor of motorcycles and JET SKI® in Japan   |
| Kawasaki Motors Corp., U.S.A.                             | U.S.\$ 165 million | 100%   | Sales of motorcycles, 4-wheel buggies, JET SKI®, general purpose gasoline engines in the U.S.   |
| Kawasaki Motors Manufacturing Corp., U.S.A.               | U.S.\$ 120 million | 100%   | Manufacture of motorcycles, 4-wheel buggies, JET SKI®, general purpose gasoline engines, rolling stock, and industrial robots in the U.S.   |
| Kawasaki Rail Car, Inc.                                   | U.S.\$60 million   | Note 4   | Manufacture, sale and after-sales service for rolling stock and related products, various engineering services  |
| Kawasaki Motores do Brasil Ltda.                          | R\$16 million      | 100%   | Manufacture and sale of motorcycles and 4-wheel buggies in Brasil   |
| Kawasaki Precision Machinery (U.K.) Ltd.                  | £5 million         | 100%   | Manufacture and sale of hydraulic pumps and motors  |
| Kawasaki Motors Europe N.V.                               | €64 million        | 100%   | Sole distributorship of motorcycles, 4-wheel buggies, JET SKI®, general purpose gasoline engines in Europe  |
| Kawasaki Motors Enterprise (Thailand) Co., Ltd.           | 1,900 million baht | 100%   | Manufacture and sale of motorcycles in Thailand   |
| P.T. Kawasaki Motor Indonesia                             | U.S.\$ 40 million  | 83%  | Manufacture and sale of motorcycles in Indonesia  |
| Kawasaki Motors (Phils.) Corporation                      | 101 million peso   | 50%  | Manufacture and sale of motorcycles in the Philippines  |
| Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd. | ¥ 400 million      | 100%   | Customer service, sales and CS activities relating to precision machinery products in China   |
| Flutek, Ltd.  | 1,310 million won  | 50%  | Assembly and after-sales services for hydraulic equipment in Korea  |

(Notes)

- From this current consolidated fiscal year, the following changes were made in relation to companies classified as major subsidiaries: Three companies: Kawasaki Motores do Brasil Ltda., Kawasaki Precision Machinery (U.K.) Ltd. and Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd. were added.
- As of April 1, 2012, Kawasaki Machine Systems, Ltd. carried out an absorption-type company split of the department related to industrial robots with Kawasaki Robot Service, Ltd., KHI's wholly-owned subsidiary.
- KCMJ Corporation is a wholly-owned subsidiary of KCM Corporation.
- Kawasaki Rail Car, Inc. is a wholly-owned subsidiary of Kawasaki Motors Manufacturing Corp., U.S.A.

### (iii) Progress of Business Combinations

There are 97 consolidated subsidiaries, including 19 companies which are cited in (ii) above as major subsidiaries, and there are 14 companies which are accounted for using the equity method.

### (iv) Results of Business Combinations

As stated above in "Business Progress and Results", for the current consolidated fiscal year net sales increased ¥76.8 billion (6%) compared to the previous fiscal year, to ¥1,303.7 billion, and consolidated current net income was ¥23.3 billion.



**(11) Company Group's Main Business and Number of Employees**

| Segment                   | Main Business  | Number of Employees  |
|---------------------------|--|--|
| Ship & Offshore Structure | Manufacture and sale of ships, etc.  | 2,735  |
| Rolling Stock             | Manufacture and sale of rolling stock, and snow removal machinery, etc.  | 3,111  |
| Aerospace                 | Manufacture and sale of aircraft, etc.   | 5,428  |
| Gas Turbine & Machinery   | Manufacture and sale of jet engines, industrial gas turbines, prime movers, etc.   | 3,675  |
| Plant & Infrastructure    | Manufacture and sale of industrial machinery, boilers, environmental equipment, steel structures and crushing machines, etc.   | 2,913  |
| Motorcycle & Engine       | Manufacture and sale of motorcycles, four-wheel buggies (ATVs), multi-purpose four-wheel vehicles, personal water craft ("JET SKI®"), general purpose gasoline engines, etc. | 8,839  |
| Precision Machinery       | Manufacture and sale of hydraulic components and industrial robots, etc.   | 2,426  |
| Other                     | Manufacture and sale of construction machinery, commerce, brokerage and mediation for sale and order reception and administration of welfare facilities, etc.                | 3,194  |
| Company-wide common areas | (Head Office Administration Department, Research & Development Department, etc.)   | 946  |
| Total                     | -  | 33,267<br><span style="font-size: 1.2em;">{</span> Japan 24,770<br><span style="font-size: 1.2em;">}</span> Overseas 8,497 |

(Note) This company has 14,825 employees (average age: 41.7 years; average years of service: 16.4 years)

**(12) Company Group's Principal Offices and Plants****(i) The Company**

|                   |             | Name and location  |
|-------------------|-------------|--|
| Principal offices | Head office | Kobe Head Office, Tokyo Head Office 2 Head Offices   |
|                   | Branches    | Sapporo Office, Sendai Office, Nagoya Office, Osaka Office, Hiroshima Office, Fukuoka Office, Okinawa Office 7 Offices   |
| Plants, etc.      |             | Gifu Works (Kakamigahara), Nagoya Works 1 (Yatomi, Aichi), Nagoya Works 2 (Ama-gun, Aichi), Kobe Works, Hyogo Works, Seishin Works, Nishi Kobe Works (Kobe), Akashi Works (Akashi), Kakogawa Works (Kakogawa), Harima Works (Kako-gun, Hyogo), Sakaide Works (Sakaide, Kagawa), Tokyo Office (Koto-ku, Tokyo), Technical Institute (Akashi) 13 Works (including a Technical Institute) |

**(ii) Material Subsidiaries****i) Domestic**

| Company name                           | Location of principal offices  | Location of plants |
|--|--------------------------------|--------------------|
| Kawasaki Trading Co., Ltd.             | Kobe, Chiyoda-ku, Tokyo        | -                  |
| Kawasaki Machine Systems, Ltd.         | Osaka                          | -                  |
| KCM Corporation                        | Kako-gun, Hyogo                | Kako-gun, Hyogo    |
| NIPPI Corporation                      | Yokohama                       | Yokohama, Yamato   |
| Kawasaki Thermal Engineering Co., Ltd. | Kusatsu, Osaka, Koto-ku, Tokyo | Kusatsu            |
| EarthTechnica Co., Ltd.                | Chiyoda-ku, Tokyo              | Yachiyo            |
| KCMJ Corporation                       | Kakogawa                       | -                  |
| Kawasaki Motors Corporation Japan      | Akashi                         | -                  |

**ii) Overseas**

| Company name  | Location        |
|---|-----------------|
| Kawasaki Motors Corp., U.S.A.                             | U.S.            |
| Kawasaki Motors Manufacturing Corp., U.S.A.               | U.S.            |
| Kawasaki Rail Car, Inc.                                   | U.S.            |
| Kawasaki Motores do Brasil Ltda.                          | Brasil          |
| Kawasaki Precision Machinery (U.K.) Ltd.                  | U.K.            |
| Kawasaki Motors Europe N.V.                               | The Netherlands |
| Kawasaki Motors Enterprise (Thailand) Co., Ltd.           | Thailand        |
| P.T. Kawasaki Motor Indonesia                             | Indonesia       |
| Kawasaki Motors (Phils.) Corporation                      | Philippines     |
| Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd. | China           |
| Flutek, Ltd.  | Korea           |

### (13) Principal lenders

(Unit: 100 million yen)

| Lenders                                  | Balance of Loans |            |       |
|--|------------------|------------|-------|
|  | Long term        | Short term | Total |
| Mizuho Corporate Bank, Ltd.              | 139              | 328        | 467   |
| Sumitomo Mitsui Banking Corporation      | 175              | 148        | 323   |
| The Sumitomo Trust and Banking Co., Ltd. | 170              | 50         | 220   |
| Development Bank of Japan Inc.           | 173              | 5          | 179   |
| Nippon Life Insurance Company            | 40               | 80         | 120   |

(Note) The Sumitomo Trust and Banking Co., Ltd. merged with The Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited effective April 1, 2012 and became Sumitomo Mitsui Trust Bank, Limited. Accordingly, the amount of loans from Sumitomo Mitsui Trust Bank, Limited as of April 1, 2012 is 23.0 billion yen.

### (14) Other important issues concerning the current situation of corporate groups

#### Important law suits cases etc

The Japan Fair Trade Commission issued on June 27, 2006 a cease and desist order against our company on the grounds that there was illegal conduct (bid rigging) in violation of the Antimonopoly Act in relation to the construction of refuse incineration plants ordered by municipal governments etc. We have, however, lodged an appeal with the Tokyo High Court to seek for the cancellation of the decision. In that appeal, the Tokyo High Court ruled against our company (i.e. not agreeing to cancel the decision). We therefore appealed to the Supreme Court on October 9, 2008, however, on October 6, 2009, the appeal was declined, which confirms our company lost the suit.

The Japan Fair Trade Commission issued a surcharge payment order on March 23, 2007 for the amount of ¥5,165 million against our company. We have appealed the decision to the Japan Fair Trade Commission and demanded a trial. However, since the same payment order for the amount of ¥5,165 million was issued in the decision made on November 10, 2010, we decided not to challenge the decision. We paid the surcharge in full on January 11, 2011, which closed this case.

Meanwhile, in relation to this matter, law suits have been filed against our company individually or severally with other companies as follows as of the end of March 2012, in order to seek damages from us on the grounds that we caused damage to the ordering parties due to bid rigging. Lawsuits settled during FY2011 are also included.

| Municipalities, etc. | Status of the law suits   |
|----------------------|---|
| Atami City           | The Supreme Court ruled in favor of our company and others on April 13, 2009 (i.e. declined the appeal of citizens seeking damages of ¥1,357 million against seven companies including our company), which confirmed that our company won the suit. However, an action for damages of ¥512 million has been brought against five companies including our company by Atami City at Tokyo High Court on August 19, 2010. The case is currently under dispute. |













































