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(Securities Code 7012)
June 3, 2015

Dear Shareholders

Shigeru Murayama
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 192nd ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 192nd 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, and so forth) by 5:00 p.m. on June 24, 2015.

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: Thursday, June 25, 2015 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 192nd Fiscal Year (April 1, 2014 - March 31, 2015) 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 192nd Fiscal Year (April 1, 2014 - March 31, 2015)

Proposal No. 1: Appropriation of Retained Earnings

Proposal No. 2: Election of Twelve Directors

Proposal No. 3: Election of One Corporate Auditor

(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) Among the documents to be submitted when sending the Notice, "Consolidated Statement of Changes in Net Assets" "Notes to the Consolidated Financial Statements" and "Non-consolidated Statement of Changes in Net Assets" "Notes to the Non-consolidated Financial Statements" are posted on the Website (<http://global.kawasaki.com/en/corp/ir/>) according to laws and the Article 16 of the Articles of Incorporation, and they are not included in the Appendix regarding matters to be reported. "Consolidated Statement of Changes in Net Assets" "Notes to the Consolidated Financial Statements" "Non-consolidated Statement of Changes in Net Assets" 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 when preparing 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.
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://global.kawasaki.com/en/corp/ir/>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Retained Earnings

The Company considers the return of profits to shareholders as being an important management issue. The Company aims to enhance shareholder value over the long term through continuous, advanced research and development and innovative capital investment, which is necessary for future growth. The Company's basic policy is to maintain a medium- and long-term dividend payout ratio of 30% to consolidated net income and to distribute surplus twice a year as an interim dividend and a year-end dividend, by fully taking into consideration future earnings trends and its financial position so as to keep a balance between enhancing shareholder value and returning profits to shareholders.

In accordance with the said policy, the year-end dividend will amount to ¥7 per ordinary share for a total distribution of ¥11,694,295,669, up ¥1 per share from the previous fiscal year. As a result, annual dividends will be ¥10 per share, including interim dividends.

In addition, the Company's year-end dividend distribution is June 26, 2015.

Proposal No. 2: Election of Twelve Directors

The term of office of all thirteen Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we propose to elect twelve Directors (including a new Outside Director) to establish corporate governance at a higher level and further improve the Company's enterprise value.

The candidates for Director are as follows:

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]	Shares of the Company
1	Shigeru Murayama (Feb. 27, 1950)	Apr. 1974 Apr. 2008 Apr. 2010 Jun. 2010 Jun. 2013 Joined Kawasaki Heavy Industries, Ltd. Managing Executive Officer Vice President, Aerospace Company Managing Executive Officer President, Aerospace Company Senior Vice President President, Aerospace Company President (current position) [Significant concurrent position] President(representative director), Commercial Airplane Company	121,000 shares
2	Joji Iki (Sep. 5, 1951)	Apr. 1977 Apr. 2009 Apr. 2012 Jun. 2012 Apr. 2015 Joined Kawasaki Heavy Industries, Ltd. Executive Officer General Manager, Machinery Division, Gas Turbine & Machinery Company Managing Executive Officer President, Gas Turbine & Machinery Company Senior Vice President President, Gas Turbine & Machinery Company (current position) Senior Executive Vice President Assistant to the President, in charge of technology, sales and procurement department (current position)	39,000 shares

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]	Shares of the Company
3	Eiji Inoue (Feb. 22, 1952)	<p>Apr. 1974 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2010 Senior Vice President General Manager, Project Engineering Center, Kawasaki Plant Systems, Ltd.</p> <p>Oct. 2010 Executive Officer General Manager, Project Engineering Center, in charge of Kobe Engineering Department, Plant & Infrastructure Company, Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2011 Executive Officer Vice President, Plant & Infrastructure Company</p> <p>Apr. 2012 Managing Executive Officer President, Plant & Infrastructure Company</p> <p>Jun. 2012 Senior Vice President President, Plant & Infrastructure Company (current position)</p>	54,000 shares
4	Yoshinori Kanehana (Feb. 19, 1954)	<p>Apr. 1976 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2009 Executive Officer Vice President, Rolling Stock Company</p> <p>Apr. 2011 Managing Executive Officer Vice President, Rolling Stock Company</p> <p>Apr. 2012 Managing Executive Officer General Manager, Marketing Division</p> <p>Jun. 2012 Senior Vice President General Manager, Marketing Division</p> <p>Jun. 2013 Senior Vice President President, Rolling Stock Company (current position)</p>	56,000 Shares
5	Akio Murakami (May. 9, 1952)	<p>Apr. 1975 Joined Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2010 Senior Vice President General Manager, Technology Division, Kawasaki Shipbuilding Corporation</p> <p>Oct. 2010 Executive Officer General Manager, Planning & Control Division, Ship & Offshore Structure Company, Kawasaki Heavy Industries, Ltd.</p> <p>Apr. 2013 Managing Executive Officer President, Ship & Offshore Structure Company</p> <p>Jun. 2013 Senior Vice President President, Ship & Offshore Structure Company (current position) [Significant concurrent position] Director, Nantong COSCO KHI Ship Engineering Co., Ltd. Director, Dalian COSCO KHI Ship Engineering Co., Ltd. Director, ENSEADA INDÚSTRIA NAVAL S.A.</p>	25,000 Shares
6	Yoshihiko Morita (Mar. 7, 1947) (Outside Director Candidate) (Independent Director)	<p>Apr. 1969 Joined Export-Import Bank of Japan (At present: Japan Bank for International Cooperation)</p> <p>Oct. 2008 Representative Director and Senior Managing Executive Officer Deputy CEO of Japan Bank for International Cooperation, Japan Finance Corporation</p> <p>Jun. 2011 Resigned Deputy CEO of Japan Bank for International Cooperation, Japan Finance Corporation</p> <p>Dec. 2011 Advisor, Sumitomo Mitsui Banking Corporation</p> <p>Jun. 2012 President, Japan Institute for Overseas Investment Outside Corporate Auditor, TOKYO GAS Co., Ltd.</p> <p>Jun. 2013 Outside Director, Kawasaki Heavy Industries, Ltd.</p> <p>Jun. 2013 Resigned Advisor, Sumitomo Mitsui Banking Corporation</p> <p>Dec. 2014 Resigned President, Japan Institute for Overseas Investment (current position) [Significant concurrent position] Outside Corporate Auditor, TOKYO GAS Co., Ltd.</p>	2,000 Shares

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]	Shares of the Company
7	Munenori Ishikawa (Feb. 26, 1953)	Apr. 1975 Joined Kawasaki Heavy Industries, Ltd. Apr. 2009 General Manager, Manufacturing Division, Aerospace Company Apr. 2012 Executive Officer General Manager, Manufacturing Division, Aerospace Company Apr. 2013 Executive Officer Vice President, Aerospace Company Jun. 2013 Managing Executive Officer President, Aerospace Company Jun. 2014 Senior Vice President President, Aerospace Company (current position)	31,000 Shares
8	Kazuo Hida (Feb. 1, 1954)	Apr. 1978 Joined Kawasaki Heavy Industries, Ltd. Jun. 2009 Seconded to Kawasaki Precision Machinery (UK) Ltd. Oct. 2010 Senior Associate Officer, Kawasaki Heavy Industries, Ltd. Seconded to Kawasaki Precision Machinery (UK) Ltd. Apr. 2011 Executive Officer, Kawasaki Heavy Industries, Ltd. Seconded to Kawasaki Precision Machinery (UK) Ltd. Sep. 2011 Executive Officer General Manager, Engineering Division, Precision Machinery Company Apr. 2013 Executive Officer Vice President and General Manager, Engineering Division, Precision Machinery Company Apr. 2014 Managing Executive Officer President, Precision Machinery Company Jun. 2014 Senior Vice President President, Precision Machinery Company (current position)	28,000 Shares
9	Kenji Tomida (Aug. 7, 1955)	Apr. 1978 Joined Kawasaki Heavy Industries, Ltd. Apr. 2010 Deputy General Manager, Corporate Planning Division Apr. 2012 Executive Officer Deputy General Manager, Corporate Planning Division Marketing Division Apr. 2013 Executive Officer General Manager, Planning & Control Division, Ship & Offshore Structure Company July. 2013 Executive Officer General Manager, Corporate Planning Division Apr. 2014 Managing Executive Officer General Manager, Corporate Planning Division Jun. 2014 Senior Vice President General Manager, Corporate Planning Division Apr. 2015 Senior Vice President President, Motorcycle & Engine Company (current position)	31,000 Shares
10	(Newly-appointed) Toshiyuki Kuyama (Nov. 12, 1953)	Apr. 1980 Joined Kawasaki Heavy Industries, Ltd. Apr. 2009 Deputy General Manager, Gas Turbine Division, Gas Turbine & Machinery Company Apr. 2012 Executive Officer General Manager, Gas Turbine Division, Gas Turbine & Machinery Company Apr. 2015 Managing Executive Officer President, Gas Turbine & Machinery Company (current position)	14,000 Shares

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]	Shares of the Company
11	(Newly-appointed) Kazuo Ota (Jan. 13, 1955)	Apr. 1978 Joined Kawasaki Heavy Industries, Ltd. Apr. 2010 Deputy General Manager, Planning Division and senior manager, Planning Department and senior manager, Managerial Information Systems Department, Motorcycle & Engine Company Jan. 2011 Deputy General Manager, Planning & Control Division and senior manager, Control Department, Aerospace Company Apr. 2012 General Manager, Planning & Control Division, Aerospace Company Apr. 2013 Executive Officer General Manager, Planning & Control Division, Aerospace Company Apr. 2015 Managing Executive Officer General Manager, Corporate Planning Division, in charge of Finance & Accounting and Personnel & Labor Administration department (current position)	43,000 Shares
12	(Newly-appointed) Hideki Fukuda (Feb. 21, 1947) (Outside Director Candidate) (Independent Director)	Apr. 1970 Joined KANEKA CORPORATION Oct. 1992 Head of Research Planning Department, General Research Laboratories and Chief Researcher, Process Technology Laboratories, KANEKA CORPORATION Mar. 1994 Resigned KANEKA CORPORATION Apr. 1994 Professor at the Faculty of Engineering, Kobe University Apr. 2004 Professor at Graduate School of Science and Technology , Kobe University Apr. 2009 President, Kobe University Mar. 2015 Resigned President, Kobe University (current position)	0 Shares

- (Notes)1. Mr. Shigeru Murayama also serves as President (representative director) of Commercial Airplane Co., Ltd. which engages in the following transaction with the Company as well as a business that is the same type as the Company's Aerospace segment:
- Sales, etc. of aircraft component parts for The Boeing Company.
2. Mr. Akio Murakami also serves as Director of Nantong COSCO KHI Ship Engineering Co., Ltd., Dalian COSCO KHI Ship Engineering Co., Ltd., and ENSEADA INDÚSTRIA NAVAL S.A. Each company engages in a business that is the same type as the Company's Ship & Offshore Structure segment.
 3. There is no special interest relationship between the other candidates and the Company.
 4. Contents of the matter stipulated regarding candidates for Outside Director pursuant to Article 74, Paragraph 4 of the Ordinance for Enforcement of the Companies Act
 - (1) Mr. Yoshihiko Morita and Mr. Hideki Fukuda are candidates for Outside Director.
 - (2) Two year has passed since Mr. Yoshihiko Morita commenced his service as Outside Director of the Company at the conclusion of this Ordinary General Meeting of Shareholders.
 - (3) Mr. Yoshihiko Morita has been chosen as a candidate for Outside Director as the Company has judged that he is able to express useful opinions and advice in determining important matters of the Company's management. The Company believes he can do so from a position independent from the Company's execution of duties in light of his substantial overseas experiences and knowledge as a specialist, acquired in the Japan Bank for International Cooperation and other institutions. The Company believes he will be able to fully perform his roles as an Outside Director in the supervision of the execution of duties of the Company.
 - (4) Although Mr. Hideki Fukuda has not been involved in corporate management before, except as an outside officer, he has been chosen as a candidate for Outside Director as the Company has judged that he is able to express useful opinions and give advice in determining important matters of the Company's management. The Company believes he can do so from a position independent from the Company's execution of duties in light of his substantial experience in the management of a university corporation as Director of Kobe University and his extensive knowledge and experience in the manufacturing industry. The Company believes he will be able to fully perform his roles as an Outside Director in supervising the execution of duties of the Company.
 5. Mr. Yoshihiko Morita has entered into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, and the liability under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by law and regulation, whichever is higher. Should the appointment of Mr. Yoshihiko Morita be approved, the Company will extend the above agreement with him.
 6. After the proposed election, Mr. Hideki Fukuda will enter into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company on condition that Proposal No. 2 is approved in its original form. The liability for damages under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by law and regulation, whichever is higher.

7. Mr. Yoshihiko Morita and Mr. Hideki Fukuda satisfy the requirements of independent Officer stipulated by the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.

Proposal No. 3: Election of One Corporate Auditor

As the term of office of the Corporate Auditor, Mr. Michio Oka will expire at the conclusion of this Ordinary General Meeting of Shareholders, we propose to elect one Corporate Auditor.

We have obtained the prior approval of the Board of Corporate Auditors on this proposal.

The candidate for Corporate Auditor is as follows.

Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]	Shares of the Company
(Newly-appointed) Takashi Torizumi (Jul. 8, 1951) (Outside Corporate Auditor Candidate) (Independent corporate auditor)	Apr. 1975 Apr. 2009 Apr. 2011 Apr. 2015 Joined Kawasaki Kisen Kaisha, Ltd. Director, Managing Executive Officer in charge of General Affairs, Legal, Accounting, CSR & Compliance and assistance to Internal Audit Representative Director, Senior Managing Executive Officer in charge of General Affairs, Legal, Human Resources, Accounting, CSR & Compliance and assistance to Internal Audit Director (current position)	0 Shares

- (Note)
1. There is no special conflict of interest between the Company and the candidate for Corporate Auditor.
 2. Contents of the matter stipulated regarding candidates for Outside Corporate Auditor pursuant to Article 76, Paragraph 4 of the Ordinance for Enforcement of the Companies Act
 - (1) Mr. Takashi Torizumi is candidate for Outside Corporate Auditor.
 - (2) Mr. Takashi Torizumi has been chosen as a candidate for Outside Corporate Auditor as the Company has judged that he is able to perform duties as an Outside Corporate Auditor in light of his substantial experience as a corporate manager. While he was in office as Representative Director and Senior Managing Executive Officer of Kawasaki Kisen, the Japan Fair Trade Commission issued in March 2014 a cease and desist order and a surcharge payment order against the firm regarding violations of the Antimonopoly Act in relation to transportation of automobiles and others. In September 2014, the firm entered into a plea agreement with the United States Department of Justice for payment of a fine. Mr. Takashi Torizumi had not been directly involved in the activities subject to these orders until the violation was found. He fully cooperated in investigations conducted by the Commission and worked on further strengthening compliance of the firm and implementing measures to prevent any recurrence. Furthermore, Mr. Takashi Torizumi intends to resign from the post of Director of Kawasaki Kisen in June 2015.
 - (3) Mr. Jiro Noguchi, formerly Senior Vice President of KHI, has been appointed as Outside Corporate Auditor of Kawasaki Kisen Kaisha, Ltd. ("Kawasaki Kisen"), to which Mr. Takashi Torizumi belonged. Kawasaki Kisen owns a total of 1.03% of the outstanding shares in KHI. Meanwhile, KHI owns a total of 3.50% of the voting rights of the outstanding shares in Kawasaki Kisen, which are held by Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.). However, Kawasaki Kisen is not a company of KHI Group. In addition, although Kawasaki Kisen is a business partner of KHI mainly in ship-related transactions, the annual average transactions between the Kawasaki Kisen Group and KHI Group for the most recent five fiscal years account for less than 2% of the total annual average sales each for the Kawasaki Kisen Group and KHI Group over the corresponding period.
 3. After the proposed election, Mr. Takashi Torizumi will enter into a limited liability agreement pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act with the Company. The liability for damages under said agreement shall be limited to either an amount of ¥10 million, or an amount specified by law and regulation, whichever is higher.
 4. Mr. Takashi Torizumi satisfies the requirements of independent directors/corporate auditor stipulated by the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange.

Business Report

(April 1, 2014 - March 31, 2015)

1. Overview of the Company Group

(1) Business Progress and Results

(i) General Conditions

The global economy continued to grow moderately in the wake of the U.S. economic recovery. Meanwhile, close attention must be paid to the trend of U.S. fiscal policies, the European debt issue and the impact of a drop in oil price on the economies of resource-rich countries.

The Japanese economy, despite concern about a downside risk due to a downturn in overseas economies, is expected to continue seeing mild growth owing to a recovery in consumer sentiment and better earnings of import companies due to the depreciation of the yen.

Amid this operating environment, the overall orders received by KHI Group for the fiscal year under review amounted to ¥1,712.9 billion, 17% higher than the previous fiscal year. This was because of increases in some segments including the Plant & Infrastructure segment, the Aerospace segment and the Ship & Offshore Structure segment. Net sales were ¥1,486.1 billion, 7% higher than the previous fiscal year due to increases in some segments including the Aerospace segment and the Gas Turbine & Machinery segment.

In terms of profit, the Aerospace segment and most other segments reported a profit increase, resulting in an operating income of ¥87.2 billion, 20% higher than the previous fiscal year. Recurring profit was ¥84.2 billion, 39% higher than the previous fiscal year, and net income was ¥51.6 billion, 33% higher than the previous fiscal year.

(ii) Operating conditions by business segment

The **Ship & Offshore Structure segment** received orders amounting to ¥179.2 billion, which was higher than the previous fiscal year, owing to orders for one submarine and five liquefied gas carriers (LNG/LPG carriers).

Net sales were ¥90.3 billion, which was higher than the previous fiscal year. This was attributable to an increase in the construction of LNG carriers, while the construction of LPG carriers, bulk carriers and others decreased.

Operating income increased ¥4.6 billion from the previous fiscal year to ¥2.6 billion, due to increased sales and reversal of a provision for loss on construction contracts.

The **Rolling Stock segment**, despite having received such orders as subway cars for new line of Land Transport Authority Singapore, saw orders received come in at ¥131.4 billion, remaining at the same level as in the previous year that had large-scale projects for North America and Japan.

Net sales were ¥121.5 billion, lower than the previous fiscal year, due to decreased sales for North America.

Operating income declined ¥1.5 billion from the previous fiscal year to ¥6.0 billion, due to factors such as decreased sales and lower profit margin.

At the **Aerospace segment**, orders received were ¥357.0 billion, which was significantly higher than the previous fiscal year, due to an increase in orders from Japan's Ministry of Defense and The Boeing Company for component parts for the Boeing 787 aircraft.

Net sales were ¥325.0 billion, an increase from the previous fiscal year, due to an increase in sales to Japan's Ministry of Defense and The Boeing Company for component parts for the Boeing 777 and Boeing 787 aircrafts.

Operating income increased ¥10.0 billion from the previous fiscal year to ¥36.3 billion, mainly due to increased sales and the effect of yen depreciation.

At the **Gas Turbine & Machinery segment**, orders received were ¥235.7 billion, which was higher than the previous fiscal year. This was mainly attributable to an increase in orders for such products as component parts of aircraft jet engines, industrial gas turbines and gas compression modules.

Net sales were ¥218.7 billion, which was higher than the previous fiscal year, due to an increase in sales of component parts of aircraft jet engines and marine propulsion systems.

Operating income increased ¥0.7 billion from the previous fiscal year to ¥11.2 billion partly owing to an increase in sales, despite an increase in amortization of expenses for development of

new programs for aircraft jet engines and research and development expenses.

In the **Plant & Infrastructure segment**, orders received were ¥203.4 billion, which was significantly higher than the previous fiscal year, owing to orders for gas-to-gasoline (GTG) plants and power generation boilers.

Net sales were ¥121.1 billion, which was higher than the previous fiscal year, owing to progress on construction works related to LNG storage plant and power generation boilers.

Operating income was ¥6.5 billion, remaining at the same level as in the previous year, owing to lower profit margin while sales increase.

Net sales of the **Motorcycle & Engine segment** were ¥329.2 billion, which was higher than the previous fiscal year. This was attributable to increased sales of utility vehicles and motorcycles in Europe, while sales of motorcycles in Latin America and Thailand decreased.

Operating income decreased ¥1.1 billion from the previous fiscal year to ¥14.9 billion, due to intensified competition in emerging countries and increased fixed costs.

Net sales of the **Precision Machinery segment** were ¥136.2 billion, which was higher than the previous fiscal year, mainly due to an increase in orders for various types of robots for the automotive industry and others.

Net sales were higher than the previous fiscal year, coming in at ¥135.7 billion, mainly due to an increase in sales of robots, while sales of hydraulic components remained at the same level as in the previous year.

Operating income was ¥10.9 billion, remaining at the same level as in the previous year, due to lowered profit margin while sales increased.

In the **Others segment**, net sales were higher than the previous fiscal year at ¥144.2 billion. Operating income was ¥3.9 billion, which was at the same level as in the previous year.

(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	1,792	613	903	94	26	46
Rolling Stock	1,314	(16)	1,215	(264)	60	(15)
Aerospace	3,570	706	3,250	443	363	100
Gas Turbine & Machinery	2,357	137	2,187	295	112	7
Plant & Infrastructure	2,034	995	1,211	172	65	2
Motorcycle & Engine	3,292	69	3,292	69	149	(11)
Precision Machinery	1,362	89	1,357	125	109	4
Others	1,405	(21)	1,442	69	39	(4)
Adjustment	–	–	–	–	(54)	18
Total	17,129	2,575	14,861	1,006	872	149

(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 ¥80.0 billion, predominantly used for the development of facilities to handle new models and products, the streamlining of production and the renewal of aging equipment and facilities, as well as facilities to increase the production capacity of the Aerospace segment.

Main capital investments completed and/or acquired during the current consolidated fiscal year, and main capital investments under construction as of 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

- Aircraft production facilities (Aerospace segment)
- Facilities for energy-related verification tests (company-wide)
- Production facilities for motorcycles (Motorcycle & Engine segment)
- Production facilities for jet engines (Gas Turbine & Machinery segment)

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

- Aircraft production facilities (Aerospace segment)
- Production facilities for ships (Ship & Offshore Structure segment)
- Welfare facilities (company-wide)
- Production facilities for jet engines (Gas Turbine & Machinery segment)

(3) Financing

Funds of ¥42.4 billion from long-term debt, ¥20.0 billion from domestic unsecured straight bonds and short-term borrowings and other funds from various sources were raised in the current consolidated fiscal year. The funds were allocated to such items as 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

(i) Improvement of enterprise value

The KHI Group makes efforts to increase ROIC (return on invested capital) by Business Unit (BU). For BUs in which ROIC falls below the hurdle rate (cost of invested capital), we clearly determine the time period in which they will be able to attain the hurdle rate and then implement an action plan. For BUs in which ROIC has already reached the hurdle rate, we encourage them to aim for an ROIC comparable with that of industry leaders or work on increasing economic added value. In this manner, we strive to improve the enterprise value of KHI Group as a whole.

(ii) Emphasis on cash flow management

The KHI Group will secure an appropriate volume of free cash flow, acquire funds for paying dividends and decrease interest-bearing liabilities, while steadily making investments and developments toward future growth so as to acquire a greater capacity to make investments. For FY2015, we have outlined the challenge of acquiring cash flow especially from operating activities. We will implement concrete policies to boost our earnings power and enhance the efficiency of working capital.

(iii) Strengthening of risk management through comprehensive management

The KHI Group's businesses are exposed to various risks including fluctuation in exchange rates and economic conditions. We monitor predictable risks through risk resistance checks and conduct efficient risk management on a day-to-day basis. We also make such efforts as reviewing prices and production bases and developing products of high added value that are less prone to being affected by the external environment. Moreover, we maintain a good balance of scale between seven segments that have different business characteristics and examine the business portfolio

(structure of business scale, profitability, growth prospects) from the standpoint of diversification of risk (example: private demand and public demand, developed countries and emerging countries, built-to-order products and mass-produced products) in order to strengthen risk management by making the most of our strengths in comprehensive management.

(iv) Enhancement of corporate governance system and emphasis on engagement

While the Japanese government has successively formulated such documents as "Japan's Stewardship Code," "Final Report (Ito Review) on the Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors Project," and "Corporate Governance Code," we have sought to implement various reforms between companies and capital markets. At KHI Group, we will also establish the system in accordance with the Corporate Governance Code, striving to enhance corporate value in cooperation with our shareholders and investors through engagement with capital markets (high-quality dialogue).

(Note) 1. Japan's Stewardship Code: Principles for institutional investors to be responsible as a trustee to enhance the company's medium- to long-term growth through dialogue

(Note) 2. Corporate Governance Code: Principles for companies to establish a structure to make decisions in a transparent, fair, speedy and decisive manner from the standpoint of different parties such as shareholders and customers, employees and local communities

(v) Strengthening of core competence and pursuit of synergy

The KHI Group will not only strengthen core competence, which is the source of BU's profitability, but also pursue synergistic effects by making use of the advantage of comprehensive management. Next-generation "efWING®," rolling stock bogie that uses a CFRP (carbon-fiber-reinforced plastic) frame and "Ninja H2/H2R" powered by supercharged engine that fully developed by KHI are the examples that show synergistic effects generated by the combined use of KHI technologies. In the future we will conduct full-scale development of an integrated supply chain from production, transportation, and storage and to use of hydrogen, which is the "ultimate clean energy," while developing an engineering capability that helps differentiate products and businesses and helps build the future foundation.

(vi) Human resource development and respect for diversity

What supports KHI Group's core competence is simply human resources. We therefore concentrate our energy on such measures as securing, developing and strengthening competent human resources, recruiting more international human resources in line with KHI's business expansion at the global level, promoting interchange between human resources across organizational boundaries, and handing down engineering and skills to the young generation. We also encourage more women to pursue a career and provide support for child-rearing, etc. in order to improve our employees' work-life balance, and secure a comfortable workplace and employment of people with disabilities through establishing a special subsidiary to develop workplaces in which diversity is respected.

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

i) Ship & Offshore Structure: Continue to receive orders for liquefied gas carriers (LNG/LPG carriers), complete the development of offshore vessels and LNG fuel propulsion vessels, further enhance the competitiveness of business in China and establish business in Brazil, and strengthen the foundations of the business for naval vessels

ii) Rolling Stock: Enhance competitiveness through technologies and products that meet customer needs including cutting-edge technological development and new rolling stock, further enhance system integration capability through strengthening of human resources, and construct a global optimal business execution system including adoption of overseas production and procurement and effective use of partnerships

iii) Aerospace: Establish a mass production system and develop derivative products for P-1 patrol aircraft and C-2 transport aircraft including repair and component support, boost production of component parts for the Boeing 787 and respond to needs for derivative products, and develop and start mass-producing 777-X

iv) Gas Turbine & Machinery: Develop the energy solution business based on high-efficiency gas turbines and gas engines for industrial use, promote overseas

operations, and promote the development of new models of jet engines for commercial aircraft and respond to needs for mass-production of these models

v) Plant & Infrastructure: Enhance competitiveness through sophistication of existing products and achieve early commercialization of new products and technologies, expand the overseas business to emerging countries and resource-rich countries through strengthening of overseas partnerships, further enhance engineering capability by strengthening human resources development, and fully complete the large projects

vi) Motorcycle & Engine: Continue to launch strong, attractive models as expected with the "Kawasaki" brand, establish a premium brand position, further improve our presence in the markets of developed countries which are showing signs of recovery, further boost the brand power and develop new markets in emerging countries, and thoroughly enhance the efficiency of supply chain management, which is operated on a global basis

vii) Precision Machinery: Maintain and increase a high market share in the area of hydraulic excavation systems while expanding sales of other construction machinery products, enhance our ability to make system proposals and develop and expand overseas production systems in the robot business, and make continuous efforts toward the future in such new fields as the medical robot business

(9) Trends in Assets and Income

(i) Company Group Assets and Income

Unit: billions of yen

Item	The 189th fiscal year	The 190th fiscal year	The 191st fiscal year	The 192nd fiscal year (under review)
Orders received	1,311.8	1,369.5	1,455.4	1,712.9
Net sales	1,303.7	1,288.8	1,385.4	1,486.1
Recurring profit	63.6	39.3	60.6	84.2
Net income	23.3	30.8	38.6	51.6
Net income per share (yen)	¥13.95	¥18.46	¥23.09	¥30.89
Total assets	1,362.1	1,466.2	1,554.4	1,662.2
Net assets	315.9	349.8	376.6	447.9

(ii) Company Assets and Income

Unit: billions of yen

Item	The 189th fiscal year	The 190th fiscal year	The 191st fiscal year	The 192nd fiscal year (under review)
Orders received	1,018.1	1,086.2	1,089.5	1,344.5
Net sales	1,003.3	983.9	1,011.6	1,098.0
Recurring profit	38.0	19.4	35.9	55.5
Net income	11.4	17.1	32.0	36.4
Net income per share (yen)	¥6.87	¥10.26	¥19.20	¥21.81
Total assets	1,144.6	1,195.1	1,243.5	1,301.1
Net assets	255.0	258.4	273.1	294.0

(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 stock, etc.
NIPPI Corporation	¥6,048 million	100%	Manufacture of aircraft components, targeting systems, rocket components, aerospace equipment, wind power generation system and marine systems; repair, maintenance and modification of aircraft
KCM Corporation	¥4,825 million	66%	Design, manufacture, sale, repair, etc. of construction machinery
Kawasaki Machine Systems, Ltd.	¥350 million	100%	Sale, repair and after-sales service of gas turbine generators
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.
KCMJ Corporation	¥300 million	Note 2	Sale, repair and lease of construction machinery, etc.
Kawasaki Motors Corporation Japan	¥100 million	100%	Sole distributor of motorcycles, JET SKI® and general purpose gasoline engines in Japan
EarthTechnica Co., Ltd.	¥1,200 million	100%	Design, manufacture, and sale of crushers, grinders, castings, and other equipment; design, execution and supervision of engineering, construction, installation of machinery and appliances
Kawasaki Life Corporation	¥400 million	100%	Sale, rental and management of real estate, insurance agency business, leasing and building management
Kawasaki Motors Corp., U.S.A.	U.S.\$165 million	100%	Sales of motorcycles, JET SKI®, 4-wheel buggies, and general purpose gasoline engines in the U.S.
Kawasaki Motors Manufacturing Corp., U.S.A.	U.S.\$170 million	100%	Manufacture of JET SKI®, 4-wheel buggies, and general purpose gasoline engines in the U.S.; manufacture, servicing and engineering of rolling stock
Kawasaki Rail Car, Inc.	U.S.\$60 million	Note 3	Manufacture, sale, servicing and engineering of rolling stock in the U.S.
Kawasaki Robotics (U.S.A.), Inc.	U.S.\$1 million	Note 4	Sale and service of robots in the U.S.
Canadian Kawasaki Motors Inc.	CAN \$2 million	100%	Sales of motorcycles, 4-wheel buggies, JET SKI®, and general purpose gasoline engines in Canada
Kawasaki Motors Europe N.V.	€64 million	100%	Sales of motorcycles, JET SKI®, 4-wheel buggies, and general purpose gasoline engines in Europe
Kawasaki Precision Machinery (UK) Ltd.	£10 million	100%	Manufacture and sale of hydraulic pumps and motors in UK
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	1,900 million baht	100%	Manufacture and sale of motorcycles in Thailand

Company name	Capital	The Company's percentage of equity participation	Main business
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
Flutek, Ltd.	1,310 million won	50%	Assembly and after-sales services for hydraulic equipment in Korea

(Notes)

1. From this current consolidated fiscal year, the following changes were made in relation to companies classified as major subsidiaries: Three companies (Kawasaki Life Corporation, Canadian Kawasaki Motors Inc. and Kawasaki Precision Machinery (UK) Ltd.) were added, while Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd. was excluded.
2. KCMJ Corporation is a wholly-owned subsidiary of KCM Corporation.
3. Kawasaki Rail Car, Inc. is a wholly-owned subsidiary of Kawasaki Motors Manufacturing Corp., U.S.A.
4. Kawasaki Robotics (U.S.A.), Inc. is a wholly-owned subsidiary of Kawasaki Motors Corp., U.S.A.
5. There are 97 consolidated subsidiaries, including 20 companies as major subsidiaries, and there are 17 companies which are accounted for using the equity method.

(iii) Status of Business Combinations

Not applicable.

(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.	2,495
Rolling Stock	Manufacture and sale of rolling stock, and snow removal machinery, etc.	3,163
Aerospace	Manufacture and sale of aircraft, etc.	6,031
Gas Turbine & Machinery	Manufacture and sale of jet engines, industrial gas turbines, prime movers, etc.	3,987
Plant & Infrastructure	Manufacture and sale of industrial machinery, boilers, environmental equipment, steel structures and crushing machines, etc.	2,973
Motorcycle & Engine	Manufacture and sale of motorcycles, All Terrain Vehicles(ATVs), utilityvehicles, personal water craft ("JET SKI®"), general purpose gasoline engines, etc.	9,478
Precision Machinery	Manufacture and sale of hydraulic components and industrial robots, etc.	2,675
Other	Manufacture and sale of construction machinery, commerce, brokerage and mediation for sale and order reception and administration of welfare facilities, etc.	3,719
Company-wide common areas	(Head Office Administration Department, Research & Development Department, etc.)	950
Total	-	35,471 (Japan 26,019 Overseas 9,452)

(Note) The Company has 15,508 employees (average age: 38.5 years; average years of service: 13.8 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), Technical Institute (Akashi) 12 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	-
NIPPI Corporation	Yokohama	Yokohama / Yamato
KCM Corporation	Kako-gun, Hyogo	Kako-gun, Hyogo
Kawasaki Machine Systems, Ltd.	Osaka	-
Kawasaki Thermal Engineering Co., Ltd.	Kusatsu / Osaka / Koto-ku, Tokyo	Kusatsu
KCMJ Corporation	Kakogawa	-
Kawasaki Motors Corporation Japan	Akashi	-
EarthTechnica Co., Ltd.	Chiyoda-ku, Tokyo	Yachiyo
Kawasaki Life Corporation	Kobe	-

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 Robotics (U.S.A.), Inc.	U.S.
Canadian Kawasaki Motors Inc.	Canada
Kawasaki Motors Europe N.V.	The Netherlands
Kawasaki Precision Machinery (UK) Ltd.	UK
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Thailand
P.T. Kawasaki Motor Indonesia	Indonesia
Kawasaki Motors (Phils.) Corporation	Philippines
Flutek, Ltd.	Korea

(13) Principal lenders

(Unit: 100 million yen)

Lenders	Balance of Loans		
	Long term	Short term	Total
Mizuho Bank, Ltd.	74	394	468
Sumitomo Mitsui Banking Corporation	100	132	232
Development Bank of Japan Inc.	128	85	213
Sumitomo Mitsui Trust Bank, Ltd.	130	60	190
Bank of Tokyo-Mitsubishi UFJ, Ltd.	26	117	144

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

Not applicable.

2. Status of Shares (as of March 31, 2015)**(1) Total number of shares authorized to be issued** 3,360,000,000 shares**(2) Total number of shares issued** 1,670,805,320 shares
(including 191,653 shares of treasury stock)**(3) Number of shareholders** 112,683 persons**(4) Major shareholders (top 10)**

Shareholder name	Shareholders' investment in the Company	
	Number of shares held	Shareholding ratio
	thousand shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	81,038	4.8
Japan Trustee Services Bank, Ltd. (Trust Account)	61,006	3.6
Mizuho Bank, Ltd.	59,207	3.5
Nippon Life Insurance Company	57,516	3.4
JFE Steel Corporation	56,174	3.3
JP Morgan Chase Bank 380055	47,184	2.8
Kawasaki Heavy Industries, Ltd. Kyoueikai	34,412	2.0
Sompo Japan Nipponkoa Insurance Inc.	30,577	1.8
Kawasaki Heavy Industries, Ltd. Employees Shareholder Association	28,805	1.7
Japan Trustee Services Bank, Ltd. (Trust Account 9)	28,089	1.6

(Note) The shareholding ratio is calculated after subtracting treasury stock (191,653 shares).

3. Company Share Options**(1) Share options held by company officers at the end of the fiscal year under review**

Not applicable.

(2) Share options delivered to employees, etc. during the fiscal year under review

Not applicable.

(3) Other important matters concerning share options, etc.

Not applicable.

4. Company Officers**(1) Directors and Corporate Auditors**

Position	Name	Areas of Responsibility within the Company and other significant concurrent positions
* President	Shigeru Murayama	President (representative director), Commercial Airplane Company
* Senior Executive Vice President	Kyohei Matsuoka	Assistant to the President, in charge of Head Office Administration Department

Position	Name	Areas of Responsibility within the Company and other significant concurrent positions
* Senior Executive Vice President	Hiroshi Takata	Assistant to the President, in charge of technology, sales and procurement department, in charge of the Motorcycle & Engine Company
* Senior Vice President	Joji Iki	President, Gas Turbine & Machinery Company
* Senior Vice President	Eiji Inoue	President, Plant & Infrastructure Company
* Senior Vice President	Yoshinori Kanehana	President, Rolling Stock Company
Senior Vice President	Minoru Makimura	General Manager, Corporate Technology Division
* Senior Vice President	Akio Murakami	President, Ship & Offshore Structure Company, Director, Nantong COSCO KHI Ship Engineering Co., Ltd. Director, Dalian COSCO KHI Ship Engineering Co., Ltd. Director, ENSEADA INDÚSTRIA NAVAL S.A.
* Senior Vice President	Munenori Ishikawa	President, Aerospace Company
* Senior Vice President	Kazuo Hida	President, Precision Machinery Company
* Senior Vice President	Shigehiko Kiyama	President, Motorcycle & Engine Company
Senior Vice President	Kenji Tomida	General Manager, Corporate Planning Division Director, ENSEADA INDÚSTRIA NAVAL S.A.
Director (Outside)	Yoshihiko Morita	Outside Corporate Auditor, TOKYO GAS Co., Ltd.
Full-Time Corporate Auditor	Yuji Murakami	
Full-Time Corporate Auditor	Takafumi Shibahara	
Corporate Auditor (Outside)	Michio Oka	
Corporate Auditor (Outside)	Nobuyuki Fujikake	Attorney at law

(Notes) 1. * means a Representative Director.

2. Director Yoshihiko Morita and Corporate Auditors Michio Oka and Nobuyuki Fujikake are Independent Officers stipulated by the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc..
3. Mr. Jiro Noguchi, formerly Senior Vice President of KHI, has been appointed as Outside Corporate Auditor of Kawasaki Kisen Kaisha, Ltd. ("Kawasaki Kisen"), to which Mr. Michio Oka belonged. Kawasaki Kisen owns a total of 1.03% of the outstanding shares in KHI. Meanwhile, KHI owns a total of 3.50% of the voting rights of the outstanding shares in Kawasaki Kisen, which are held by Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.). However, Kawasaki Kisen is not a company of KHI Group. In addition, although Kawasaki Kisen is a business partner of KHI mainly in ship-related transactions, the annual average transactions between the Kawasaki Kisen Group and KHI Group for the most recent five fiscal years account for less than 2% of the total annual average sales each for the Kawasaki Kisen Group and KHI Group over the corresponding period. Consequently, we have determined that there is no issue as regards to the independence of Mr. Michio Oka and he is therefore suitable as an independent officer.
4. Makoto Sonoda, Director, and Tatsuyoshi Ogushi, Corporate Auditor, resigned during the relevant business year with the conclusion of the 191st Ordinary General Meeting of Shareholders.
5. As of April 1, 2015, the positions of Directors have changed: Kyohei Matsuoka and Hiroshi Takata, formerly Senior Executive Vice President (Representative Director), Shigehiko Kiyama, formerly Senior Vice President (Representative Director), and Minoru Makimura, formerly Senior Vice President, have been appointed as Director. Joji Iki, formerly Senior Vice President (Representative Director), has been appointed as Senior Executive Vice

President (Representative Director) and Kenji Tomida, formerly Senior Vice President, has been appointed as Senior Vice President (Representative Director).

6. Senior Vice President Kenji Tomida retired from the position of director of ENSEADA INDUSTRIA NAVAL S.A. on April 1, 2015.

7. Yuji Murakami, Corporate Auditor, who has many years of experience with administration and accounting operations at our company, has substantial knowledge about finance and accounting matters.

8. Executive Officers as of April 1, 2015 are as follows.

Position	Name	Areas of Responsibility within the Company
President	Shigeru Murayama	
Senior Executive Vice President	Joji Iki	Assistant to the President, in charge of Technology, Sales and Procurement Department
Senior Vice President	Eiji Inoue	President, Plant & Infrastructure Company
Senior Vice President	Yoshinori Kanehana	President, Rolling Stock Company
Senior Vice President	Akio Murakami	President, Ship & Offshore Structure Company
Senior Vice President	Munenori Ishikawa	President, Aerospace Company
Senior Vice President	Kazuo Hida	President, Precision Machinery Company
Senior Vice President	Kenji Tomida	President, Motorcycle & Engine Company
Managing Executive Officer	Masahiro Ibi	General Manager, Marketing Division and Senior Manager of MD Project Department
Managing Executive Officer	Toshiyuki Kuyama	President, Gas Turbine & Machinery Company
Managing Executive Officer	Kazuo Ota	General Manager, Corporate Planning Division, in charge of Finance & Accounting and Personnel & Labor Administration Department
Managing Executive Officer	Ikuhiro Narimatsu	In charge of CSR Division, Legal Division and General Administration Department, and in charge of outside activities for Kansai region
Managing Executive Officer	Koji Kadota	General Manager, Corporate Technology Division and General Manager, Technical Institute
Executive Officer	Yukinobu Kono	Deputy General Manager, Corporate Technology Division and General Manager, System Technology Development Center
Executive Officer	Makoto Ogawara	Vice President, Rolling Stock Company
Executive Officer	Genichi Abe	Deputy General Manager, Marketing Division and in charge of special matters, Ship & Offshore Structure Company
Executive Officer	Hiroji Iwasaki	General Manager, Planning & Control Division, Rolling Stock Company
Executive Officer	Yasuhiko Hashimoto	General Manager, Robot Division, Precision Machinery Company
Executive Officer	Tatsuya Watanabe	Vice President, Plant & Infrastructure Company
Executive Officer	Takeshi Ohata	General Manager, Machinery Division, Gas Turbine & Machinery Company
Executive Officer	Takeshi Asano	General Manager, Marketing & Sales Division, Motorcycle & Engine Company
Executive Officer	Toshiyuki Mimura	General Manager, Planning & Control Division, Plant & Infrastructure Company
Executive Officer	Akio Nekoshima	General Manager, Finance & Accounting Division
Executive Officer	Katsuhisa Yamada	General Manager, Gas Turbine Division, Gas Turbine & Machinery Company

Executive Officer	Sukeyuki Namiki	Vice President, Aerospace Company
Executive Officer	Yoshinori Mochida	Vice President, Ship & Offshore Structure Company
Executive Officer	Toshifumi Kojima	In charge of special matters, Aerospace Company
Executive Officer	Kenichi Fukushima	General Manager, Personnel & Labor Administration Division
Executive Officer	Hisashi Yamaji	General Manager, Planning & Control Division, Ship & Offshore Structure Company
Executive Officer	Katsuya Yamamoto	General Manager, Planning & Control Division, Precision Machinery Company
Executive Officer	Eiichi Harada	Deputy General Manager, Corporate Technology Division and General Manager, Corporate Technology Planning Center and Hydrogen Project Development Center
Executive Officer	Kazutoshi Honkawa	General Manager, Planning & Control Division, Aerospace Company
Executive Officer	Yuji Horiuchi	General Manager, Technology Division and staff officer to Corporate Planning Division , Motorcycle & Engine Company

(2) Compensation to Directors and Corporate Auditors

Directors 14 persons	¥662,512 thousand
Corporate Auditors 5 persons	¥89,280 thousand
Total 19 persons	¥751,792 thousand (of which ¥30,480 thousand to three Outside Directors/Corporate Auditors)

(Note) The maximum amount of remuneration for the Directors is ¥1,200 million per year (as resolved at the 189th Ordinary General Meeting of Shareholders held on June 27, 2012). The maximum amount of remuneration for the Corporate Auditors is ¥8 million per month (which was resolved at the 170th Ordinary General Meeting of Shareholders held on June 29, 1993).

(3) Outside Officers

(i) Concurrent Director positions at other companies and the relationship between our company and said companies

Not applicable.

(ii) Concurrent positions held as Outside Officer at other companies and the relationship between our company and said companies

Director Yoshihiko Morita concurrently holds a position as Outside Corporate Auditor of TOKYO GAS Co., Ltd. Our company does not have any important dealing or other special relationship with the said company.

(iii) Relationships between the Company or specific related business operators and Directors and employees, etc.

Not applicable.

(iv) Main activities during the business year

Attendance and comments at Board of Directors Meetings and Board of Corporate Auditors meetings

Director Yoshihiko Morita attended all of the 18 Board of Directors Meetings held during the business year, and made comments based on his substantial overseas experience and knowledge as a specialist, acquired in the Japan Bank for International Cooperation and other institutions.

Corporate Auditor Michio Oka attended all of the 18 Board of Directors Meetings, and all of the 19 Board of Corporate Auditors meetings held during the business year, and mainly made comments based on his experience as a company manager.

Corporate Auditor Nobuyuki Fujikake attended all of the 18 Board of Directors Meetings, and all of the 19 Board of Corporate Auditors meetings held during the business year, and mainly made comments based on his expert standpoint as an attorney at law.

(v) Overview of provisions in contracts for limitation of liability

The Company has concluded contracts for limitation of liability with Director Yoshihiko Morita and Corporate Auditors Michio Oka and Nobuyuki Fujikake, pursuant to the provisions of Article 427 Paragraph 1 of the Companies Act. The liability under said contract shall be limited to either an amount of ¥10 million, or an amount specified by law, whichever is higher.

5. Accounting Auditor

(1) Accounting Auditor's Name

KPMG AZSA LLC

(2) Accounting Auditors' Compensation, etc., for the fiscal year under review

(i) Compensation, etc. as an accounting auditor for the fiscal year under review

¥171,285 thousand

(ii) Cash and Other Profits Payable by the Company or its Subsidiaries to the Accounting Auditors

¥225,705 thousand

(Notes) 1. Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not separated, and they cannot be separated in a practical way. Consequently, the above amounts reflect total compensation.

2. Of the Company's material subsidiaries, some overseas subsidiaries have been audited by certified public accountants or audit corporations (including those who possess equivalent qualifications in foreign countries) other than the Company's Accounting Auditor.

(3) Details of Non-audit Services

IFRS advisory services, procedures relating to the confirmation of balances of certain accounts submitted to the authorities concerned to proceed liquidation of receivables and so forth.

(4) Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors

The Board of Corporate Auditors determines matters related to the termination or nonrenewal of appointment of Accounting Auditors by fully taking into consideration the independence ordered by laws and standards etc., and reliability and other conditions regarding the performance of duties of Accounting Auditors.

When the Board of Corporate Auditors recognizes that the Accounting Auditor faces a difficulty in executing his/her duties or deems it necessary to do so for other reasons, it shall prepare and submit a proposal of termination or nonrenewal of appointment of the Accounting Auditor at a General Meeting of Shareholders. Moreover, when it judges that the Accounting Auditor has performed an activity falling under any of the items set forth in Article 340, Paragraph 1 of the Companies Act, it shall consider whether to terminate the Accounting Auditor's appointment based on the facts. As a result, if the termination is deemed to be reasonable, it shall terminate the Accounting Auditor's appointment with the consent of all the Corporate Auditors. In this case, a Corporate Auditor, who is selected by the Board of Corporate Auditors, shall report the said termination and the reason therefor at the first General Meeting of Shareholders convened after the termination.

When the Board of Directors recognizes that the Accounting Auditor faces a difficulty in executing his/her duties or deems it necessary to do so for other reasons, it shall request the Board of Corporate Auditors to add a proposal of termination or nonrenewal of appointment of the Accounting Auditor at a General Meeting of Shareholders. The Board of Corporate Auditors shall then judge the appropriateness of said action and determine the contents of the proposal which is submitted to the General Meeting of Shareholders.

(Note) With the enforcement of the Act for the Partial Amendment of the Companies Act (2014, Law No. 90) on May 1, 2015, we switched the decision-making body regarding the termination or nonrenewal of appointment of Accounting Auditor from the Board of Directors to the Board of Corporate Auditors.

6. System to ensure that Directors' execution of duties complies with laws and the Articles of Incorporation and other systems to ensure proper execution of business

A resolution was made with respect to the Company's internal control systems, pursuant to the Companies Act, at the Board of Directors Meeting of May 24, 2006 regarding confirmation of the basic policies and status of established internal control systems, and henceforth whenever there are organizational changes or changes to internal regulations, resolutions are made again at Board of Directors Meetings. The overview thereof is as follows. In addition, KHI conducts year-end assessment of the operation status of resolved internal control systems to ensure proper operation and provides reports to the Board of Directors.

I. Basic policy for developing a system for internal controls

KHI Group develops and maintains systems for internal controls to establish systems to ensure formation of proper organizational structures, development of company rules and regulations, dissemination of information and proper execution of operations; since KHI's management philosophy, which is indicated in our Group Mission (missions and roles which must be carried out) **"Kawasaki, working as one for the good of the planet" (Enriching lifestyles and helping safeguard the environment: Global Kawasaki)**, "Kawasaki Value," the "The Kawasaki Group Management Principles" and "The Kawasaki Group Code of Conduct"; is embodied in each and every officer and employee of our Group. KHI strives to improve its internal controls by constantly reviewing them, and in doing so improves the efficiency and lawfulness of company systems which contribute to the Group's sound and sustained growth.

II. Development of internal control systems

KHI has established the following internal control systems and is streamlining, maintaining, and improving them. Going forward, KHI will review them as necessary, taking into account such factors as changes in the Company's operating environment. In addition, KHI will conduct a year-end assessment of the operation status of internal control systems to ensure proper operation.

1. Internal control systems concerning Directors and employees

- (1) Systems to ensure that Directors' and employees' execution of duties are compliant with laws and the Articles of Incorporation
 - 1) We established KHI Code of Corporate Ethics, and are thoroughgoing in ensuring compliance with laws and the Articles of Incorporation and other KHI regulations and policies, and bind KHI's directors and employees to: "put an ethics into practice as business person", "respect individuals and individual rights and prohibit discrimination", "promote protection of the environment", "comply with laws and social rules", and "use proper accounting practices and ensure reliability of financial reports" (hereinafter, "Fundamental Principles of Corporate Ethics).
 - 2) According to the Internal Controls Management Regulations, we appropriately manage the system to promote measures, with the President as the chief executive of internal controls and General Manager of each division as the manager in charge of internal controls, and deliberate and make decisions on policies and measures at Management Committee, which are designed to streamline, maintain, and improve internal control systems, in order to ensure the appropriateness of business operations by achieving objectives such as effective and efficient business operations, reliable financial reporting, compliance with laws, and safeguarding of assets. Based on the roles and responsibilities given to Executive Officers, officers, and employees, we manage internal control systems in a unified way.
 - 3) According to the Company-wide CSR Committee Regulations and the CSR Committee Rules for Business Divisions, we deliberate and make decisions on policies and measures, under the governance of the President, for the Company-wide CSR Committee and the CSR Committee for Business Divisions (consisting of officers and employees) to comply with the Fundamental Principles of Corporate Ethics stipulated in KHI Corporate Ethics Regulations, and to take thoroughgoing compliance initiatives for KHI Group. We continue to improve understanding and awareness of compliance through ongoing education and training activities for various types of legal compliance and also monitor operational status.

- 4) According to the Compliance Reporting and Consultation System Regulations, we work to enhance compliance systems by managing the internal whistleblower system to report information regarding compliance breaches in cases where it is difficult to correct compliance breaches through ladders or concerned divisions.
 - 5) While Executive Officers who are delegated to execute business operations are appointed at Board of Directors Meetings, by having independent outside directors (independent directors stipulated by the Tokyo Stock Exchange) the Company enhances the supervisory and monitoring functions of the Board of Directors for overall management; in addition, by having two outside auditors with no interest in the Company such as a business relationship with it (both independent directors established by the Tokyo Stock Exchange), the Company ensures the objectivity and neutrality of the management monitoring function, and enhances the monitoring function.
 - 6) According to the Internal Controls Regulations, we ensure the appropriateness of business operations through business audits conducted by the Auditing Department.
 - 7) Based on our Basic Policy on Internal Controls over Financial Reporting, we establish internal controls over financial reporting and appropriately carry out evaluation and assessment thereof to ensure the reliability of financial reporting.
- (2) Systems for storage and management of information related to Directors' execution of duties
- 1) Information pertaining to Directors' execution of duties (meeting minutes, decision making records and appurtenant materials, account books, account invoices and other information) shall be appropriately stored and managed in accordance with Document Handling Regulations and other related policies and regulations. The information shall be made accessible at any time to Directors, Corporate Auditors and employees nominated thereby.
 - 2) With respect to protection of confidential information, we have established a Rules for Handling Corporate Secrets, and with respect to personal information we have established Regulations for Protecting Personal Information to ensure appropriate handling is thoroughly observed, and we ensure enforcement thereof through such measures as inspections and business audits, which are carried out according to methods stipulated in the regulations.
- (3) Systems for management of risk of loss
- 1) According to the Risk Management Regulations, with the President as the chief executive of risk management and General Manager of each division as manager in charge of risk management, we grasp the assumed risk in detail using a unit of measurement common to the entire Group, and appropriately manage the risk management system, which is designed to avoid or minimize risk or losses caused by such risk.
 - 2) With respect to risks pertaining to management strategies, risk analysis and consideration of countermeasures shall be conducted in advance by the concerned divisions in accordance with the Regulations of Board of Directors, the Management Committee Regulations and the Approval Regulations, and deliberations and decision making regarding those risks shall be carried out at Board of Directors Meetings or Management Committees. We also implement appropriate risk management for major projects that have a significant impact on business operations, in accordance with the Major Project Risk Management Regulations particularly.
 - 3) As a measure to be taken when risk becomes evident, according to the Risk Management Regulations, we articulate codes of conduct in event of emergencies, and also appoint persons in charge of crisis management at each place of business to appropriately manage the system, which is designed to minimize losses. In particular, in anticipation of the occurrence of disasters, including large-scale earthquake and pandemic diseases, we specify important operations to which priority should be given to ensure the continuation or recovery of the operations in order to minimize the impact on business and formulate a business continuity plan to shorten the length of time until recovery.

- (4) Systems to ensure efficient execution of Directors' duties
 - 1) Based on KHI Group's role and objectives as articulated in the Kawasaki Group Mission Statement, we share final goals for the future by setting forth a long-term vision for each business division in the Medium-Term Business Plan.
 - 2) To attain the goals set forth in the Kawasaki Group Mission Statement and the long-term vision ("Kawasaki Business Vision 2020"), we have formulated a Medium-Term Business Plan and a Short-Term Business Plan, and have determined goals at each organization level based on these plans. We have also established performance goals for each officer and employee, and work on activities that articulate goals to be achieved. Furthermore, by conducting regular reviews of these respective plans and goals, we aim to secure a system that enables more appropriate and efficient execution of business operations.
 - 3) We have stipulated matters such as division of roles and authority for executing business operations and lines of responsibility and chains of command, and so forth, in regulations such as the Rules for Managing Segregation of Business Operations and the Approval Regulations, in order to clarify the authority and limits of discretion of officers and employees. According to the Executive Officers Regulations, Executive Officers are appointed based on a resolution passed at Board of Directors Meetings to clarify the "Systems for Execution of Business Operations." As a result of appropriately managing these systems, we aim to efficiently execute business operations in each business and function area.
 - 4) We have established Management Committee, which act as a deliberative organ to support the Board of Directors Meetings' resolutions and the President's decision making, to ensure efficient execution of duties by Board Members through discussions at Management Committees. Furthermore, we hold Executive Officers Committee Meeting for all Executive Officers to ensure familiarity and a common understanding of management strategies and plans.
 - 5) According to the company system, each business division makes decisions on its own under delegated authority and responsibility, and executes flexible business operations to adapt to changes in the environment.
2. Internal controls systems in the Company Group
- Systems to ensure proper business execution within the Company Group which is composed of the company and subsidiaries
 - 1) With respect to the management at each company within our Group, while respecting the autonomy thereof, we ensure the appropriateness of business operations as a whole by KHI and each company within our Group sharing the basic philosophy and vision indicated in the Kawasaki Group Mission Statement and the Medium-Term Business Plan, and so forth.
 - 2) According to the Internal Controls Management Regulations, we govern internal controls of our subsidiaries and affiliates from the perspective of the parent company and appropriately manage the system to ensure the appropriateness of business operations by achieving objectives such as the effectiveness and efficiency of business operations, reliability of financial reporting, compliance with laws and safeguarding of assets as a whole group.
 - 3) We implement controls as shareholders of subsidiaries and affiliates through the execution of voting rights at the General Meeting of Shareholders, and also implement controls over important decisions, and so forth, concerning the operation of subsidiaries and affiliates through the Subsidiaries and Affiliates Regulations and the Approval Regulations. Specifically, we carry out management supervision and monitoring by dispatching non-full-time Directors and non-full-time Corporate Auditors to subsidiaries, and also through the establishment of the Subsidiaries & Affiliates Control Department which presides over subsidiaries to clarify the roles of each company, we secure appropriate Group business management systems. Furthermore, according to the Internal Regulations for Non-full-Time Officers of Subsidiaries and Affiliates, we also carry out education and training for non-full-time officers dispatched from KHI.
 - 4) The Auditing Department, which presides over the Group internal audits, ensures the appropriateness of operations and prevents unfair transactions between the Group companies through business audits and assessment of internal controls over financial reporting at KHI and subsidiaries.

5) According to the Company-wide CSR Committee Regulations, we deliberate strategies and policies and measures concerning the Fundamental Principles of Corporate Ethics and compliance as the entire KHI Group, and secure systems to check operational status.

3. Internal controls systems for ensuring appropriate audits by Corporate Auditors

(1) Systems for employees in cases where the Corporate Auditor requests appointment of employees to assist with the Corporate Auditor's duties

- We allocate the required staff (to the Corporate Auditor) according to the Corporate Auditors' requests.

(2) Systems to ensure employees who assist with the Corporate Auditors duties are independent from Directors.

- The person employed to assist with the duties of the Corporate Auditor (assistant of the Corporate Auditor) shall follow the Corporate Auditor's directions and orders, and the consent of the Corporate Auditor is required in relation to the hiring or firing of the staff.

(3) Systems for Directors and employees to report to the Board of Corporate Auditors and other systems for reports to the Board of Corporate Auditors.

- 1) Corporate Auditors attend Board of Directors Meetings, Management Committee, Executive Officers Committee and company-wide meetings, including Company-wide CSR Committees and Company-wide Risk Management Committees; at these meetings, Directors and employees provide reports concerning important matters about company management and business operations, including matters regarding compliance, risk management and internal controls, and the status of execution of duties. Furthermore, Directors shall immediately report to the Board of Corporate Auditors when discovering that there is a risk of the company suffering significant damages.
- 2) Employees shall, in accordance with the Approval Regulations, report to the Corporate Auditor regarding the execution of business operations by circulation of internal memos.
- 3) The Auditing Department and Accounting Auditors from time to time report to, and exchange information with Corporate Auditors regarding the status of audits on each place of business and Group companies.

(4) Other systems to ensure the effective conduct of audits by the Board of Corporate Auditors

- 1) Directors and Corporate Auditors regularly hold meetings to ensure mutual understanding, and the Corporate Auditor also attends important meetings such as Board of Directors Committee and Management Committee, and directly expresses his/her opinion regarding Directors' execution of duties.
- 2) Directors promote collaboration between Corporate Auditors and the Auditing Department, and cooperate to establish systems which enable greater effectiveness in the conduct of audits.
- 3) Matters concerning the election of Corporate Auditors and their remuneration, and so forth, are determined in accordance with laws and the Articles of Incorporation, by obtaining the consent of Corporate Auditors, or approval of the Board of Corporate Auditors.

4. Basic stance on expulsion of anti-social forces and countermeasures

Because our Group resolutely refuses to comply with any unreasonable demands from anti-social forces, and works to cut off all relations with anti-social forces, we distribute the "Compliance Guidebook" to all employees. The Guidebook prohibits "giving favors to anti-social forces," and lists specific examples of prohibited acts. We work to ensure that employees are thoroughly familiar with the matters contained in the Compliance Guidebook by conducting training, and so forth, and do not merely distribute the guidebook.

Furthermore, with respect to internal systems, we have established a department in headquarters which is responsible for overseeing handling of expulsion of anti-social forces, established close cooperation with external specialized organizations such as the police force, and in collaboration with concerning departments we systematically handle unreasonable requests from anti-social forces.

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(Note) Amounts in this Business Report are rounded down to the nearest unit.



## Consolidated Balance Sheet

(As of March 31, 2015)

(Unit: million yen)

| Description                        | Amount           | Description                                           | Amount           |
|------------------------------------|------------------|-------------------------------------------------------|------------------|
| <b>(Assets)</b>                    |                  | <b>(Liabilities)</b>                                  |                  |
| Current assets                     | 1,073,062        | Current liabilities                                   | 824,623          |
| Cash on hand and in banks          | 51,645           | Trade payables                                        | 253,907          |
| Trade receivables                  | 421,890          | Electronically recorded obligations                   | 85,453           |
| Merchandise and finished products  | 59,487           | Short-term debt and current portion of long-term debt | 122,338          |
| Work in process                    | 321,326          | Current portion of bonds                              | 20,000           |
| Raw materials and supplies         | 117,837          | Current portion of lease obligations                  | 276              |
| Deferred tax assets                | 33,292           | Income taxes payable                                  | 17,094           |
| Other current assets               | 70,576           | Deferred tax liabilities                              | 442              |
| Allowance for doubtful receivables | (2,995)          | Advances from customers                               | 171,607          |
|                                    |                  | Accrued bonuses                                       | 26,440           |
|                                    |                  | Provision for product warranties                      | 11,480           |
|                                    |                  | Provision for losses on construction contracts        | 5,873            |
|                                    |                  | Other current liabilities                             | 109,707          |
| Fixed assets                       | 589,220          |                                                       |                  |
| Net property, plant and equipment  | 420,554          | Long-term liabilities                                 | 389,702          |
| Buildings and structures           | 161,840          | Bonds payable                                         | 110,000          |
| Machinery and equipment            | 121,210          | Long-term debt, less current portion                  | 159,749          |
| Land                               | 64,708           | Lease obligations                                     | 2,011            |
| Leased assets                      | 2,108            | Deferred tax liabilities                              | 8,199            |
| Construction in progress           | 18,356           | Provision for environmental measures                  | 2,535            |
| Other                              | 52,330           | Liabilities for retirement benefits                   | 79,272           |
| Intangible assets                  | 16,409           | Asset retirement obligations                          | 464              |
| Investments and other assets       | 152,257          | Other                                                 | 27,468           |
| Investments in securities          | 15,488           |                                                       |                  |
| Long-term loans                    | 363              | Total liabilities                                     | 1,214,326        |
| Deferred tax assets                | 41,611           | <b>(Net assets)</b>                                   |                  |
| Other investments and other assets | 95,616           | Shareholders' equity                                  | 412,416          |
| Allowance for doubtful receivables | (823)            | Common stock                                          | 104,484          |
|                                    |                  | Capital surplus                                       | 54,393           |
|                                    |                  | Retained earnings                                     | 253,605          |
|                                    |                  | Treasury stock                                        | (67)             |
|                                    |                  | Accumulated other comprehensive income                | 19,579           |
|                                    |                  | Net unrealized gains on securities, net tax           | 3,704            |
|                                    |                  | Deferred gains (losses) on hedges                     | (1,985)          |
|                                    |                  | Foreign currency translation adjustments              | 25,179           |
|                                    |                  | Accumulated adjustment for retirement benefits        | (7,318)          |
|                                    |                  | Minority interests                                    | 15,961           |
|                                    |                  | Total net assets                                      | 447,957          |
| <b>Total assets</b>                | <b>1,662,283</b> | <b>Total liabilities and net assets</b>               | <b>1,662,283</b> |

## Consolidated Statement of Income

(April 1, 2014 - March 31, 2015)

(Unit: million yen)

| Description                                                      | Amount |           |
|------------------------------------------------------------------|--------|-----------|
| Net sales                                                        |        | 1,486,123 |
| Cost of sales                                                    |        | 1,216,680 |
| Gross profit                                                     |        | 269,443   |
| Selling, general and administrative expenses                     |        | 182,184   |
| Operating income                                                 |        | 87,259    |
| Non-operating income                                             |        | 13,253    |
| Interest income                                                  | 796    |           |
| Dividend income                                                  | 395    |           |
| Gain on sales of securities                                      | 1,138  |           |
| Equity in income of non-consolidated subsidiaries and affiliates | 6,208  |           |
| Other non-operating income                                       | 4,714  |           |
| Non-operating expenses                                           |        | 16,223    |
| Interest expense                                                 | 3,761  |           |
| Foreign exchange losses, net                                     | 5,097  |           |
| Other non-operating expenses                                     | 7,365  |           |
| Recurring profit                                                 |        | 84,288    |
| Income before income taxes                                       |        | 84,288    |
| Income taxes-current                                             | 23,563 |           |
| Income taxes-deferred                                            | 6,779  | 30,343    |
| Income before minority interests                                 |        | 53,945    |
| Minority interests in income                                     |        | 2,306     |
| Net income                                                       |        | 51,639    |

## Non-consolidated Balance Sheet

(As of March 31, 2015)

(Unit: million yen)

| Description                                       | Amount           | Description                                         | Amount           |
|---------------------------------------------------|------------------|-----------------------------------------------------|------------------|
| <b>(Assets)</b>                                   |                  | <b>(Liabilities)</b>                                |                  |
| Current assets                                    | 794,591          | Current liabilities                                 | 679,292          |
| Cash on hand and in banks                         | 29,220           | Notes payable-trade                                 | 18,829           |
| Notes receivable-trade                            | 5,435            | Electronically recorded obligations                 | 71,629           |
| Accounts receivable-trade                         | 320,986          | Accounts payable-trade                              | 194,776          |
| Raw materials and supplies                        | 77,380           | Short-term debt                                     | 90,502           |
| Work in process                                   | 256,964          | Current portion of long-term debt                   | 25,212           |
| Advance payments                                  | 41,714           | Current portion of bonds                            | 20,000           |
| Prepaid expenses                                  | 1,439            | Notes payable-facilities                            | 1,477            |
| Deferred tax assets                               | 19,211           | Electronically recorded obligations-facilities      | 7,124            |
| Short-term loans                                  | 20,482           | Accounts payable-other                              | 21,088           |
| Accounts receivable-other                         | 17,621           | Accrued expenses                                    | 39,013           |
| Derivatives                                       | 2,487            | Income taxes payable                                | 9,202            |
| Other current assets                              | 2,337            | Advances from customers                             | 132,025          |
| Allowance for doubtful receivables                | (689)            | Deposits received                                   | 8,469            |
|                                                   |                  | Accrued bonuses                                     | 18,240           |
| Fixed assets                                      | 506,533          | Provision for product warranties                    | 8,171            |
| Net property, plant and equipment                 | 293,166          | Provision for losses on construction contracts      | 4,402            |
| Buildings                                         | 92,357           | Derivatives liabilities                             | 8,447            |
| Structures                                        | 15,398           | Other current liabilities                           | 678              |
| Docks and building berths                         | 577              |                                                     |                  |
| Machinery and equipment                           | 85,624           | Noncurrent liabilities                              | 327,780          |
| Vessels                                           | 12               | Bonds payable, less current portion                 | 110,000          |
| Aircraft                                          | 18               | Long-term debt, less current portion                | 158,822          |
| Vehicles                                          | 1,414            | Lease obligations                                   | 1,479            |
| Tools, Furniture and fixtures                     | 45,783           | Long-term accounts payable-other                    | 16,782           |
| Land                                              | 36,198           | Provision for environmental measures                | 2,302            |
| Leased assets                                     | 1,999            | Employees' retirement and severance benefits        | 37,949           |
| Construction in progress                          | 13,781           | Asset retirement obligations                        | 366              |
|                                                   |                  | Other long-term liabilities                         | 76               |
| Intangible assets                                 | 12,247           | Total liabilities                                   | 1,007,072        |
| Software                                          | 9,780            |                                                     |                  |
| License production and licensee's execution right | 229              | Net assets                                          |                  |
| Other intangible assets                           | 2,236            | Shareholders' equity                                | 293,578          |
| Investments and other assets                      | 201,119          | Common stock                                        | 104,484          |
| Investments in securities                         | 13,356           | Capital surplus                                     | 52,210           |
| Stock of affiliates                               | 104,329          | Legal capital surplus                               | 52,210           |
| Investments in capital of affiliates              | 35,339           | Retained earnings                                   | 136,951          |
| Long-term loans                                   | 10,797           | Other retained earnings                             | 136,951          |
| Deferred tax assets                               | 29,161           | Provision for special depreciation                  | 369              |
| Long-term prepaid expenses                        | 1,326            | Provision for advanced depreciation of fixed assets | 7,629            |
| Long-term derivatives                             | 3,833            | Retained earnings brought forward                   | 128,951          |
| Other investments and other assets                | 3,552            | Treasury stock                                      | (67)             |
| Allowance for doubtful receivables                | (577)            | Valuation and translation adjustments               | 473              |
|                                                   |                  | Net unrealized gains on securities, net tax         | 2,686            |
|                                                   |                  | Deferred gains (losses) on hedges                   | (2,212)          |
|                                                   |                  | Total net assets                                    | 294,052          |
| <b>Total assets</b>                               | <b>1,301,125</b> | <b>Total liabilities and net assets</b>             | <b>1,301,125</b> |

## Non-consolidated Statement of Income

(April 1, 2014 - March 31, 2015)

(Unit: million yen)

| Description                                  | Amount |           |
|----------------------------------------------|--------|-----------|
| Net sales                                    |        | 1,098,013 |
| Cost of sales                                |        | 955,221   |
| Gross profit                                 |        | 142,791   |
| Selling, general and administrative expenses |        | 96,381    |
| Operating income                             |        | 46,409    |
| Non-operating income                         |        | 18,394    |
| Interest income                              | 781    |           |
| Dividend income                              | 13,575 |           |
| Gain on sales of securities                  | 1,154  |           |
| Other non-operating income                   | 2,883  |           |
| Non-operating expenses                       |        | 9,290     |
| Interest expense                             | 1,755  |           |
| Interest on bonds                            | 1,054  |           |
| Foreign exchange losses                      | 749    |           |
| Loss on disposal of fixed assets             | 1,310  |           |
| Other non-operating expenses                 | 4,419  |           |
| Recurring profit                             |        | 55,513    |
| Income before income taxes                   |        | 55,513    |
| Income taxes-current                         | 10,396 |           |
| Income taxes-deferred                        | 8,651  | 19,048    |
| Net income                                   |        | 36,465    |

## **Audit Report**

(English Translation)

Regarding the performance of duties by the Directors for the 192nd fiscal year from April 1, 2014 to March 31, 2015, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon careful consideration based on the audit report prepared by each Corporate Auditor.

### 1. Summary of Auditing Methods by the Corporate Auditors and Board of Corporate Auditors

- (1) The Board of Corporate Auditors established auditing policies, allocation of duties, and other relevant matters, and received reports from each Corporate Auditor regarding his audits and results thereof, as well as received reports from the Directors, other relevant personnel, and the Accounting Auditor regarding performance of their duties, and sought explanations as necessary.
- (2) Each Corporate Auditor complied with the auditing standards of the Corporate Auditors established by the Board of Corporate Auditors, followed the auditing policies, allocation of duties, and other relevant matters, communicated with the Directors, internal control development division, Auditing Department (internal audit dept.) and other employees, and any other relevant personnel, and made efforts to prepare the environment for information collection and audit, as well as participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, Executive Officers, employees, and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal business offices.
- (3) Each Corporate Auditor received reports from the Directors, employees, and other relevant personnel regarding the structure and operation status of the system for ensuring that the performance of duties by the Directors conforms to the related laws and regulations and Articles of Incorporation, and the system prepared based on the contents of the resolutions of the Board of Directors and such resolutions regarding preparation of the system stipulated in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act (internal control system), which system is necessary for ensuring that a joint stock corporation's business is proper, and sought explanations as necessary.  
Furthermore, with respect to internal controls on financial reporting under the Financial Instruments and Exchange Act, each Corporate Auditor received reports from the Directors and other relevant personnel as well as KPMG AZSA LLC regarding the assessment of the internal controls concerned and the status of auditing thereof, and sought explanations as necessary.
- (4) Each Corporate Auditor communicated and exchanged information with Directors, Corporate Auditors, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.

Based on the above methods, we examined the business report and annexed specifications related to the relevant fiscal year.

- (5) Each Corporate Auditor audited whether the Accounting Auditor maintained their independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of their duties and sought explanations as necessary.
- (6) Each Corporate Auditor received notice from the Accounting Auditor that "the system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) has been prepared in accordance with the Product Quality Management Standards Regarding Audits (issued by the Business Accounting Deliberation Council (BACD) on October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated

statement of changes in net assets, and non-consolidated notes) and their annexed specifications, as well as consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and consolidated notes) related to the relevant fiscal year.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- (i) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
- (ii) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
- (iii) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. In addition, we have found no matters on which to remark regarding the information contained in this Business Report and the performance of duties by the Directors related to such internal controls system.

In addition, with respect to internal controls over financial reporting, at the time of preparation of this audit report, we received report from the directors and other relevant personnel that states that the said controls were effective, and also received report from KPMG AZSA LLC that states that no material weakness in the said controls.

### (2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

In our opinion, the methods and results employed and rendered by KPMG AZSA LLC are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by KPMG AZSA LLC are fair and reasonable.

May 21, 2015

Board of Corporate Auditors, Kawasaki Heavy Industries, Ltd.

|                             |                    |
|-----------------------------|--------------------|
| Full-Time Corporate Auditor | Yuji Murakami      |
| Full-Time Corporate Auditor | Takafumi Shibahara |
| Outside Corporate Auditor   | Michio Oka         |
| Outside Corporate Auditor   | Nobuyuki Fujikake  |