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(Securities Code 7012)
June 4, 2009

Dear Shareholders

Tadaharu Ohashi
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 186TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 186th Ordinary General Meeting of Shareholders of Kawasaki Heavy Industries, Ltd. ("the Company"). The meeting will be held for the purposes as described below.
If you are unable to attend on the day of the meeting we kindly ask you to review the "Reference Documents for the General Meeting of Shareholders" (described hereinafter), and exercise your voting right in writing or electronically (via the Internet, etc.) by 5:00 p.m. on June 24, 2009.

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 abovementioned 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, 2009 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 186th Fiscal Year (April 1, 2008 - March 31, 2009) 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 186th Fiscal Year (April 1, 2008 - March 31, 2009)

Proposal No. 1: Appropriation of Retained Earnings
Proposal No. 2: Proposed Amendments to the Articles of Incorporation
Proposal No. 3: Election of Ten Directors
Proposal No. 4: Election of Three Corporate Auditors
(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:**

Where 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.

Notes:
1. When attending the meeting, please submit the enclosed Voting Right Exercise Form at the Company's head office reception desk 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 Materials for the General Meeting of Shareholders, will be posted on the Company's website at the following URL: http://www.khi.co.jp.

Information Concerning Characters Used in Shareholders' Names and Addresses

Due to the conversion to an electronic system for stock transfers, characters in shareholders' names and addresses may contain some *kanji* characters which are not designated in Japan Securities Depositary Center, Inc.'s (JASDEC) transfer system, and in such cases some or all of the characters may be converted to characters or *katakana* syllabary designated by JASDEC, and recorded in the shareholders register.

For this reason we would like to inform you that in the notices we send to shareholders there may be cases where names and/or addresses contain characters which are replaced with characters designated by JASDEC.

If shareholders wish to make any enquiries regarding the characters registered for their names and/or addresses they should contact the securities firm etc. where their account is held (in the case of special accounts, Chuo Mitsui Trust Bank which is the regulatory agency for special accounts).

(Appendix)

Business Report

(April 1, 2008 - March 31, 2009)

1. Overview of the Company Group

(1) Business Progress and Results

(i) General Conditions

The Japanese economy suffered a rapid downturn in the consolidated fiscal year under review, due to such factors as the sharp appreciation of the yen against the dollar, euro and other currencies in 3Q, a fall in consumer spending and reduced capital expenditure, slowing exports and deterioration of the employment situation. Subsequently, there have been signs of a bottoming out around the end of the fiscal year, however the economy still remains weak.

The global economy, including developing countries, is also clearly in the midst of a global economic downturn and slowdown.

In the face of such an operating environment, our Group orders received overall were ¥1,540.5 billion, a decline of 4% over the previous fiscal year, despite an increase in orders received for Gas Turbines & Machinery and Rolling Stock & Construction Machinery.

Net sales were ¥1,338.5 billion, a decline of 10% over the previous fiscal year, due to decreased sales of Consumer Products & Machinery, etc.

Profits were impacted by exchange rates moving in support of a strong yen predominantly in the second half of the year, and continued high cost of raw materials, resulting in operating income of ¥28.7 billion, a decline of 62% over the previous fiscal year, and recurring profit of ¥38.7 billion, a decline of 39% over the previous fiscal year.

Current net income was ¥11.7 billion, a decline of 66% over the previous fiscal year, due to an extraordinary loss of ¥15.6 billion from a loss on contribution of securities to the pension trust, etc.

(ii) Operating conditions by business division

The **Shipbuilding segment** orders received were ¥71.5 billion attributable to orders for one LPG carrier, and five Bulk carriers; however the result was a significant decline on the previous fiscal year in which numerous orders were received for bulk carriers.

Net sales were ¥126.4 billion, a decline on the previous year due to a decrease in sales of large carriers.

Operating income/loss declined by ¥4.2 billion on the previous year, resulting in a loss of ¥1 billion; this was due to the effects of declined net sales, soaring costs of materials and the appreciation of the yen against the dollar.

The **Rolling Stock & Construction Machinery segment** received orders from JR Group companies for Shinkansen trains, commuter trains, locomotives, etc., and overseas orders included subway cars for New York. Orders received were ¥264.6 billion, a significant increase over the previous year, due to a large increase in domestic orders received for various rolling stock.

Although sales of construction machinery fell, increased sales of rolling stock for overseas markets resulted in net sales of ¥186.4 billion, an increase over the previous fiscal year.

Operating income increased ¥4.1 billion over the previous fiscal year to ¥11.3 billion, led by an increase in net sales.

Orders received for the **Aerospace segment** improved over the previous fiscal year to ¥239.1 billion, due to orders obtained from The Boeing Company for component parts for the B777 aircraft, and from Japan's Ministry of Defense (MOD) for P-1 maritime patrol aircraft.

Net sales decreased over the previous fiscal year to ¥200.4 billion due to a decline in sales to MOD, and for B777 aircraft to The Boeing Company; the exchange rate which supported a strong yen/weak dollar was another negative factor.

Operating income/loss declined by ¥15 billion from the previous fiscal year to post a loss of ¥4.1 billion, due to a decrease in net sales combined with increased costs for such items as inventory valuation losses.

The **Gas Turbines & Machinery segment** received orders of ¥355.5 billion, a significant increase over the previous fiscal year. The increase was due to new orders for components for TRENT XWB, and an increase in orders for diesel power generating units and propulsion systems for ships.

Net sales increased over the previous fiscal year to ¥195.1 billion, due to growth in sales of such items as marine diesel engines.

Operating income declined ¥2.3 billion from the previous fiscal year to ¥11 billion, led by the impact of the strong yen as well as losses posted for such items as inventory valuation losses, despite increased net sales.

The **Plant & Infrastructure Engineering segment** received orders to the value of ¥83.6 billion, which was a significant drop from the previous fiscal year, despite having received orders for various plants and LNG tanks.

Net sales declined significantly from the previous fiscal year to ¥105.1 billion. Despite increased sales for overseas nonferrous metals smelting plants, lower sales of municipal refuse incineration plants and others led the decline.

Operating income decreased ¥1.8 billion over the previous fiscal year to ¥8.9 billion, accompanied by decreased net sales.

Although the **Consumer Products & Machinery segment**'s sales of motorcycles for the Asian market increased, sales of motorcycles to Europe and the U.S. declined, and sales of industrial robots used in the automotive industry and semiconductor-related industries also declined.

Net sales declined significantly from the previous fiscal year to ¥336.4 billion due to such factors as the ongoing appreciation of the yen against the U.S. dollar and Euro.

Operating income/loss declined by ¥29.8 billion from the previous fiscal year to post a loss of ¥10.1 billion, due to decreased net sales, particularly from sluggish sales of large-sized motorcycles.

The **Hydraulic Machinery segment**'s orders received, predominantly for the construction machinery industry, declined from the previous fiscal year to ¥84.1 billion.

Net sales were higher than the previous fiscal year at ¥84.9 billion, owing to the high level of sales for the construction machinery industry in the first six months of the fiscal year.

Operating income declined by ¥700 million from the previous fiscal year to ¥8.3 billion.

In the **Other** business segment net sales were lower than the previous fiscal year at ¥103.5 billion.

Operating income increased by ¥1.9 billion from the previous fiscal year to ¥4.2 billion.

(Orders Received, Net Sales and Operating Income/Loss by Segment) Unit: 100 million yen

Segment	Orders Received		Net Sales		Operating Income/Loss	
	Amount	Year-on-Year Change	Amount	Year-on-Year Change	Amount	Year-on-Year Change
Shipbuilding segments	715	(1,798)	1,264	(149)	(10)	(42)
Rolling Stock & Construction Machinery segments	2,646	813	1,864	147	113	41
Aerospace segments	2,391	366	2,004	(369)	(41)	(150)
Gas Turbines & Machinery segments	3,555	1,280	1,951	96	110	(23)
Plant & Infrastructure Engineering segments	836	(223)	1,051	(373)	89	(18)
Consumer Products & Machinery segments	3,364	(975)	3,364	(975)	(101)	(298)
Hydraulic Machinery segments	841	(81)	849	8	83	(7)
Other	1,055	(83)	1,035	(10)	42	19
Eliminations and corporate	-	-	-	-	0	(1)
Total	15,405	(701)	13,385	(1,625)	287	(481)

(Notes) 1. Net sales recorded are for sales to external customers.
2. The net sales figure for Consumer Products & Machinery is also used as the figure for orders received.

(2) Capital Investments, etc.

In the consolidated fiscal year under review, a total of ¥82.4 billion was spent on capital investments, predominantly for facilities to handle new machine types and new products, and facilities for streamlining production.

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

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

- Facilities for streamlining ship production (Shipbuilding segment)
- Aircraft production facilities (Aerospace segment)
- Marine machinery production facilities (Gas Turbines & Machinery segment)
- Facilities for streamlining motorcycle production (Consumer Products & Machinery segment)
- Hydraulic machinery plant (Hydraulic Machinery segment)

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

- Rolling stock production management systems (Rolling Stock & Construction machinery segment)
- Aircraft production facilities, production management systems (Aerospace segment)
- Facilities for development of new motorcycle models, production streamlining facilities (Consumer Products & Machinery segment)

(3) Financing

Funds of ¥73.5 billion from long-term loans and other funds from various sources were raised in the current consolidated fiscal year. The funds were allocated to such items as redemption of bonds, long-term loan repayments, capital funds and working capital.

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

Not applicable.

On April 1, 2009 we carried out a corporate split by succeeding our Construction and Machinery business to KCM Corporation, which is a wholly-owned subsidiary of our company.

(5) Transfer of business from other companies

On July 1, 2008 Kawasaki Plant Systems, Ltd., a wholly-owned subsidiary of our company, acquired the Cement Plant business from IHI Corporation.

(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.

On April 1, 2008 we acquired all of the shares in EarthTechnica Co. Ltd., a joint-venture company with Kobe Steel, Ltd., making it into a wholly-owned subsidiary.

Also, on April 17, 2008 stocks of Kawasaki Setsubi Kogyo Co. Ltd., were partially disposed of, and the company was precluded as an equity method affiliate.

(8) Issues to be Addressed

KHI Group on the whole has been on target until fiscal 2007 in achieving the profit goals aimed at realizing the vision set out in the “Global K” medium-term business plan through growth and expansion of our businesses. However, the effects on the actual economy of the financial market turmoil and the credit crunch caused by the U.S. subprime loan crisis are intensifying, and making the business environment in which KHI Group operates even harsher; particularly as the Japanese economy is expected to have the worst negative growth among developed countries. Even in the midst of such conditions, KHI Group will continue to uphold sound operations as a manufacturer.

To that end, while adhering to the policies of the "Global K” medium-term business plan, we understand that it is important to conduct business operations which vigilantly uphold the philosophy of “quality followed by quantity”, and “risk management”, since it is likely that business risk will further increase for the foreseeable future. While keeping an eye on changes in the market environment, we will rigorously assess risk for markets in which there are concerns of subsiding demand, and be thoroughly selective with respect to orders received and our investments. We will also make concerted efforts to lower profit breakeven points, improve cashflows and reduce our balance sheet. Meanwhile we will continue to allocate resources, as planned, to growth areas such as energy and environment businesses and R&D, which is crucial for the formation of the Group's technical foundations for the future. We will also continue to make strategic investments in key markets, while giving due consideration to the selection of investments, and such factors as the quantity and speed of resources allocated.

We are striving to improve profitability by implementing the following measures for each of our businesses.

(i) Rolling Stock: While we are continuing to receive high levels of orders for projects in North America and in other areas, we are strengthening our business operating systems in the three major markets of Japan, North America, and Asia

(ii) Aerospace: Undertaking major projects, including readying systems for mass production of the next maritime patrol aircraft, completing the development of the next transport aircraft, and readying systems for mass production of Boeing 787.

(iii) Gas Turbines & Machinery: Increase competitiveness by improving overall productivity by promoting development of new models of jet engines for commercial aircraft, strengthening the energy and environment business areas through promoting development of new products and models, including industrial gas turbines and high-efficiency gas engines

(iv) Consumer Products & Machinery: Amid the tough conditions resulting from the global economic downturn, strengthen development and production systems at the global level to improve profitability and product competitiveness of motorcycles, the highest priority business in the segment, for industrialized markets.

(v) Plant & Infrastructure Engineering: Accelerate the development of the energy and environmental engineering businesses as cited in our "Global K" mid-term business plan, with our subsidiary Kawasaki Plant Systems, Ltd., as the central figure.

(vi) Shipbuilding: Enhance optimal production systems at Kawasaki Shipbuilding Group, including its operations in China, with a future view to improving profitability by securing new orders

(vii) Hydraulic Machinery: Strive to lower the breakeven point while investing management resources flexibly and strengthening global operating bases in the five regions of Japan, the United States, Europe, China and South Korea.

(viii) Industrial Robots: Strengthen development capabilities, cultivate new customer markets

(ix) Construction Machinery: Improve development and sales power through the business alliance with Hitachi Machinery Co., Ltd. and TCM Corporation.

Needless to say, compliance is a fundamental premise in carrying out business activities such as those above. KHI Group strives to ensure that employees are made thoroughly aware of the provisions of the various laws and regulations which apply to them, by implementing such measures as establishing internal regulations concerning corporate ethics, carrying out staff training for each position level, distribution of compliance guidebooks, and setting up compliance committees in each organization. Headquarters and the division responsible for each business division take the lead in striving to systematically ensure thorough compliance, and also work towards creating a corporate culture which always positions information disclosure and transparency as being of the highest priority.

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

(9) Trends in Assets and Income

(i) Company Group Assets and Income

Unit: 100 million yen

Item	The 183rd fiscal year	The 184th fiscal year	The 185th fiscal year	The 186th fiscal year (under review)
Orders received	13,516	15,926	16,107	15,405
Net sales	13,224	14,386	15,010	13,385
Income before income taxes and extraordinary items	308	490	639	387
Net income	164	297	351	117
Net income per share (yen)	¥11.2	¥18.94	¥21.08	¥7.02
Total assets	12,840	13,579	13,787	13,997
Net assets	2,375	2,953	3,190	2,952

(ii) Company Assets and Income

Unit: 100 million yen

Item	The 183rd fiscal year	The 184th fiscal year	The 185th fiscal year	The 186th fiscal year (under review)
Orders received	8,768	9,595	8,913	10,545
Net sales	8,459	9,196	8,899	7,714
Income before income taxes and extraordinary items	233	338	317	26
Net income	136	213	208	(61)
Net income per share (yen)	¥9.27	¥13.56	¥12.49	(¥3.66)
Total assets	9,170	9,382	9,229	9,779
Net assets	2,005	2,431	2,553	2,307

(10) Major Parent Companies and Subsidiaries

(i) Parent Companies

Not applicable.

(ii) Major Subsidiaries

Company name	Capital	The Company's percentage of equity participation	Main business
Kawasaki Trading Co., Ltd.	¥ 600 million	70%	Sale of various industrial machinery, petroleum, steel, air conditioning equipment, etc.
Kawasaki Shipbuilding Corporation	¥ 10,000 million	100%	Design, manufacture, sale and repair of commercial and naval vessels and marine application equipment, other transportation equipment and their facilities and parts
Kawasaki Precision Machinery Ltd.	¥ 3,000 million	100%	Design, manufacture, sales, after-sales service, and maintenance of hydraulic machinery and equipment, electric-powered devices, and control systems
Kawasaki Plant Systems, Ltd.	¥ 8,500 million	100%	Design, manufacture, installation and maintenance of various types of plants, 3D-CAD pipe design, and design and manufacture of control software

Company name	Capital	The Company's percentage of equity participation	Main business
Kawasaki Machine Systems, Ltd.	¥ 1,444 million (Note 4)	100%	Sale and repair of construction machinery, general purpose gas turbines, industrial robots, and other industrial machinery
NIPPI Corporation	¥ 6,048 million	100%	Manufacture, maintenance, and modification of aircrafts; manufacture of rocket components, aerospace equipment, targeting systems, nondestructive testing systems, and industrial fans
EarthTechnica Co., Ltd.	¥ 1,200 million	100%	Design, execution and supervision of engineering , construction, installation of machinery and appliances; design, manufacture, and sale of crushers, grinders, sorters, and other equipment
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.
Kawasaki Motors Corporation Japan	¥ 100 million	100%	Sole distributor of motorcycles and jet skis in Japan
Kawasaki Life Corporation	¥ 400 million	100%	Real estate sales and rental, building management, insurance agency business, leasing, and provision of loans
Canadian Kawasaki Motors Inc.	C$ 2 million	100%	Sales of motorcycles, 4-wheel buggies, jet skis, general purpose gasoline engines in Canada
Kawasaki Motors Corp., U.S.A.	U.S.$ 65 million	100%	Sales of motorcycles, 4-wheel buggies, jet skis, general purpose gasoline engines in America
Kawasaki Motors Manufacturing Corp., U.S.A.	U.S.$ 70 million	100%	Manufacture of motorcycles, 4-wheel buggies, jet skis, general purpose gasoline engines, rolling stock, and industrial robots in America
Kawasaki Rail Car, Inc.	U.S.$60 million	Note 1	Manufacture and after-sales service for rolling stock and related products, various engineering services
Kawasaki Precision Machinery (U.K.) Ltd.	£5 million	Note 2	Manufacture and sale of hydraulic pumps and motors, and other hydraulic products
Kawasaki Motors Europe N.V.	€34 million	100%	Sole distributorship of motorcycles, 4-wheel buggies, jet skis, general purpose gasoline engines in Europe
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	1,900 million baht	100%	Manufacture and sale of motorcycles in Thailand
Kawasaki Motors (Phils.) Corporation	101 million peso	50%	Manufacture and sale of motorcycles in the Philippines
P.T. Kawasaki Motor Indonesia	U.S.$ 40 million	83%	Manufacture and sale of motorcycles in Indonesia

(Notes)
1. Kawasaki Rail Car, Inc. is a wholly-owned subsidiary of Kawasaki Motors Manufacturing Corp., U.S.A.
2. Kawasaki Precision Machinery (U.K.) Ltd. is a wholly-owned subsidiary of Kawasaki Precision Machinery Ltd.
3. In the current consolidated fiscal year the following changes were made in relation to companies classified as major subsidiaries: two companies - EarthTechnica Co., Ltd. and P.T. Kawasaki Motor Indonesia - were added; and two companies - Kawasaki Construction Machinery Corp. of America and Kawasaki Robotics (U.S.A.), Inc. - were precluded.
4. As of April 1, 2009, common stock of Kawasaki Machine Systems, Ltd. changed from ¥1,444 million to ¥1,093 million.

(iii) Progress of Business Combinations

There are 97 consolidated subsidiaries, including 19 companies which are cited in (ii) above as major subsidiaries, and there are 12 companies which are accounted for using the equity method.

(iv) Results of Business Combinations

As stated above in "Business Progress and Results", for the current consolidated fiscal year net sales declined ¥162.5 billion (10%) compared to the previous fiscal year, to ¥1,338.5 billion, and consolidated current net income was ¥11.7 billion.

(11) Company Groups' Main Business and Number of Employees

Segment	Main Business	Number of Employees
Shipbuilding segments	Manufacture and sale of ships, etc.	2,786
Rolling Stock & Construction Machinery segments	Manufacture and sale of rolling stock, engineering and construction machinery, snow removal machinery, etc.	4,022
Aerospace segments	Manufacture and sale of aircraft, etc.	5,260
Gas Turbines & Machinery segments	Manufacture and sale of jet engines, general purpose gas turbines, prime movers, etc.	3,299
Plant & Infrastructure Engineering segments	Manufacture and sale of industrial machinery, boilers, infrastructure equipment, steel structures, etc.	2,569
Consumer Products & Machinery segments	Manufacture and sale of motorcycles, four-wheel buggies (ATVs), multi-purpose four-wheel vehicles, personal watercraft ("jet skis"), general purpose gasoline engines, industrial robots, etc.	10,170
Hydraulic Machinery segments	Manufacture and sale of hydraulic machinery, etc.	1,130
Other	Administration of commercial and welfare facilities, etc.	2,307
Company-wide common areas	(Head office Administration Department, Research & Development Department, etc.)	723
Total	-	32,266 (Japan 24,311 Overseas 7,955)

(Note) This company has 10,901 employees (average age; 42.3 years; average years of service: 18.7 years)

(12) Company Groups' 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 , Nagoya Office, Osaka Office, Fukuoka Office 4 Offices
	Offices	Sendai Sales Office, Hiroshima Sales Office, Okinawa Sales Office(Naha) 3 Sales Ofices
	Overseas offices	Beijing (China), Taipei (Taiwan), Dehli (India), Moscow (Russia) 4 places
Plants, etc.		Gifu Works (Kakamigahara), Nagoya Works 1 (Yatomi, Aichi), Nagoya Works 2 (Ama-gun, Aichi), Kobe Works, Hyogo Works (Kobe), Seishin Works (Kobe), Akashi Works (Akashi), Kakogawa Works (Kakogawa), Banshu Works (Kako-gun, Hyogo), Harima Works (Kako-gun, Hyogo), Technical Institute (Akashi) 11 Works (including a Technical Institute)

(ii) Material Subsidiaries

i) Domestic

Company name	Location of principal offices	Location of plants
Kawasaki Trading Co., Ltd.	Kobe, Koto-ku, Tokyo	-
Kawasaki Shipbuilding Corporation	Kobe	Kobe, Sakaide
Kawasaki Precision Machinery Ltd.	Kobe	Kobe
Kawasaki Plant Systems, Ltd.	Kobe, Koto-ku, Tokyo	-
Kawasaki Machine Systems, Ltd.	Osaka	-
NIPPI Corporation	Yokohama	Yokohama, Yamato
EarthTechnica Co., Ltd.	Chiyoda-ku, Tokyo	Yachiyo
Kawasaki Thermal Engineering Co., Ltd.	Kusatsu, Osaka, Koto-ku, Tokyo	Kusatsu
Kawasaki Motors Corporation Japan	Akashi	-
Kawasaki Life Corporation	Kobe	-

ii) Overseas

Company name	Location
Canadian Kawasaki Motors Inc.	Canada
Kawasaki Motors Corp., U.S.A.	U.S.
Kawasaki Motors Manufacturing Corp., U.S.A.	U.S.
Kawasaki Rail Car, Inc.	U.S.
Kawasaki Precision Machinery (UK) Ltd.	UK
Kawasaki Motors Europe N.V.	Netherlands
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Thailand
Kawasaki Motors (Phils.) Corporation	Philippines
P.T. Kawasaki Motor Indonesia	Indonesia

(13) Principal lenders

(Unit: 100 million yen)

Lenders	Balance of Loans		
	Long term	Short term	Total
Mizuho Corporate Bank, Ltd.	137	515	653
Sumitomo Mitsui Banking Corporation	98	319	417
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20	216	236
Development Bank of Japan Inc.	165	9	174
The Sumitomo Trust and Banking Co., Ltd.	85	69	154

(14) Important issues concerning the current situation of other corporate groups

Important law suits cases etc

The Japan Fair Trade Commission issued on June 27, 2006 a cease and desist order against our company on the grounds that there was illegal conduct (bid rigging) in violation of the Antimonopoly Act in relation to the construction of waste incineration facilities ordered by municipal governments etc. We have, however, lodged an appeal with the Tokyo High Court to seek for the cancellation of the decision. In that appeal, the Tokyo High Court ruled against our company (i.e. not agreeing to cancel the decision). We therefore appealed to the Supreme Court on October 9, 2008. Although the Japan Fair Trading Commission issued a surcharge payment order on March 23, 2007 for the amount of ¥5,165 million against our company, we have appealed the decision to the Japan Fair Trading Commission and demanded a trial. The matter is currently under dispute.

Meanwhile, in relation to this matter, law suits have been filed against our company alone or together with other companies as follows, in order to seek damages from us on the grounds that we caused damages against the ordering parties due to the bid rigging.

Municipalities, etc.	Status of the law suits
Atami City (Civil lawsuits)	The Supreme Court ruled in favor of our company on April 13, 2009 (i.e. declined the appeal of the citizens seeking for damages of ¥1,357 million against the seven companies including our company), which confirmed our company's winning of the suit.
Fukuoka City (Civil lawsuits)	Fukuoka High Court ruled against our company (i.e. ordered a payment of ¥2,088 million against five companies including our company) on November 30, 2007. We have appealed to the Supreme Court on December 12, 2007, however, on April 23, 2009, the appeal was declined, which confirms our company lost the suit.
Kobe City (Civil lawsuits)	Osaka High Court ruled against our company (i.e. ordered a payment of ¥1,637 million against our company) on October 30, 2007. We have appealed to the Supreme Court on November 9, 2007, however, on April 23, 2009, the appeal was declined, which confirms our company lost the suit.
Amagasaki City (Civil lawsuits)	Osaka High Court ruled in favor of our company on November 30, 2007 (i.e. declined the demand by the citizens for the payment of ¥848 million against the six companies including our company). The citizen group appealed to the Supreme Court. The Supreme Court has reversed the High Court decision and remanded the case back to Osaka High Court on April 28, 2009.
Kohoku Greater Area Administrative Affairs Centre	Otsu District Court ruled against our company (i.e. ordered the payment of ¥409 million against five companies including our company) on September 25, 2008. We appealed to Osaka High Court on October 10, 2008.
Ichinomiya City	An action for damages of ¥1,650 million has been brought against five companies including our company at Nagoya District Court on March 30, 2007. The case is currently under dispute.

2. Status of Shares (as of March 31, 2009)

(1) Total number of shares authorized to be issued 3,360,000,000 shares

(2) Total number of shares outstanding 1,669,629,122 shares
(including 1,394,288 shares of treasury stock)

(3) Number of shareholders 171,908 persons

(4) Shareholders who own one tenth or more of total shares outstanding (excluding treasury stock)
Not applicable; however major shareholders are listed below.

Shareholder name	Shareholders' investment in the company	
	Number of shares held	Shareholding ratio
	thousand shares	%
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	97,554	5.8
Mizuho Bank, Ltd.	57,443	3.4
Japan Trustee Services Bank, Ltd. (Trust Account)	56,503	3.3
JFE Steel Corporation	56,174	3.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	54,552	3.2
Nippon Life Insurance Company	54,016	3.2
Tokio Marine & Nichido Fire Insurance Co., Ltd.	46,397	2.7
Kawasaki Heavy Industries, Ltd. Employees Shareholder Association	31,728	1.9
Kawasaki Heavy Industries, Ltd. Kyoueikai	30,788	1.8
NIPPONKOA Insurance CO., LTD.	27,521	1.6

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.

Share options currently issued

Type	Euro Yen convertible bonds due 2010 with stock acquisition rights
Number of share options	477
Type and number of underlying shares	Common stock: 2,620,879 shares
Share option issue price	Free of cost
Balance of bonds with stock acquisition rights	¥ 477,000 thousand

(Note) The number of underlying shares is the balance of bonds with stock acquisition rights divided by the conversion price of ¥182.

Type	Euro Yen convertible bonds due 2011 with stock acquisition rights
Number of share options	3,475
Type and number of underlying shares	Common stock: 15,089,014 shares
Share option issue price	Free of cost
Balance of bonds with stock acquisition rights	¥ 3,475,000 thousand

(Note) The number of underlying shares is the balance of bonds with stock acquisition rights divided by the conversion price of ¥230.3.

In addition to the above, we have also issued convertible bonds pursuant to the previous provisions of the Commercial Code.

Type	No. 9 unsecured convertible bond
Balance of convertible bonds	¥ 7,038,000 thousand
Type of shares issued upon conversion	Common stock
Number of shares issued upon conversion	11,769,230 shares
Conversion price	¥ 598

(Note) The number of shares issued upon conversion is the balance of convertible bonds divided by the conversion price.

4. Company Officers

(1) Directors and Corporate Auditors

	Position	Name	Areas of Responsibility within the Company, representation of other corporations, etc., and other material concurrent positions
	Chairman	Masamoto Tazaki	Chairman, The New Industry Research Organization (NIRO) Chairman, The Shipbuilders' Association of Japan (SAJ)
*	President	Tadaharu Ohashi	Chairman, Japan Aircraft Development Corporation
*	Senior Executive Vice President	Akira Matsuzaki	Assistant to the President, Corporate Technology Division General Manager, Technology Division Head
*	Senior Vice President	Chikashi Motoyama	President, Aerospace Company
*	Senior Vice President	Masashi Segawa	President, Rolling Stock Company
*	Senior Vice President	Shinichi Tamba	President, Consumer Products & Machinery Company
*	Senior Vice Presidents	Shuji Mihara	Senior Manager, Corporate Planning Department; in charge of Subsidiaries & Affiliates Control Department, Legal Department, Personnel & Labor Administration Department, and Harima Work Office
*	Senior Vice President	Satoshi Hasegawa	President, Gas Turbine & Machinery Company
○*	Senior Vice President	Mitsutoshi Takao	General Manager, Finance & Accounting Department
	Corporate Auditor	Akira Tanoue	(Standing)
○	Corporate Auditor	Nobuyuki Okazaki	(Standing)
	Corporate Auditor	Hiroshi Kawamoto	
	Corporate Auditor	Kenzo Doi	Attorney

(Notes)
1. * means a Representative Director.
2. Corporate Auditors Hiroshi Kawamoto and Kenzo Doi are both Outside Corporate Auditors.
3. ○ means new Directors and Corporate Auditors appointed at the 185th ordinary general meeting of shareholders held on June 25, 2008.
4. Masatoshi Terasaki and Jiro Noguchi, both Directors, and Tadao Ueda, Corporate Auditor, have resigned during the relevant business year with the conclusion of the 185th ordinary general meeting of shareholders.
5. As of April 1, 2009, the positions of Directors have changed: Akira Matsuzaki, formerly Senior Executive Vice President (Representative Director) and Shinichi Tamba, formerly, Senior Vice President (Representative Director) have become Directors; and each of Satoshi Hasegawa, Masashi Segawa and Shuji Mihara, respectively formerly Senior Vice President (Representative Director) has been appointed as Senior Executive Vice President (Representative Director).
6. Nobuyuki Okazaki, Corporate Auditor, who has many years of experience with administration and accounting operations at our company and its subsidiaries, has substantial knowledge about finance and accounting matters.

7. Executive Officers as of April 1, 2009 are as follows.

Position	Name	Areas of Responsibility within the Company
President	Tadaharu Ohashi	
Senior Executive Vice President	Shuji Mihara	Assistant to the President, in charge of the head office administrative departments and the Consumer Products & Machinery Company
Senior Executive Vice President	Satoshi Hasegawa	Assistant to the President
Senior Executive Vice President	Masashi Segawa	Assistant to the President, General Manager, Corporate Technology Division, in charge of technology and business development, Industrial Facilities and Tunneling Equipment Division and Robot Division.
Senior Vice President	Chikashi Motoyama	President, Aerospace Company
Senior Vice resident	Mitsutoshi Takao	General Manager, Planning & Control Division
Managing Executive Officer	Nobumitsu Kambayashi	General Manager, Corporate Business Development Division
Managing Executive Officer	Kyohei Matsuoka	President, Rolling Stock Company
Managing Executive Officer	Shigeru Murayama	Vice President, Aerospace Company
Managing Executive Officer	Yuichi Asano	President, Gas Turbine & Machinery Company
Managing Executive Officer	Hiroshi Takata	President, Consumer Products & Machinery Company
Executive Officer	Akira Hattori	In charge of President special matters (Kawasaki Rail Car, Inc. and the rolling stock business in North America)
Executive Officer	Toru Yamaguchi	Deputy General Manager, Corporate Business Development Division. (In charge of special matters.)
Executive Officer	Sosuke Kinouchi	General Manager, Quality Assurance Division, Consumer Products & Machinery Company
Executive Officer	Seiji Yamashita	General Manager, CSR Division
Executive Officer	Takeshi Sugawara	Deputy General Manager, Corporate Technology Division (in charge of manufacturing improvement)
Executive Officer	Sumihiro Ueda	Deputy General Manager, Corporate Technology Division and General Manager, System Technology Development Center
Executive Officer	Wataru Kanamori	In charge of President special matters (Kawasaki Machine Systems, Ltd.)
Executive Officer	Takeshi Watanabe	Overall administration of the P-X and C-X projects, Aerospace Company
Executive Officer	Yasuo Murata	General Manager, General Administration Division and Senior Manager, General Administration Department
Executive Officer	Minoru Makimura	Deputy General Manager, Corporate Technology Division and General Manager, Technical Institute
Executive Officer	Tamaki Miyatake	General Manager, Planning Division, Consumer Product & Machinery Company
Executive Officer	Shuichi Yamanaka	General Manager, Planning & Control Division, Rolling Stock Company
Executive Officer	Masahiko Hirohata	General Manager, Planning & Control Division, Gas Turbine & Machinery Company and Senior Manager, Planning Department
Executive Officer	Shinsuke Tanaka	Deputy General Manager, Corporate Business Development Division (in charge of external affairs)
Executive Officer	Yutaka Shimomura	Overall administration of the P-X and C-X projects, Aerospace Company

Position	Name	Areas of Responsibility within the Company
Executive Officer	Masatoshi Yamaguchi	General Manager, Robot Division
Executive Officer	Naomi Sera	General Manager, Engineering Division, Aerospace Company
Executive Officer	Joji Iki	General Manager, Machinery Division, Gas Turbine & Machinery Company
Executive Officer	Yoshizumi Hashimoto	General Manager, Personnel & Labor Administration Division
Executive Officer	Yukio Hayano	General Manager, Planning & Control Division, Aerospace Company
Executive Officer	Masahiro Ibi	General Manager, Gas Turbine Division, Gas Turbine & Machinery Company
Executive Officer	Takafumi Shibahara	Deputy General Manager, Corporate Planning Division (in charge of Procurement Planning and Administration Department) and Senior Manager, Subsidiaries & Affiliate Control Department
Executive Officer	Yoshinori Kanehana	Vice President, Rolling Stock Company

(2) Compensation to Directors and Corporate Auditors

Directors 11 persons	¥ 574,889 thousand
Corporate Auditors 5 persons	¥ 75,120 thousand (of which ¥ 13,920 thousand to two Outside Corporate Auditors)

(Notes) 1. The maximum amount of remuneration for the Directors is ¥60 million per month (as resolved at the 178th ordinary general meeting of shareholders held on June 28, 2001). The maximum amount of remuneration for the Corporate Auditors is ¥8 million (which was resolved at the 170th ordinary general meeting of shareholders held on June 29, 1993).

2. Apart from the above, it was resolved at the 182nd ordinary general meeting of shareholders held on June 28, 2005 that, with the abolition of the retirement benefits for Directors, adjustment payments of ¥355,350 thousand be made to seven Directors and ¥ 8,280 thousand be made to two Corporate Auditors. In accordance with that resolution, the retirement benefits are being paid to a Director and an Corporate Auditor.

As of the end of the current business year, the total amount of expected future payments for the retirement benefits will be as follows:

¥ 245,100 thousand for four Directors; and

¥ 1,980 thousand for an Corporate Auditor (of which, ¥ 1,980 thousand to one Outside Corporate Auditor).

(3) Outside Officers

(i) Concurrent Outside Officer position at another company

Not applicable.

(ii) Concurrent positions held as Outside Officer at other companies

Corporate Auditor, Kenzo Doi, concurrently holds a position outside the company as a Corporate Auditor at World Co., Ltd. Our company does not have any dealings or other special relationship with said company.

(iii) Relationships between the company or specific related business operators and Executive 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

Hiroshi Kawamoto, Corporate Auditor, attended all of the 13 Board of Directors meetings, and all of the 17 Board of Corporate Auditors meetings held during the business year, and mainly made comments based on his management experience in the company.

Kenzo Doi, Corporate Auditor, attended all of the 13 Board of Directors meetings, and all of the 17 Board of Corporate Auditors meetings held during the business year, and mainly made comments based on his expert standpoint as an attorney.

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

The company has concluded contracts for limitation of liability with Corporate Auditors Hiroshi Kawamoto and Kenzo Doi, pursuant to the provisions of Article 427 Paragraph 1 of the Companies Act. The liability under said contract shall limited to either an amount of ¥ 10 million, or an amount specified by law, whichever is higher.

5. Accounting Auditors

(1) Accounting Auditor's Name

KPMG AZSA & Co.

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

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

¥ 142,667 thousand

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

¥ 221,726 thousand

(Note) Under the audit agreement between the Company and its Accounting Auditors, compensation for audits pursuant to the Corporation Law and audits pursuant to Financial Instruments and Exchange Law are not separated, and otherwise cannot be separated. Consequently, the above amounts reflect total compensation.

(3) Details of Non-audit Services

Not applicable.

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

Where the Accounting Auditor violates or contravenes laws such as the Companies Act and Certified Public Accountant Law, and where it is determined acts have been committed which go against public order and morality, the Board of Corporate Auditors shall consider whether to terminate or not renew the Accounting Auditors based on those facts, and make a decision in accordance with the Board of Corporate Auditors Regulations. Where the Board of Corporate Auditors determines that it is appropriate to terminate or not renew the appointment of Accounting Auditors, it will request the Board of Directors to terminate the Accounting Auditors' appointment, or put forward a proposal at the General Meeting of Shareholders to not renew the appointment of the Accounting Auditors, and the Board of Directors shall discuss the matter.

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.

Basic Policy

KHI Group's mission is to contribute to the development of society, and has articulated the below group missions (missions and roles which must be carried out) in the "Kawasaki Group Mission Statement".

Group Mission

"Enriching lifestyles and helping safeguard the natural environment: Global Kawasaki."

In order to realize this Group Mission it is crucial that we enhance our value offering for stakeholders and win the trust of customers, capital markets and society by living up to their expectations by acting out our mission statement. With this in mind, KHI Group will continue to maintain the internal control systems established to date and also strive to create company systems which are even more efficient and lawful by improving them through ongoing revision.

Development of Internal Controls

On March 1, 2008 we revised and established new internal regulations concerning internal controls based on the establishment of "Internal Control Management Regulations" to ensure our internal controls are more systematic and robust. As a result, as at the time of this resolution we have established the following internal control systems, however going forward we will review them as necessary, taking into account such factors as changes in the company's operating environment.

(1) Systems for storage and management of information related to Directors' execution of duties

- We have established, in accordance with laws, systems for storage of records regarding business decisions and operations, and other information is also stored and managed in accordance with our Document Management Policy.
- Confidential information contained in meeting materials and personal information are handled appropriately according to their respective internal regulations, and we ensure enforcement thereof through such measures as inspections and business audits, which are carried out according to methods stipulated in the regulations.

(2) Systems for management of risk of loss

- Key management policies and other matters discussed at Board of Directors Meetings are made compulsory by regulations.
- Rules for approval of important matters are articulated in the Approval Regulations.
- The basic principles concerning identification, evaluation and handling of risk are articulated in the Risk Management Regulations.
- We have systemized implementation of appropriate risk management for major projects through regulations concerning risk management of major projects.
- We have set down risk management regulations and articulated codes of conduct in event of emergencies, and have also established risk management systems.
- We strive to prevent occurrence of compliance risks through ongoing education and training for various types of compliance, predominantly by the CSR Department and Legal Department.
- We have established KHI Corporate Ethics Regulations for management of compliance risk and ensure enforcement of corporate ethics regulations through the activities of CSR committees.
- We ensure the appropriateness of business operations through the conduct of business audits by the Internal Audit Department (Audit Department).

(3) Systems to ensure efficient execution of Directors' duties

- We assign Directors' duties to ensure efficiency of business operations.
- We appoint Executive Officers pursuant to resolutions of the Board of Directors meeting, and strive for efficient execution of duties in each business segment.
- We have established management meetings and the Corporate Planning Department as a consultative

and support organ for the President.
- We formulate management plans and conduct regular follow-up to ensure company-wide efficiency of business operations.
- We hold Group business operations meetings to ensure employees throughout the KHI Group are familiar with management strategies and plans, and share a unified purpose.
- We have implemented a company system and operations as a pseudo-company system to ensure agility of our business operations.
- We implement budgetary controls over manufacturing costs, capital investments and indirect expenses, etc. to ensure efficient allocation of business resources.

(4) Systems to ensure that Directors' and employees' execution of duties are compliant with laws and the Articles of Incorporation

- We have appointed a Director who is independent of execution of business operations to enhance supervisory and monitoring functions of the Board of Directors for overall management.
- We apply the measures for compliance risk management described in (2) above.
- Directors, in addition to being obliged themselves to comply with the fundamental principles of corporate ethics, they are also obliged to make all employees comply with laws and regulations; and KHI's Corporate Ethics Regulations contains provisions to that effect.
- We ensure employees, in executing their duties, are compliant with laws and the company's Articles of Incorporation through the application of Executive Directors Regulations and Rules of Employment.
- We continuously strive to improve understanding and awareness of compliance by ongoing education and training activities for various types of legal compliance. With respect to compliance with the Anti-monopoly Law in particular, we have established the Board of Directors Management Bylaws and Anti-Monopoly Law Compliance Regulations in relation to compliance with the Anti-monopoly Law, and we carry out education and training to ensure Directors and employees comply with those laws and regulations.
- Through the CSR Department we implement compliance systems, carry out compliance education and training, and have a compliance reporting and consultation system (whistleblower system), and ensure enforcement through monitoring of each of those systems.
- To cut off relations with anti-social forces we have established a department responsible for overseeing handling of such matters and have also established close cooperation with external specialized organizations such as the police force.

(5) Systems to ensure proper business execution within the company group which is composed of the company, its parent company and subsidiaries

- We implement controls as shareholders of subsidiaries and affiliates through the execution of voting rights at the General Meeting of Shareholders
- We implement controls over important decisions, etc. concerning the operation of subsidiaries and affiliates through the Subsidiaries and Affiliates Regulations and Approval Regulations.
- We carry out management supervision and monitoring by dispatching part-time Directors and part-time Corporate Auditors. To ensure the enforcement thereof we have established internal regulations for part-time officers of subsidiaries and affiliates, and also carry out education and training for part-time officers.
- The company's full-time Corporate Auditor works in collaboration with the Full-time Corporate Auditors at subsidiaries and affiliates.

(6) 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.

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

- The Corporate Auditor's consent is required when hiring staff (to the Corporate Auditor) to assist with the Corporate Auditor's duties.

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

- In addition to attending Board of Directors meetings, Corporate Auditors also attend company-wide meetings, including management meetings and CSR committees.
- Corporate Auditors regularly exchange opinions with Directors.
- Directors and Corporate Auditors decide through mutual discussion which matters Directors should report to Corporate Auditors.

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

- Accounting Auditors and the Internal Audit Department closely collaborate with Corporate Auditors.
- Matters concerning the election of Corporate Auditors and their remuneration etc. are determined in accordance with laws and the Articles of Incorporation, with the consent of Corporate Auditors.

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

(As of March 31, 2009)

(Unit: million yen)

Description	Amount	Description	Amount
(Assets)		**(Liabilities)**	
Current assets	**995,796**	**Current liabilities**	**830,006**
Cash on hand and in banks	31,955	Trade payables	358,478
Trade receivables	402,341	Short-term borrowings	157,082
Merchandise and finished products	69,609	Income taxes payable	8,710
Work in process	325,578	Deferred tax liabilities	931
Raw materials and supplies	81,253	Accrued bonuses	14,241
Deferred tax assets	33,232	Provision for product warranties	7,638
Other current assets	54,937	Provision for losses on construction contracts	20,930
Allowance for doubtful receivables	(3,111)	Provision for losses on damages suit	7,410
Fixed assets	**403,974**	Other current liabilities	254,582
Net property, plant and equipment	**284,117**	Advances from customers	125,762
Buildings and structures	105,817	Current portion of bonds	20,000
Machinery and equipment	76,944	Other	108,819
Land	64,287	**Long-term liabilities**	**274,518**
Leased assets	690	Bonds payable	40,990
Construction in progress	19,572	Long-term debt	140,715
Other	16,805	Deferred tax liabilities	2,938
Intangible assets	**19,573**	Provision for environmental measures	3,980
Investments and other assets	**100,283**	Employees' retirement and severance benefits	79,969
Investments in securities	24,865	Other	5,924
Long-term loans	559	**Total liabilities**	**1,104,525**
Deferred tax assets	42,773	**(Net assets)**	
Other investments and other assets	33,272	**Shareholders' equity**	**312,415**
Allowance for doubtful receivables	(1,187)	**Common stock**	**104,328**
		Capital surplus	**54,281**
		Retained earnings	**154,272**
		Treasury stock	**(467)**
		Valuation and translation adjustments	**(21,974)**
		Net unrealized gains on securities	**3,139**
		Gains/losses on hedging items	**(263)**
		Foreign currency translation adjustments	**(24,850)**
		Minority interests	**4,804**
		Total net assets	**295,245**
Total assets	**1,399,770**	**Total liabilities and net assets**	**1,399,770**

Consolidated Statement of Income

(April 1, 2008 - March 31, 2009)

(Unit: million yen)

Description	Amount	
Net sales		**1,338,597**
Cost of sales		**1,146,944**
Gross profit		**191,652**
Selling, general and administrative expenses		**162,939**
Operating income		**28,713**
Non-operating income		**27,838**
Interest income	3,141	
Dividend income	1,210	
Gain on sales of marcketable and investment securities	620	
Equity in income of non-consolidated subsidiaries and affiliates	8,709	
Foreign exchange gains, net	10,373	
Other, net	3,784	
Non-operating expenses		**17,832**
Interest expense	6,658	
Loss on valuation of securities	1,875	
Other, net	9,298	
Recurring profit		**38,718**
Extraordinary income		**594**
Gain on sale of business	594	
Extraordinary losses		**15,688**
Provision for losses on damages suit	5,165	
Loss on contribution of securities to the pension trust	4,492	
Provision for environmental measures	1,812	
Loss on impairment of fixed assets	1,399	
Other	2,818	
Income before income taxes and minority interests		**23,625**
Income taxes-current		16,783
Income taxes-deferred		(6,021)
Minority interests in net income of consolidated subsidiaries		1,135
Net income		**11,727**

Consolidated Statement of Changes in Net Assets

(April 1, 2008 - March 31, 2009)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	104,328	54,290	151,401	(459)	309,560
Changes of items during the period					
Cash dividends			(8,341)		(8,341)
Net income for the year			11,727		11,727
Treasury stock purchased				(31)	(31)
Treasury stock disposed		(9)		23	14
Other			(514)		(514)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(9)	2,871	(7)	2,854
Balance at March 31, 2009	104,328	54,281	154,272	(467)	312,415

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized gains on securities	Gains (losses) on hedging items	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2008	10,292	5,217	(11,878)	3,631	5,845	319,037
Changes of items during the period						
Cash dividends						(8,341)
Net income for the year						11,727
Treasury stock purchased						(31)
Treasury stock disposed						14
Other						(514)
Net changes of items other than shareholders' equity	(7,152)	(5,480)	(12,972)	(25,606)	(1,040)	(26,646)
Total changes of items during the period	(7,152)	(5,480)	(12,972)	(25,606)	(1,040)	(23,792)
Balance at March 31, 2009	3,139	(263)	(24,850)	(21,974)	4,804	295,245

Notes to the Consolidated Financial Statements

(Notes to the basis for preparation of consolidated financial statements)

1. Scope of consolidation

   Number of consolidated subsidiaries and names of principal subsidiaries — 97 in total

   (Domestic) Kawasaki Shipbuilding Corporation, Kawasaki Plant Systems, Ltd., Kawasaki Trading Co., Ltd., Kawasaki Machine Systems, Ltd., Kawasaki Precision Machinery Ltd., NIPPI Corporation, Kawasaki Thermal Engineering Co., Ltd., Kawasaki Motors Corporation Japan, Kawasaki Life Corporation, EarthTechnica Co., Ltd.

   (Overseas) Canadian Kawasaki Motors Inc., Kawasaki Motors Corp., U.S.A., Kawasaki Motors Manufacturing Corp., U.S.A., Kawasaki Rail Car, Inc., Kawasaki Precision Machinery (U.K.) Limited, Kawasaki Motors Europe N.V., Kawasaki Motors Enterprise (Thailand) Co., Ltd., Kawasaki Motors (Phils.) Corporation, P.T. Kawasaki Motor Indonesia

   Of the seven subsidiaries that became newly consolidated, EarthTechinica Co., Ltd., which previously was an equity-method affiliate, was included in the scope of consolidation along with its subsidiaries, Fukae Powtech Co., Ltd., and another company, as the Company made an additional acquisition of its stock. KHITKAN Co., Ltd., which previously was also an equity-method affiliate, was included in the scope of consolidation as the Company made additional acquisition of its stock. In addition, the other three companies were included in the scope of consolidation as they were newly established.

   Of the five companies that were eliminated from the list of consolidated subsidiaries, four that were previously consolidated subsidiaries were excluded from the scope of consolidation as they disappeared as a result of acquisition by and merger with other consolidated subsidiaries. In addition, another company was excluded from the scope of consolidation as a result of its liquidation.

2. Application of the equity method

   (1) Number of non-consolidated subsidiaries and affiliates and names of principal companies which are subject to the equity method — 12 in total

   Affiliates — 12, Nantong COSCO KHI Ship Engineering Co.,Ltd.

   Of the six companies that were eliminated from the list of equity-method affiliates, EarthTechnica Co., Ltd. was excluded from the scope of equity method application along with its subsidiaries, Fukae Powtech Co., Ltd., and another company, as a result of an additional acquisition of its stock by the Company. KHITKAN Co., Ltd. was also excluded from the scope of equity method application as a result of an additional acquisition of its stock by the Company. The two other companies were excluded from the scope of equity method application as the Company had sold them.

   (2) Names of principal companies of non-consolidated subsidiaries and affiliates not subject to the equity method

   Affiliates — Commercial Airplane Co., Ltd., Asahi Aluminium Co.,Ltd.

   These affiliates are excluded from application of the equity method because they do not have any material impact on the consolidated financial statements with respect to net income and retained earnings.

3. Significant accounting policies

   (1) Standards and methods for evaluation of assets

   (i) Marketable securities

   Bonds held to maturity

   Principally stated by the amortized cost method

   Other marketable securities

   - Securities with market quotations

     Stated at market based on the market price on the settlement date of the accounting period (with all valuation differences charged to net assets and the cost of sale computed mainly by the moving average method).

- Securities without market quotations
  Stated at cost principally using the moving average method
  No trading securities are held by the Company.

(ii) Inventories
Stated at cost principally using the specific identification method, the moving-average method, and the fist-in first-out method (a method for lowering the book value due to deterioration of profitability)

(iii) Net credit and net liability incurred by derivative transactions
Stated at market

(2) Depreciation methods for fixed assets

(i) Property, plant and equipment

- Other than leased assets
  The declining balance method is principally used for depreciation. However, the straight line method is used for buildings acquired on or after April 1, 1998 (excluding buildings fixtures).
- Leased assets
  The leased assets involved in finance lease transactions that do not involve transfer of ownership are subject to the straight-line method, whereby the leasing period is deemed to be the duration of useful life and the residual value as zero.
  With respect to finance lease transactions not involving the transfer of ownership undertaken prior to the first year of implementation of the revision of the lease accounting standards, the Company continues to apply accounting treatment similar to that for ordinary operating leasing transactions.

(ii) Intangible assets

- Other than leased assets
  The straight line method is used. The Company’s own software (used by the Company) is subject to amortization based on the period of internal use (generally five years).
- Leased assets
  The leased assets involved in finance lease transactions that do not involve transfer of ownership are subject to the straight-line method, whereby the leasing period is deemed to be the duration of useful life and the residual value as zero.
  With respect to finance lease transactions not involving transfer of ownership undertaken prior to the first year of the implementation of the revision of the lease accounting standards, the Company continues to apply an accounting treatment similar to that for ordinary operating leasing transactions.

(3) Standards for translation of assets and liabilities denominated in foreign currencies into yen

The Company applies the revised accounting standards for transactions denominated in foreign currencies (*Opinion Concerning the Revision of Accounting Standards for Transactions Denominated in Foreign Currencies* issued by the Business Accounting Deliberation Council on October 22, 1999).

(4) Methods of accounting for provisions

(i) Allowance for doubtful receivables
In order to provide losses due to doubtful receivables, an amount mainly based on the historical write-off rate is recorded for ordinary receivables, and the necessary amount based on the estimated recoverability of individual cases is recorded for specified receivables such as doubtful receivables.

(ii) Accrued bonuses
A provision is recorded based on estimated bonuses to employees.

(iii) Provision for product warranties
A provision is recorded for expenditures for warranties concerning construction contracts based on past experience or on estimations of individual cases.

(iv) Provision for losses on construction contracts
A provision for an estimated amount of losses is recorded for the next fiscal year and thereafter concerning construction works which are anticipated to incur significant losses and which allow reasonable estimation of the loss incurred at the end of fiscal year under review among those construction works that have not been delivered as of the end of the fiscal year.

(v) Employees’ retirement and severance benefits

A provision is recorded for the amount deemed to have been incurred as of fiscal year-end under review based on the estimated retiree benefits and plan assets as of this fiscal year-end (including the retirement benefit trust) in order to cover employee retirement benefits, and any difference at the time of change in accounting standards is expensed by the amount computed on a pro rata basis for a ten year period, with the exception of certain consolidated subsidiaries.
Actuarial differences are expensed effective from the next fiscal year mainly by the straight line method over a period of ten years, and past service liabilities are expensed effective from this fiscal year chiefly by the straight line method for a period of ten years.

(vi) Provision for losses on damages suit
A provision is recorded for estimated amounts to cover any losses from the verdicts of any litigation.

(vii) Provision for environmental measures
The Company provided an estimated amount to cover expenditures for environmental measure expenses such as the disposal of PCB waste and soil improvement required under the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB (poly chlorinated biphenyl) Waste."

(5) Hedge accounting policy
The Company employs deferred hedge accounting and defers recognition of unrealized losses, unrealized gains, and evaluation differences incurred by the marking to market of hedges such as derivative transactions as net assets until losses and gains due to the target of hedging are recognized.

(6) Standards for revenue recognition
The percentage of completion method is applied with respect to revenues from large-scale long-term construction contracts (mainly those with construction periods in excess of one year and with contract amounts of not less than ¥3 billion), and the completed contract method is employed for other contracts. With regard to contracts for which the amount of revenue from delivery is not determined and/or cost of sales is not finalized, both sales and cost of sales are estimated

(7) Consumption tax and local consumption tax are subject to accounting treatment using the tax excluded method.

(8) Evaluation method for assets and liabilities of consolidated subsidiaries
The mark-to-market method is used for the evaluation of assets and liabilities of consolidated subsidiaries.

(9) Method for amortizing goodwill and negative goodwill
Goodwill and negative goodwill are amortized over the relevant period by the straight line method based on an estimate of their effective duration. However, all goodwill that is monetarily insignificant is amortized at the same time in the fiscal year under review.

(Notes to changes in accounting policies)

(1) Changes in the standards and method for evaluation of inventories
Inventories held for ordinary selling purposes were previously stated at cost principally using the specific identification method, the moving-average method, and the first-in first-out method. However, in accordance with the implementation of the Financial Accounting Standards for Inventory Evaluation (Business Accounting Standards, No.9, July 5, 2006) effective from this fiscal year, the Company makes the computation mainly by the specific identification method, the moving-average method, and the first-in first-out method (a method for lowering the book value due to a deterioration in profitability with respect to the amount on the balance sheet).
This change resulted in a decrease of ¥4,074 million in gross profit, operating income, recurring profit, and income before income taxes and minority interests respectively for this fiscal year.

(2) Application of the Practical Solutions on the Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements
Starting with this fiscal year, the Company applies the Practical Solutions on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18, May 17, 2006).

This change does not have any impact on net income for this fiscal year.

(3) Application of accounting standards for lease transactions

With respect to finance lease transactions not involving transfer of ownership, the Company previously applied an accounting treatment using a method similar to that for ordinary operating lease contracts, but the accounting treatment has been changed to the treatment for ordinary trading transactions in accordance with implementation from the fiscal year that started on or after April 1, 2008 of the Accounting Standards for Lease Transactions (Business Accounting Standards, No. 13 [June 17, 1993; First Committee, Business Accounting Deliberation Council; revised on March 30, 2007]) and the Guidelines for Application of Accounting Standards Concerning Lease Transactions (Guidelines for Application of Business Accounting Standards, No. 16 [January 18, 1994; Accounting System Committee, Japanese Institute of Certified Public Accountants; revised on March 30, 2007]). With respect to the method of depreciation of leased assets involved in finance leasing transactions not involving the transfer of ownership, the Company applies the straight line method in which a leasing period is deemed to be the duration of useful life and the residual value is stated as zero.

Notwithstanding the above, the Company continues to apply an accounting treatment similar to that for ordinary operating lease contracts with regard to finance lease transactions not involving the transfer of ownership that commenced prior to the first year of the implementation of the above standards.

This change has a negligible effect on net income for this fiscal year.

(Change in presentation methods)

(1) Consolidated balance sheets

In accordance with the implementation of the Cabinet Office Ordinance for Partial

Amendment of the Regulation for Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 50, August 7, 2008), items listed as “inventories” in the previous fiscal year were changed to be listed separately as “merchandise and finished products,” “work in process,” and “raw materials and supplies” starting from this fiscal year.

(2) Consolidated statement of income

“Loss on valuation of securities” is listed separately starting from this fiscal year as its monetary importance increased.

(Additional information)

The Company and the domestic consolidated subsidiaries reviewed the useful life of machinery and equipment in accordance with the revision of the tax regime for fiscal year 2008.

This resulted in a decrease of ¥1,690 million in operating income, recurring profit, and income before income taxes and minority interests, respectively.

(Notes regarding the consolidated balance sheet)

1. The amounts presented are rounded down to the nearest unit.	
2. Accumulated depreciation of property, plant and equipment	¥596,713 million
3. Guarantee liability	¥36,391 million
4. Assets pledged as collateral	
Buildings and structures	¥4,788 million
Land	¥818 million
Securities hold for investment purpose	¥301 million
Other	¥13 million
Liabilities relating to collateral	
Short-term borrowings	¥787 million
Long-term debt	¥914 million
Other	¥53 million

(Notes regarding the consolidated Statement of Income)

1. The amounts presented are rounded down to the nearest unit.

2. Gain on the sale of business is attributable to the transfer of the golf course operation business of Kawasaki Life Corporation, a consolidated subsidiary of the Company.

3. Loss on contribution of securities to the pension trust is attributable to the additional contribution of investment securities held by the Company to the pension trust.

4. Loss on impairment of fixed assets
   (1) Outline of the asset group that recognized an impairment loss

Use	Place	Type
Assets used for business operations	Sodegaura, Chiba	Machinery and equipment

   (2) Method for classifying individual asset groups
   Classification of individual asset groups is conducted principally on the basis of operating activities, and significant leasing assets and idle assets are treated individually as a specific asset group.
   (3) Developments that led to the recognition of an impairment loss
   Certain assets experienced a deterioration of operating results, decline of market price, and loss of usability. Accordingly, the Company lowered the book values of the relevant assets to recoverable amounts.
   (4) Method for computation of recoverable amount
   A recoverable amount is estimated by the net sale price or the use value. The net sale price is determined based on the real estate appraisal or the assessed value for real estate tax, and the use value is computed based on future cash flow.
   (5) Amount of loss on impairment of fixed assets
   The amount of loss on impairment of fixed assets of ¥1,399 million was recorded as an extraordinary loss which is mainly attributable to machines and equipment.

5. Other extraordinary losses are attributable to losses resulting from the suspension of activities for the participation in the FIM Road Racing World Championship Grand Prix.

(Notes regarding consolidated Statement of Changes in Net Assets)

1. Total number of shares outstanding as of end of the fiscal year under review

Common stock 1,669,629,122 shares

2. Dividends

Resolution	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 25, 2008	8,341	5	March 31, 2008	June 26, 2008

Scheduled date of resolution	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 25, 2009	5,004	3	March 31, 2009	June 26, 2009

3. Type and number of stock for share options

Common stock 17,709,893 shares

(Notes regarding per share information)

1. Net assets per share ¥ 174.10
2. Net income per share ¥ 7.02

Non-consolidated Balance Sheet

(As of March 31, 2009)

(Unit: million yen)

Description	Amount	Description	Amount
(Assets)		**(Liabilities)**	
Current assets	**652,956**	**Current liabilities**	**546,455**
Cash on hand and in banks	9,607	Notes payable-trade	25,797
Notes receivable-trade	1,595	Accounts payable-trade	214,072
Accounts receivable-trade	266,188	Short-term borrowings	118,968
Raw materials and supplies	50,006	Current portion of long-term debt	8,974
Work in process	238,757	Commercial papers	30,000
Advance payments	20,318	Current portion of bonds	20,000
Prepaid expenses	442	Notes payable-facilities	2,080
Deferred tax assets	16,536	Current portion of lease obligations	119
Short-term loans	26,417	Accounts payable-other	18,851
Accounts receivable-other	11,096	Accrued expenses	26,954
Accrued income	33	Income taxes payable	983
Other current assets	12,903	Advances from customers	48,373
Allowance for doubtful receivables	(947)	Deposits received	1,792
Fixed assets	**325,031**	Unearned revenue	18
Net property, plant and equipment	155,389	Accrued bonuses	6,756
Buildings	48,646	Provision for product warranties	1,007
Structures	9,389		
Machinery and equipment	35,497	Provision for losses on construction contracts	10,985
Vessels	1		
Aircraft	137	Provision for losses on damages suit	7,410
Vehicles	666	Other current liabilities	3,308
Tools, Furniture and fixtures	10,721	**Long-term liabilities**	**200,732**
Land	34,509	Bonds payable	30,000
Leased assets	547	Convertible bond	7,038
Construction in progress	15,271	Bond with stock acquisition rights	3,952
Intangible assets	13,758	Long-term debt	134,711
Software	3,474	Lease obligations	2
License production and licensee's execution right	114	Long-term accounts payable-other	374
		Employees' retirement and severance benefits	21,238
Other intangible assets	10,169	Provision for environmental measures	2,945
Investments and other assets	155,883	Other	471
Investments in securities	22,482	**Total liabilities**	**747,188**
Stock of affiliates	95,491	**Net assets**	
Investments in capital of affiliates	2,873	**Shareholders' equity**	**226,277**
Long-term loans	3,643	Common stock	104,328
Deferred tax assets	26,712	Capital surplus	52,098
Other investments and other assets	6,395	Legal capital surplus	52,058
Allowance for doubtful receivables	(1,713)	Other capital surplus	39
		Retained earnings	70,318
		Other retained earnings	70,318
		Provision for special depreciation	146
		Provision for advanced depreciation of fixed assets	6,798
		Provision for special account for advanced depreciation of fixed assets	384
		Retained earnings brought forward	62,988
		Treasury stock	(467)
		Valuation and translation adjustments	**4,522**
		Net unrealized gains on securities	2,872
		Gains/losses on hedging items	1,649
		Total net assets	**230,799**
Total assets	**977,988**	**Total liabilities and net assets**	**977,988**

Non-consolidated Statement of Income

(April 1, 2008 - March 31, 2009)

(Unit: million yen)

Description	Amount	
Net sales		**771,428**
Cost of sales		**718,187**
Gross profit		**53,241**
Selling, general and administrative expenses		**65,302**
Operating loss		**(12,061)**
Non-operating income		**25,534**
Interest income	1,002	
Dividend income	12,077	
Foreign exchange gains	11,213	
Other	1,241	
Non-operating expenses		**10,859**
Interest expense	3,465	
Interest on bonds	1,008	
Loss on valuation of securities	1,777	
Other	4,608	
Recurring profit		**2,614**
Extraordinary losses		15,716
Provision for losses on damages suit	5,165	
Loss on contribution of securities to the pension trust	4,492	
Provision for environmental measures	1,558	
Provision of allowance for doubtful receivables for affiliates	1,230	
Loss on valuation of stocks of affiliates	452	
Other	2,818	
Loss before income taxes		**(13,102)**
Income taxes-current	2,030	
Income taxes-deferred	(9,023)	
		(6,992)
Net loss		**(6,109)**

Non-consolidated Statement of Changes in Net Assets

(April 1, 2008 - March 31, 2009)

(Unit: million yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
				Other retained earnings					
	Common stock	Legal capital surplus	Other capital surplus	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	Retained earnings brought forward	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	104,328	52,058	48	174	6,734	–	77,859	(459)	240,745
Changes of items during the period									
Cash dividends							(8,341)		(8,341)
Net loss for the year							(6,109)		(6,109)
Treasury stock purchased								(31)	(31)
Treasury stock disposed			(9)					23	14
Provision for special depreciation				5			(5)		–
Reversal of provision for special depreciation				(33)			33		–
Provision for advanced depreciation of fixed assets					128		(128)		–
Reversal of provision for advanced depreciation of fixed assets					(64)		64		–
Provision for special account for advanced depreciation of fixed assets						384	(384)		–
Net changes of items other than shareholders' equity									
Total changes of items during the period	–	–	(9)	(28)	63	384	(14,871)	(7)	(14,468)
Balance at March 31, 2009	104,328	52,058	39	146	6,798	384	62,988	(467)	226,277

	Valuation and translation adjustments			
	Net unrealized gains on securities	Gains (losses) on hedging items	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2008	9,237	5,383	14,620	255,366
Changes of items during the period				
Cash dividends				(8,341)
Net loss for the year				(6,109)
Treasury stock purchased				(31)
Treasury stock disposed				14
Provision for special depreciation				–
Reversal of provision for special depreciation				–
Provision for advanced depreciation of fixed assets				–
Reversal of provision for advanced depreciation of fixed assets				–
Provision for special account for advanced depreciation of fixed assets				–
Net changes of items other than shareholders' equity	(6,364)	(3,733)	(10,098)	(10,098)
Total changes of items during the period	(6,364)	(3,733)	(10,098)	(24,566)
Balance at March 31, 2009	2,872	1,649	4,522	230,799

Notes to the Non-consolidated Financial Statements

(Notes to significant accounting policies)

1. Marketable securities are evaluated by the following methods:
   (1) Investment securities of subsidiaries and affiliates
   Stated at cost using the moving-average method
   (2) Other marketable securities
   - Securities with market quotations
     Stated at market based on the market price on the settlement date of the fiscal year
     Evaluation differences are all charged to net assets, and the amount obtained by subtracting the amount of tax effect from the total amount of the evaluation difference is represented in the section of net assets as "evaluation difference on other marketable securities."
     The cost of sales is calculated chiefly by the moving average method.
   - Securities without market quotations
     Stated at cost using the moving average method
     Trading securities and held-to-maturity bonds are not held by the Company.
2. Inventories are stated at cost using the specific identification method and the moving-average method (a method for lowering the book value due to deterioration of profitability)
3. Derivatives are stated at market
4. Property, plant and equipment are subject to depreciation conducted by the following methods:
   (1) Other than leased assets
   The Company mainly employs the declining balance method for depreciation. However, the straight line method is used for buildings acquired on April 1, 1998, or thereafter (excluding buildings fixtures).
   (2) Leased assets
   The leased assets involved in finance lease transactions that do not involve transfer of ownership are subject to the straight-line method, whereby the leasing period is deemed to be the duration of useful life and the residual value as zero.
   With respect to finance lease transactions not involving the transfer of ownership undertaken prior to the first year of implementation of the revision of the lease accounting standards, the Company continues to apply accounting treatment similar to that for ordinary operating leasing transactions.
5. Intangible assets are subject to amortization conducted by the following methods:
   (1) Other than leased assets
   The straight line method is used. The Company's own software (used by the Company) is subject to amortization based on the period of internal use (five years).
   (2) Leased assets
   The leased assets involved in finance lease transactions that do not involve transfer of ownership are subject to the straight-line method, whereby the leasing period is deemed to be the duration of useful life and the residual value as zero.
   With respect to finance lease transactions not involving transfer of ownership undertaken prior to the first year of the implementation of the revision of the lease accounting standards, the Company continues to apply an accounting treatment similar to that for ordinary operating leasing transactions.
6. The Company applies the revised accounting standards for transactions denominated in foreign currencies (*Opinion Concerning the Revision of Accounting Standards for Transactions Denominated in Foreign Currencies* issued by the Business Accounting Deliberation Council on October 22, 1999) as standards for translation of assets and liabilities denominated in foreign currencies into yen.
7. Standards of accounting for provisions
   (1) Allowance for doubtful receivables
   In order to provide losses due to doubtful receivables, an amount based on the historical write-off rate is recorded for ordinary receivables, and the necessary amount based on the estimated recoverability of individual cases is recorded for specified receivables such as doubtful receivables.
   (2) Accrued bonuses
   The Company has recorded a provision based on the estimated amount of payments in order to cover the bonus payouts to employees in accordance with the Company's Rules for Bonus Payment
   (3) Provision for product warranties
   A provision is recorded for expenditures for warranties concerning construction contracts based on past experience or on estimations of individual cases.
   (4) Provision for losses on construction contracts

A provision for an estimated amount of losses is recorded for the next fiscal year and thereafter concerning construction works which are anticipated to incur significant losses and which allow reasonable estimation of the loss incurred at the end of this fiscal year among those construction works that have not been delivered as of the end of the fiscal year.

(5) Employees' retirement and severance benefits

A provision is recorded for the amount deemed to have been incurred as of this fiscal year-end based on the estimated retiree benefits and plan assets as of this fiscal year-end (including the retirement benefit trust) in order to cover employee retirement benefits, and any difference at the time of change in accounting standards is expensed by the amount computed on a pro rata basis for a ten year period. Actuarial differences are expensed by the straight line method over a period of ten years commencing with the following fiscal year, and past service liabilities are expensed by the straight line method over a period of ten years commencing with the current fiscal year. With regard to the employees' retirement and severance benefits, the amount of pension assets presented after offsetting in the retirement benefit trust is ¥53,793 million (market value at the time when shares were contributed to the trust).

(6) Provision for losses on damages suit

A provision is recorded for estimated amounts to cover any losses from the verdicts of any litigation.

(7) Provision for environmental measures

The Company provided an estimated amount to cover expenditures for environmental measure expenses such as the disposal of PCB waste and soil improvement required under the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB (poly chlorinated biphenyl) Waste."

8. Hedge accounting policy

The Company employs deferred hedge accounting and defers recognition of unrealized losses, unrealized gains, and evaluation differences incurred by the marking to market of hedges such as derivative transactions as net assets until losses and gains due to the target of hedging are recognized.

9. The percentage of completion method is applied with respect to revenues from large-scale long-term construction contracts (mainly those with construction periods in excess of one year and with an amount of contract of not less than ¥ 3 billion), and the completed contract method is employed for other contracts. With regard to contracts for which the amount of revenue from delivery is not determined and/or the cost of sales is not finalized, both the sales and cost of sales are estimated.

10. Consumption tax and local consumption tax are subject to the accounting treatment using the tax excluded method.

(Notes to changes in accounting policies)

(1) Changes in the standards and method for evaluation of inventories

Inventories held for ordinary selling purposes were previously stated at cost using the specific identification method and the moving-average method. However, in accordance with the implementation of the Financial Accounting Standards for Inventory Evaluation (Business Accounting Standards, No.9, July 5, 2006) effective from this fiscal year, the Company makes the computation by the specific identification method and the moving-average method (a method for lowering the book value due to a deterioration in profitability with respect to the amount on the balance sheet).

This resulted in a decrease of ¥ 3,400 million in gross profit and recurring profit and an increase of ¥ 3,400 million in operating loss and loss before income taxes, respectively.

(2) Application of accounting standards for lease transactions

With respect to finance lease transactions not involving transfer of ownership, the Company previously applied an accounting treatment using a method similar to that for ordinary operating lease contracts, but the accounting treatment has been changed to the treatment for ordinary trading transactions in accordance with implementation from the fiscal year that started on or after April 1, 2008 of the Accounting Standards for Lease Transactions (Business Accounting Standards, No. 13 [June 17, 1993; First Committee, Business Accounting Deliberation Council; revised on March 30, 2007]) and the Guidelines for Application of Accounting Standards Concerning Lease Transactions (Guidelines for Application of Business Accounting Standards, No. 16 [January 18, 1994; Accounting System Committee, Japanese Institute of Certified Public Accountants; revised on March 30, 2007]). With respect to the method of depreciation of leased assets involved in finance leasing transactions not involving the transfer of ownership, the Company applies the straight line method in which a leasing period is deemed to be the duration of useful life and the residual value is stated as zero.

Notwithstanding the above, the Company continues to apply an accounting treatment similar to that for ordinary operating lease contracts with regard to finance lease transactions not involving the transfer of ownership that commenced prior to the first year of the implementation of the above standards.

This change has a negligible effect on net income for this fiscal year.

(Change in presentation methods)

Non-consolidated statement of income

Starting with this fiscal year, “loss on valuation of securities” is listed separately as its monetary importance has increased, and “gain on sale of securities” (¥ 11 million in this fiscal year) is presented by including it in the “other” item of “non-operating income”, as its monetary importance has decreased.

(Additional information)

Change in useful life of property, plant and equipment

The Company reviewed the useful life of machinery and equipment in accordance with the revision of the tax regime for fiscal year 2008.

This resulted in a decrease of ¥ 1,192 million in recurring profit and an increase of ¥ 1,192 million in operating loss and loss before income taxes, respectively.

(Notes to Non-Consolidated Balance Sheet)

1.	The amounts presented are rounded down to the nearest unit.	
2.	Accumulated depreciation of property, plant and equipment	¥ 368,083 million
3.	Monetary receivables from and payables to affiliates	
	Short-term monetary assets	¥ 147,500 million
	Long-term monetary assets	¥ 3,371 million
	Short-tem monetary liabilities	¥ 108,200 million
4.	Asset pledged as collateral and liability relating to collateral	
	(1) Assets pledged as collateral	
	Land	¥ 532 million
	Buildings	¥ 117 million
	Total	¥ 649 million
	(2) Liability relating to collateral	
	Long-term debt (due for repayment within one year)	¥ 782 million
	Long-term debt	¥ 231 million
5.	Guarantee liability for bank borrowings by affiliates and employees	¥ 58,205 million

(Notes to the Non-consolidated Statement of Income)

1. The amounts presented are rounded down to the nearest unit.
2. Transactions with affiliates

Net sales	¥ 354,894 million
Purchases	¥ 163,198 million
Transactions other than operating transactions	¥ 24,026 million

3. Loss on contribution of securities to the pension trust is attributable to the additional contribution of investment securities held by the Company to the pension trust.
4. Allowance for doubtful accounts of affiliates is related to loans to Kawasaki Gas Turbine Research Center, Ltd.
5. Evaluation loss on stock of affiliates is related to the shares of Kawasaki Metal Industries, Ltd.
6. Other extraordinary losses are attributable to losses resulting from the suspension of activities for the participation in the FIM Road Racing World Championship Grand Prix.

(Notes to Non-consolidated Statement of Changes in Net Assets)

Number of treasury stock at the end of fiscal year under review

Common stock 1,394,288 shares

(Notes to Tax Effect Accounting)

Among other factors, the main contributing factor to deferred tax assets is the disallowance of various provisions such as the employees’ retirement and severance benefits and the accrued bonuses, and the main contributing factor to the deferred tax liabilities incurred is evaluation differences in other securities.

(Notes to Leased Fixed Assets)

Other than the fixed assets recorded on the balance sheet, certain manufacturing facilities are used under finance lease contracts not involving the transfer of the ownership of the leased property.

(Notes for transactions with interested parties)

Unit: million yen

Attributes	Company name	Percentage of voting rights held	Relationship with interested party	Content of transaction	Amount of transaction	Item	Balance at fiscal year-end
Subsidiary	Kawasaki Shipbuilding Corporation	100% directly held	Directors concurrently serving	Loan guarantees	15,232	-	-
Affiliate	Nantong COSCO KHI Ship Engineering Co.,Ltd.	50% indirectly held	Directors concurrently serving	Loan guarantees	10,366	-	-

(Notes) Terms and conditions of trade and policy on deciding terms and conditions of trade
The Company provides loan guarantees for bank borrowings on request from financial institutions, thereby receiving a guarantee fee, which is a certain percentage of the amount of guarantee.

(Notes to per Share Information)

1. Net assets per share ¥ 138.34
2. Net loss per share ¥ 3.66

Board of Corporate Auditors’ audit report (duplicated copy)

Audit Report

(English Translation)

Regarding the performance of duties by the Directors for the 186th fiscal year from April 1, 2008 to March 31, 2009, 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

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.

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. In addition, we audited 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. Furthermore, with respect to internal controls on financial reporting under the Financial Instruments and Exchange Act, we received reports from the Directors as well as KPMG AZSA & Co. regarding the assessment of the internal controls concerned and the status of auditing thereof, and sought explanations as necessary. With respect to subsidiaries, we 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 supporting schedules related to the relevant fiscal year.

Furthermore, we 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. In addition, we 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 the supplementary schedules, 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 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 that states that the said controls were effective, and also received report from KPMG AZSA & Co., that states that there was no material defect 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 & Co., 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 & Co., are fair and reasonable.

May 22, 2009

Board of Corporate Auditors, Kawasaki Heavy Industries, Ltd.

Full-Time Corporate Auditor	Akira Tanoue
Full-Time Corporate Auditor	Nobuyuki Okazaki
Outside Corporate Auditor	Hiroshi Kawamoto
Outside Corporate Auditor	Kenzo Doi

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Retained Earnings

The Company's basic policy is to pay stable cash dividends to its shareholders, giving due attention to increased retained earnings to strengthen and expand its business foundations for future growth.

Taking into consideration the level of profits and various other factors, including retained earnings, the annual cash dividend will amount to ¥3 per ordinary share for a total of ¥5,004,704,502.

In addition, the Company's year-end dividend distribution is June 26, 2009.

Proposal No. 2 Proposed Amendments to the Articles of Incorporation

1. Reasons for the amendments

(1) In accordance with the enforcement of the Act for Partial Revision of the Act on Book-Entry Transfer of Corporate Bonds for Streamlining the Settlement of Transactions in Stocks (Law No. 88 of 2004) and the abolition of the Act on Custody and Transfer of Share Certificates (Act No. 30 of 1984), the Company proposes to amend the Articles of Incorporation for the following reasons:

  (i) As share certificates have been abolished, the Company proposes to delete the provisions concerning the issuance of share certificates (Art.8 and Art.10, Paragraph 2 of the existing Articles of Incorporation) and the provisions concerning the type of share certificates (Art.9 of the existing Articles of Incorporation) and to make necessary changes by transferring the provision concerning the registration of loss of share certificates (Art.14, Paragraph 3 of the existing Articles of Incorporation) to the Supplementary Provisions (to be established).

  (ii) The Company proposes to delete the provisions relating to the Beneficiary Shareholders and the List of Beneficiary Shareholders (Art.11, Paragraph 1 and Art.14, Paragraph 3 of the existing Articles of Incorporations) as the Beneficiary Shareholder concept has been terminated.

  (iii) The Company proposes to make necessary amendments, including changing the number of articles, in accordance with the above.

(2) The Company proposes to make necessary amendments and the President or Chairman of the Company shall act as chairman of the Annual General Meeting of Shareholders in accordance with the resolution of the Board of Directors (Art.19 of the existing Articles of Incorporation).

2. Contents of proposed amendments

The contents of the proposed amendments are as follows:

The provision of Art.8 of the Articles of Incorporation of the Company is deemed to have been abolished as a result of Art.6, Paragraph 1 of the Supplementary Provisions of the Act for Partial Revision of the Act on Book-Entry Transfer of Corporate Bonds for Streamlining the Settlement of Transactions in Stocks. Accordingly, the Articles of Incorporation were amended as of January 5, 2009, when the Act was enforced, and the provisions after amendment are presented as the existing Articles of Incorporation.

(Underline indicate amendment)

Current Articles of Incorporation	Proposed provisions after amendment
Art.8: (Deleted)	(Deleted)
(Class of Share Certificate) Art.9: The class of share certificates issued by the Corporation shall be governed by the regulations the handling of shares to be promulgated by the Board of Directors.	(Deleted)
(The Number of Shares Constituting One Unit of Stock (tangen-kabu) and Non-issuance of Share Certificate of Share Certificates of the Number of Odd-Lot Shares) Art.10: The number of shares constituting one unit of stock of the Corporation is one thousand. (ii) Notwithstanding the provisions of Art.8, the Corporation shall not issue any share certificates for "Odd-Lot Shares" which is defined in Art.189, Paragraph 1, of the Companies Act. However, this provision may not apply where otherwise provided in the regulations regarding the handling of shares.	(The Number of Shares Constituting One Unit of Stock (tangen-kabu)) Art.8: The number of shares constituting one unit of stock of the Corporation is one thousand. (Deleted)
(Rights Related to Odd-Lot Shares) Art.11: As to Odd-Lot Shares, the Corporation's shareholders (including beneficiary shareholders; which hereinafter applies) cannot exercise rights other than the following: 1) to 4) (Omitted)	(Rights Related to Odd-Lot Shares) Art.9: As to Odd-Lot Shares, the Corporation's shareholders cannot exercise rights other than the following: 1) to 4) (No change)
Art.12 to 13: (Omitted)	Art.10 to 11: (Changes in article numbers only)
(Custodian of the Record of Shareholders) Art.14: The Corporation shall appoint a custodian of the record shareholders. (ii) The custodian of the record of shareholders shall be determined by the Board of Directors, which shall publish the name of the Custodian of the Record of Shareholders and the office where such business will be handled. (iii) The register of shareholders of the Corporation (including the register of beneficiary shareholders; which hereinafter applies), the original register of stock acquisition rights and the register of lost share certificates, shall be made and kept at the office of the custodian of the record of shareholders. Other business concerning the register of shareholders, the original register of stock acquisition rights and registration of lost share certificates shall be entrusted to the custodian of the record of shareholders. The Corporation shall not handle such business.	(Custodian of the Record of Shareholders) Art.12: (No change) (ii) (No change) (iii) The register of shareholders of the Corporation and the original register of stock acquisition rights shall be made and kept at the office of the custodian of the record of shareholders. Other business concerning the register of shareholders and the original register of stock acquisition rights shall be entrusted to the custodian of the record of shareholders. The Corporation shall not handle such business.
Art.15 to 18: (Omitted)	Art.13 to 16: (Changes in article numbers only)

Current Articles of Incorporation	Proposed provisions after amendment
(Chairman) Art.19: The President shall be the Chairman of the Meeting of Shareholders.	(Chairman) Art.17: Either The President or Chairman of the Board shall be the Chairman of the Meeting of Shareholders pursuant to the determination by the Board of Directors.
(ii) If the President is unable to preside over the Meeting of Shareholders, one of the Representative Directors, in the order established in advance by the Board of Directors, shall act for the President.	(ii) If the Chairman determined by the Board of Directors is unable to preside over the Meeting of Shareholders, one of the Representative Directors, in the order established in advance by the Board of Directors, shall act for the President.
(iii) (Omitted)	(iii) (No change)
Art.20 to 52: (Omitted)	Art.18 to 50: (Changes in article numbers only)
(Newly Established)	Supplementary Provisions Art.1: Preparing and keeping the register of lost share certificates of the Corporation, and other work related to the register of lost share certificates shall be entrusted to the Custodian of the Record of shareholders and shall not be handled by the Corporation. Art.2: Articles 1 and 2 of the Supplementary Provisions shall be valid through January 5, 2010 and shall be deleted upon the elapse of that date.

Furthermore, in accordance with the enforcement of the Act for Partial Revision of the Act on Book-Entry Transfer of Corporate Bonds for Streamlining the Settlement of Transactions in Stocks, resolution of the Annual General Meeting of Shareholders is not required to delete the provisions relating to issuance of shares. Therefore, the Articles of Incorporation were amended as follows effective January 5, 2009.

(Underline indicate amendment)

Current Articles of Incorporation	Proposed provisions after amendment
(Issuance of Share Certificates) Art.8: The Corporation shall issue certificates for the shares.	Art.8: (Deleted)

Proposal No. 3 Election of Ten Directors

As the term of office of all nine Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders, we propose to elect ten Directors.

The candidates for Director are as follows:

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Representation in other companies] (Unimportant details excluded)		Shares of the Company
1	Tadaharu Ohashi (Nov. 9, 1944)	Apr. 1969 Jun. 2003 Apr. 2005 Jun. 2005	Joined Kawasaki Heavy Industries, Ltd. Senior Vice President Senior Executive Vice President, Assistant to the President President (current position) [Representation in other companies] Chairman, Japan Aircraft Development Corporation	111,000 shares
2	Chikashi Motoyama (May 10, 1945)	Apr. 1973 Apr. 2004 Jun. 2004	Joined Kawasaki Heavy Industries, Ltd. Executive Officer President, Aerospace Company Senior Vice President President, Aerospace Company (current position)	146,000 shares
3	Masashi Segawa (Nov. 22, 1947)	Apr. 1970 Jun. 2005 Apr. 2009	Joined Kawasaki Heavy Industries, Ltd. Senior Vice President President, Rolling Stock & Construction Machinery Company Senior Executive Vice President, Assistant to the President, In charge of Technology & Marketing General Manager, Corporate Technology Division, In charge of Industrial Facilities and Tunneling Equipment Division and Robot Division (current position)	96,000 shares
4	Shuji Mihara (Jan. 27, 1946)	Apr. 1969 Jun. 2007 Apr. 2008 Apr. 2009	Joined Kawasaki Heavy Industries, Ltd. Senior Vice President Senior Manager, Personnel & Labor Administration Department, In charge of Outside Activity for Kansai Region Senior Vice President Senior Manager, Corporate Planning Department, In charge of Subsidiaries & Affiliates Control Department and Legal Department and Personnel & Labor Administration Department Senior Executive Vice President, Assistant to the President In charge of Management Division of the Head Office In charge of Consumer Products & Machinery Company (current position)	74,000 shares
5	Satoshi Hasegawa (Aug. 16, 1947)	Apr. 1972 Jun. 2007 Apr. 2009	Joined Kawasaki Heavy Industries, Ltd. Senior Vice President President, Gas Turbine & Machinery Company Senior Executive Vice President, Assistant to the President (current position)	61,000 shares
6	Mitsutoshi Takao (Apr. 1, 1950)	Apr. 1972 Apr. 2004 Apr. 2005 Jun. 2008 Apr. 2009	Joined Kawasaki Heavy Industries, Ltd. General Manager, Finance & Accounting Department Executive Officer General Manager, Finance & Accounting Department Senior Vice President General Manager, Finance & Accounting Department Senior Vice President General Manager, Corporate Planning Division (current position)	47,000 shares

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Representation in other companies] (Unimportant details excluded)		Shares of the Company
7	Nobumitsu Kambayashi (May 28, 1948)	Apr. 1971 Oct. 2002 Jun. 2005 Apr. 2008	Joined Kawasaki Heavy Industries, Ltd. Director Senior Manager, Marketing & Sales Division, Kawasaki Shipbuilding Corporation Senior Vice President Senior Manager, Marketing & Sales Division Managing Executive Officer General Manager, Corporate Business Development Division, Kawasaki Heavy Industries, Ltd. Senior Vice President Kawasaki Shipbuilding Corporation (current position) [Representation in other companies] Senior Vice President, Kawasaki Shipbuilding Corporation	24,000 shares
8	Kyohei Matsuoka (Sep. 16, 1949)	Apr. 1973 Apr. 2003 Apr. 2006 Apr. 2008 Apr. 2009	Joined Kawasaki Heavy Industries, Ltd. General Manager, Planning & Control Division, Rolling Stock, Construction Machinery & Crushing Plant Company Senior Manager, Rolling Stock Control Department, Rolling Stock, Construction Machinery & Crushing Plant Company Executive Officer General Manager, Planning & Control Division, Rolling Stock Company Managing Executive Officer Vice President, Rolling Stock Company Managing Executive Officer President, Rolling Stock Company (current position)	41,000 shares
9	Yuichi Asano (Sep. 13,1947)	Apr. 1970 Apr. 2003 Apr. 2005 Nov. 2007 Apr. 2008 Apr. 2009	Joined Kawasaki Heavy Industries, Ltd. Deputy General Manager, Machinery Division, Gas Turbine & Machinery Company Senior Manager, Manufacturing Center, Machinery Division, Gas Turbine & Machinery Company Executive Officer Vice President, Gas Turbine & Machinery Company Senior Manager, Manufacturing Center, Machinery Division, Gas Turbine & Machinery Company Executive Officer Vice President, Gas Turbine & Machinery Company General Manager, Machinery Division, Gas Turbine & Machinery Company Senior Manager, Manufacturing Center, Machinery Division, Gas Turbine & Machinery Company Executive Officer General Manager, Machinery Division, Gas Turbine & Machinery Company Managing Executive Officer President, Gas Turbine & Machinery Company (current position)	7,000 shares
10	Hiroshi Takata (Jan. 5, 1950)	Apr. 1972 Apr. 2004 Apr. 2006 Apr. 2007 Apr. 2009	Joined Kawasaki Heavy Industries, Ltd. Deputy General Manager, Research & Development Division, Consumer Products & Machinery Company Senior Manager, Research Department, Consumer Products & Machinery Company Senior Manager, Quality Division, Consumer Products & Machinery Company General Manager, Research & Development Division, Consumer Products & Machinery Company Managing Executive Officer President, Consumer Products & Machinery Company (current position)	26,000 shares

(Note) There is no special conflict of interest between the Company and candidates.

Proposal No. 4 Election of Three Corporate Auditors

As the term of office of the Corporate Auditors, Mr. Akira Tanoue, Mr. Hiroshi Kawamoto, and Mr. Kenzo Doi, will expire at the conclusion of this Ordinary General Meeting of Shareholders, we propose to elect three Corporate Auditors.

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

The candidates for Corporate Auditor are as follows:

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Representation in other companies] (Unimportant details excluded)		Shares of the Company
1	Kenzo Doi (Dec. 5, 1947)	Apr. 1975 Jun. 2005	Admitted to Bar in Japan Joined Kitayama Law Office (At present Kobe-Kyobashi Law Office) Corporate Auditor, Kawasaki Heavy Industries, Ltd. (current position)	0 shares
2	Tatsuyoshi Ohgushi (Jan. 3, 1952)	Apr. 1974 Jun. 2003 Apr. 2008 Apr. 2009	Joined Kawasaki Heavy Industries, Ltd. Deputy Senior Manager, Personnel & Labor Administration Department Senior Manager, Personnel & Labor Administration Department Staff Officer to Corporate Auditor (current position)	4,000 shares
3	Michio Oka (Mar. 19, 1946)	Apr. 1969 Jun. 2000 Jun. 2002 Jun. 2002 Jun. 2002	Joined Kawasaki Kisen Kaisha, Ltd. Senior Vice President Resigned Senior Vice President President, Kawaki Kosan Kaisha, Ltd. President, “K” Line Accounting and Finance Co., Ltd. (current position) [Representation in other companies] President, Kawaki Kosan Kaisha, Ltd. President, “K” Line Accounting and Finance Co.,Ltd.	0 shares

(Notes) 1. No material conflict of interest exists between the Company and any of the above candidates for Corporate Auditors.

2. Contents of the provisions in Article 76, Paragraph 4 of the Companies Act Enforcement Regulations regarding candidates for Outside Corporate Auditors

(i) Mr. Kenzo Doi and Mr. Michio Oka are candidates for Outside Corporate Auditors.

(ii) Mr. Kenzo Doi has been chosen as a candidate for Outside Corporate Auditor as the Company has judged that he is able to perform duties as Outside Corporate Auditor appropriately in light of his substantial experience and knowledge as a lawyer even though he has not yet been directly involved in corporate management.

(iii) Mr. Michio Oka has been chosen as a candidate for Outside Corporate Auditor as the Company has judged that he is able to perform duties as Outside Corporate Auditor in light of his substantial experience as a company manager. Furthermore, Mr. Michio Oka intends to resign as a Director of Kawaki Kosan Kaisha, Ltd. and “K” Line Accounting and Finance Co., Ltd. on June 25, 2009.

(iv) Four years pass since Mr. Kenzo Doi commenced his service as Outside Corporate Auditor of the Company at the conclusion of this Ordinary General Meeting of Shareholders.

(v) After the proposed election, Mr. Kenzo Doi and Mr. Michio Oka intend to conclude, within the bounds of the law, an agreement with the Company that limits their responsibilities pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The amount of limit pursuant to the contract concerned will be the higher of ¥10,000 thousand or the amount stipulated by law.