(Securities Code 7012)
June 4, 2010

Dear Shareholders

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

NOTICE OF
THE 187TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 187th 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, 2010.

<u>Exercise of Voting Rights in Writing</u>

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.

<u>Exercise of Voting Rights via the Internet</u>

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:** Friday, June 25, 2010 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 187th Fiscal Year (April 1, 2009 - March 31, 2010) 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 187th Fiscal Year (April 1, 2009 - March 31, 2010)

Proposal No. 1: Appropriation of Retained Earnings
Proposal No. 2: Election of Twelve Directors
Proposal No. 3: Election of One Substitute Corporate Auditor
(Please refer to the "Reference Documents for the General Meeting of Shareholders" hereinafter for information on each of the proposals.)

4 Other decisions regarding the General Meeting of Shareholders:

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 Documents 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, The Chuo Mitsui Trust and Banking Company, Ltd. which is the regulatory agency for special accounts).

(Appendix)

Business Report

(April 1, 2009 - March 31, 2010)

1. Overview of the Company Group

(1) Business Progress and Results

(i) General Conditions

In the current consolidated fiscal year the Japanese economy started to show signs of economic recovery due to an increase in external demand from emerging countries and the lifting of domestic demand, however, conditions continued to be harsh owing to the appreciation of the yen against the US dollar, continued stagnation of capital expenditure, and no signs of improvement of the employment situation and falling personal consumption.

With respect to the global economy, although there were signs of growth in some emerging countries, countries in Europe and North America experienced only moderate recovery.

Amid this operating environment, business operations of KHI Group's business segments continued to be under severe pressure in the current consolidated fiscal year, with orders declining in all business segments except the Plant & Infrastructure Engineering segment, resulting in overall orders received amounting to ¥1,001.2 billion, 35% lower than the previous fiscal year.

Net sales were ¥1,173.4 billion, 12% lower than the previous fiscal year, although the Shipbuilding segment reported increased revenue, revenue decreased for the Group overall.

In terms of profit, the appreciation of the yen and the falling markets in Europe and North America had a significant impact, and with the exception of the Aerospace and Shipbuilding segments, profits fell, resulting in a ¥1.3 billion operating loss, which was significantly lower than the previous fiscal year in which a profit was posted, and recurring profit was ¥14.2 billion, 63% lower than the previous fiscal year.

An extraordinary loss of ¥19.6 billion was posted for items including business structure improvement expenses, provision for losses on damages suit and loss on impairment of fixed assets at some consolidated subsidiaries, resulting in a current net loss of ¥10.8 billion, significantly lower than the previous fiscal year in which a profit was posted.

(ii) Operating conditions by business segment

The **Shipbuilding segment** orders received were ¥16.1 billion, significantly lower than the previous fiscal year, due to a significant decline in orders for new vessels.

Net sales were ¥151.8 billion, higher than the previous fiscal year, due to an increase in sales of large carriers.

Operating income was ¥1.4 billion, a significant improvement on the previous fiscal year in which a loss was posted, due to among other factors, higher net sales and improved profitability as a result of lower costs of raw materials.

The **Rolling Stock segment**, despite having received such overseas orders as subway cars for Singapore, orders received were ¥77.1 billion, significantly lower than the previous fiscal year in which large orders were received.

Despite increased sales to JR Group companies and overseas markets for rolling stock, net sales were ¥167.1 billion, lower than the previous fiscal year, due to segment reclassification of the Construction Machinery division, and other factors.

Operating income declined ¥3.6 billion from the previous fiscal year to ¥7.7 billion, due to factors such as lower profitability of exports as a result of the strong yen.

The **Aerospace segment** orders received were ¥171.3 billion, significantly lower than the previous fiscal year due among other factors to a decline in orders received from Japan's Ministry of Defense (MOD) for aircraft, and from The Boeing Company for component parts for the B777 aircraft.

Net sales were ¥188.8 billion, a decline on the previous year due among other factors to a decrease in sales to MOD.

Despite a decrease in net sales, operating income was ¥1.7 billion, improving significantly from the previous fiscal year in which a loss was posted, due mainly to a revision of the timing of expense recognition resulting from changes to the development schedule of the B787 for The Boeing Company.

The **Gas Turbines & Machinery segment** orders received were ¥226.2 billion, significantly lower than the previous fiscal year, due to a decline in orders received for components for aircraft engines which the segment received large orders in the previous fiscal year, and propulsion systems for ships.

Net sales were ¥191.3 billion, lower than the previous fiscal year, due to a decline in sales of such items as marine diesel engines, despite an increase in sales of steam turbines for land and other products.

Operating income declined ¥4.3 billion from the previous fiscal year to ¥6.6 billion due among other factors to the impact of the strong yen.

The **Plant & Infrastructure Engineering segment** orders received were ¥124.7 billion, a significant increase over the previous fiscal year, due to orders received from overseas customers for a fertilizer plant and other items.

Net sales were ¥90.4 billion, lower than the previous fiscal year, due to a decrease in sales of large-scale plants to overseas customers, and other factors.

Operating income declined ¥2.6 billion from the previous fiscal year to ¥6.2 billion, due among other factors to a decline in net sales.

The **Consumer Products & Machinery segment**’s net sales were ¥216.9 billion, significantly lower than the previous fiscal year, due mainly to a decline in sales of motorcycles to Europe and the U.S., as well as a decline in sales of various industrial robots.

Operating loss deteriorated ¥21.5 billion from the previous fiscal year to ¥31.6 billion, due to a decline in net sales as well as the impact of the strong yen and other factors, despite improvement of the marginal profit ratio and measures to cut fixed expenses.

The **Hydraulic Machinery segment**’s orders received, predominantly from the construction machinery industry, declined from the previous fiscal year to ¥71.0 billion.

Net sales were lower than the previous fiscal year at ¥68.8 billion, owing to the decrease of sales to the construction machinery industry.

Operating income declined by ¥1.4 billion from the previous fiscal year to ¥6.9 billion due to a decrease in net sales.

In the **Other segment** net sales were lower than the previous fiscal year at ¥97.8 billion.

Operating income/loss declined ¥4.6 billion from the previous fiscal year, resulting in a loss of ¥400 million, due mainly to the impact of the segment reclassification of the Construction Machinery division.

(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 segment	161	(553)	1,518	254	14	25
Rolling Stock segment	771	(1,874)	1,671	(192)	77	(36)
Aerospace segment	1,713	(677)	1,888	(115)	17	59
Gas Turbines & Machinery segment	2,262	(1,292)	1,913	(37)	66	(43)
Plant & Infrastructure Engineering segment	1,247	411	904	(146)	62	(26)
Consumer Products & Machinery segment	2,169	(1,194)	2,169	(1,194)	(316)	(215)
Hydraulic Machinery segment	710	(130)	688	(161)	69	(14)
Other segment	975	(79)	978	(57)	(4)	(46)
Eliminations and corporate	-	-	-	-	(1)	(2)
Total	10,012	(5,392)	11,734	(1,651)	(13)	(300)

(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.
3. From the current consolidated fiscal year (ended March 31, 2010) the Construction Machinery division is excluded from the Rolling Stock segment and is incorporated in the Other segment.

(2) Capital Investments, etc.

In the current consolidated fiscal year (ended March 31, 2010) KHI Group's total amount of capital investment was ¥59.2 billion, predominantly for renewal of aging equipment and facilities for streamlining production, which also includes necessary facilities to handle new machine types and products.

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

(3) Financing

Funds of ¥74.7 billion from long-term loans and ¥20 billion from domestic unsecured straight bonds and other funds from various sources were raised in the current consolidated fiscal year. The funds were allocated to such items as redemption of bonds, long-term loan repayments, capital investments and working capital.

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

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

(5) Transfer of business from other companies

Not applicable.

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

Not applicable.

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

Not applicable.

(8) Issues to be addressed

KHI Group unavoidably suffered a downturn in business performance, in particular for businesses engaged in mass production, due among other factors to constraints on fixed expenses beyond appropriate levels, occasioned by the global economic recession which began in 2008. The operating environment surrounding KHI Group continues to be harsh, due among other factors to a sharp decline in new order bookings in businesses engaged in custom-ordered production, which usually maintain stable revenues. Meanwhile, the world economic order surrounding KHI Group is undergoing a significant transformation due to factors such as heightened global interest in the areas of energy and the environment, and increasing multipolarity at the global level, centered on growth of emerging countries.

Amid these conditions, KHI Group is tasked with rapidly achieving optimization of inventory levels, fixed expense levels which correspond to the size of the market, and improvement of the marginal profit ratio for businesses engaged in mass production, while at the same time improving profitability of large mass-production projects and promptly dealing with foreseen loss risk for businesses engaged in custom-ordered production. KHI's recently established "Medium-Term Business Plan (FY2010-FY2012)" ("MTBP2010"), which covers the three year period from FY2010 to FY2012, aims to undertake measures to restructure KHI Group's revenue base and improve cashflows, and return to the growth path followed until the first half of FY2008.

In order for KHI Group to achieve sustained growth into the future, measures are required for the development and strengthening of new products and businesses from a medium to long-term perspective; to that end, KHI established "Kawasaki Business Vision 2020", which targets its vision for the Group in FY2020, and set forth a roadmap and strategy to attain the vision, while undertaking to concurrently implement the policies and measures defined in the Medium-Term Business Plan (FY2010-FY2012) to strategically position the Group for future growth. Moreover, through the re-unification of four Group companies, which is planned for this October, KHI will promote group-wide sharing and utilization of intellectual assets such as those related to technology and human resources which have been built up in each of the business units, and accelerate measures to attain the aims of the recently established Business Vision 2020.

The initiatives to be undertaken by each business segment are as follows. From April 2010 the denomination of the Consumer Products & Machinery segment was changed to the Motorcycle & Engine segment, and the denomination of the Hydraulic Machinery segment was changed to the Precision Machinery segment.

(i) Shipbuilding: Maintain competitiveness for the business in China, bolster the role of the domestic plants as the engineering and leading technology development center
(ii) Rolling Stock: Ensure profitability of overseas projects, particularly for the North America market, improve project management capabilities for handling overseas system projects, low cost rolling stock and high-speed rolling stock, etc.
(iii) Aerospace: Move ahead with major projects, including moving into the mass production of the next maritime patrol aircraft, next transport aircraft, and component parts for the Boeing 787
(iv) Gas Turbines & Machinery: Promote development of new models of jet engines for commercial aircraft, strengthen the energy and environment business areas through promoting development of new products and models, including industrial gas turbines and high-efficiency gas engines, and increase competitiveness by improving overall productivity
(v) Plant & Infrastructure Engineering: Bolster research and development in order to expand in the fields of energy and the environment, and accelerate efforts to commercialize new products and new business concepts
(vi) Motorcycle & Engine: Optimize inventory levels for motorcycles marketed to industrialized countries, lower the breakeven point, increase sales in Asia and Brazil, enter the Indian market, develop leading technology to respond to environmental requirements
(vii) Precision Machinery: Ensure stable profitability of construction machinery products, expand into other business areas, and strengthen system-handling capabilities for industrial robots
(viii) Other Businesses: Improve development and sales capabilities with respect to the construction machinery division through an alliance with Hitachi Construction Machinery Co., Ltd.

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 CSR committees in each organization. Furthermore, we are continuing to take thoroughgoing organizational compliance initiatives, principally through the CSR Department which is the umbrella organization cooperating with the Corporate Planning Division which presides over internal controls, with respect to the promotion of compliance and CSR including the creation of units in charge of compliance within each business unit, while also striving to create a corporate culture that places the highest priority at all times on information disclosure and its transparency.

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 184th fiscal year	The 185th fiscal year	The 186th fiscal year	The 187th fiscal year (under review)
Orders received	15,926	16,107	15,405	10,012
Net sales	14,386	15,010	13,385	11,734
Recurring profit	490	639	387	142
Net income (loss)	297	351	117	(108)
Net income (loss) per share (yen)	¥18.94	¥21.08	¥7.02	(¥6.51)
Total assets	13,579	13,787	13,997	13,524
Net assets	2,953	3,190	2,952	2,830

(ii) Company Assets and Income

Unit: 100 million yen

Item	The 184th fiscal year	The 185th fiscal year	The 186th fiscal year	The 187th fiscal year (under review)
Orders received	9,595	8,913	10,545	5,786
Net sales	9,196	8,899	7,714	6,441
Recurring profit	338	317	26	86
Net income (loss)	213	208	(61)	(54)
Net income (loss) per share (yen)	¥13.56	¥12.49	(¥3.66)	(¥3.24)
Total assets	9,382	9,229	9,779	9,764
Net assets	2,431	2,553	2,307	2,207

(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 Shipbuilding Corporation	¥10,000 million	100%	Design, manufacture, sale and maintenance of commercial and naval vessels and marine application equipment, other transportation equipment and their facilities and parts
Kawasaki Trading Co., Ltd.	¥600 million	70%	Sale of various industrial machinery, petroleum, steel, air conditioning equipment, etc.
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 industrial plants, 3D-CAD pipe design, and design and manufacture of control software
Kawasaki Machine Systems, Ltd.	¥796 million	100%	Sale and repair of gas turbine generators, 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.
KCM Corporation	¥3,000 million	100%	Design, manufacture, sale, repair, etc. of construction machinery
Kawasaki Motors Corporation Japan	¥100 million	100%	Sole distributor of motorcycles and personal water craft in Japan
Kawasaki Life Corporation	¥400 million	100%	Real estate sales and rental, building management, insurance agency business, leasing, and provision of loans
KCMJ Corporation	¥300 million	Note 2	Sale and repair of construction machinery, hydraulic machinery, and other industrial machinery
Canadian Kawasaki Motors Inc.	C$ 2 million	100%	Sales of motorcycles, 4-wheel buggies, personal water craft , general purpose gasoline engines in Canada
Kawasaki Motors Corp., U.S.A.	U.S.$ 165 million	100%	Sales of motorcycles, 4-wheel buggies, personal water craft , general purpose gasoline engines in the U.S.
Kawasaki Motors Manufacturing Corp., U.S.A.	U.S.$ 120 million	100%	Manufacture of motorcycles, 4-wheel buggies, personal water craft , general purpose gasoline engines, rolling stock, and industrial robots in the U.S.

Company name	Capital	The Company's percentage of equity participation	Main business
Kawasaki Rail Car, Inc.	U.S.$60 million	Note 3	Manufacture and after-sales service for rolling stock and related products, various engineering services
Kawasaki Motors Europe N.V.	€64 million	100%	Sole distributorship of motorcycles, 4-wheel buggies, personal water craft , general purpose gasoline engines in Europe
Kawasaki Motors Enterprise (Thailand) Co., Ltd.	1,900 million baht	100%	Manufacture and sale of motorcycles in Thailand
Kawasaki Motors (Phils.) Corporation	101 million peso	50%	Manufacture and sale of motorcycles in the Philippines
P.T. Kawasaki Motor Indonesia	U.S.$ 40 million	83%	Manufacture and sale of motorcycles in Indonesia

(Notes) 1. In the current consolidated fiscal year the following changes were made in relation to companies classified as major subsidiaries: two companies - KCM Corporation and KCMJ Corporation - were added; Kawasaki Precision Machinery (U.K.) Ltd. was excluded.
2. KCMJ Corporation is a wholly-owned subsidiary of KCM Corporation.
3. Kawasaki Rail Car, Inc. is a wholly-owned subsidiary of Kawasaki Motors Manufacturing Corp., U.S.A.

(iii) Progress of Business Combinations

There are 97 consolidated subsidiaries, including 20 companies which are cited in (ii) above as major subsidiaries, and there are 14 companies which are accounted for using the equity method.

(iv) Results of Business Combinations

As stated above in "Business Progress and Results", for the current consolidated fiscal year net sales declined ¥165.1 billion (12%) compared to the previous fiscal year, to ¥1,173.4 billion, and consolidated current net loss was ¥10.8 billion.

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

Segment	Main Business	Number of Employees
Shipbuilding segments	Manufacture and sale of ships, etc.	2,827
Rolling Stock segments	Manufacture and sale of rolling stock, and snow removal machinery, etc.	3,481
Aerospace segments	Manufacture and sale of aircraft, etc.	5,269
Gas Turbines & Machinery segments	Manufacture and sale of jet engines, general purpose gas turbines, prime movers, etc.	3,481
Plant & Infrastructure Engineering segments	Manufacture and sale of industrial machinery, boilers, infrastructure equipment, steel structures, etc.	2,530
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.	9,669
Hydraulic Machinery segments	Manufacture and sale of hydraulic machinery, etc.	1,151
Other	Manufacture and sale of construction machinery, Administration of commercial and welfare facilities, etc.	3,110
Company-wide common areas	(Head office Administration Department, Research & Development Department, etc.)	779
Total	-	32,297 (Japan 24,396 Overseas 7,901)

(Note) This company has 10,537 employees (average age; 42.1 years; average years of service: 18.6 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
Plants, etc.		Gifu Works (Kakamigahara), Nagoya Works 1 (Yatomi, Aichi), Nagoya Works 2 (Ama-gun, Aichi), Kobe Works, Hyogo Works, Seishin Works (Kobe), Akashi Works (Akashi), Kakogawa Works (Kakogawa), Harima Works (Kako-gun, Hyogo), Technical Institute (Akashi) 10 Works (including a Technical Institute)

(ii) Material Subsidiaries

i) Domestic

Company name	Location of principal offices	Location of plants
Kawasaki Shipbuilding Corporation	Kobe	Kobe, Sakaide
Kawasaki Trading Co., Ltd.	Kobe, Koto-ku, Tokyo	-
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
KCM Corporation	Kako-gun, Hyogo	Kako-gun, Hyogo
Kawasaki Motors Corporation Japan	Akashi	-
Kawasaki Life Corporation	Kobe	-
KCMJ Corporation	Kakogawa	-

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 Motors Europe N.V.	The 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.	196	417	613
Sumitomo Mitsui Banking Corporation	238	196	434
The Sumitomo Trust and Banking Co., Ltd.	165	114	279
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	22	171	194
Development Bank of Japan Inc.	163	1	165

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

Important law suits cases etc

The Japan Fair Trade Commission issued on June 27, 2006 a cease and desist order against our company on the grounds that there was illegal conduct (bid rigging) in violation of the Antimonopoly Act in relation to the construction of refuse incineration plants ordered by municipal governments etc. We have, however, lodged an appeal with the Tokyo High Court to seek for the cancellation of the decision. In that appeal, the Tokyo High Court ruled against our company (i.e. not agreeing to cancel the decision). We therefore appealed to the Supreme Court on October 9, 2008, however, on October 6, 2009, the appeal was declined, which confirms our company lost the suit. 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.
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.
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.
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. The case is currently under dispute.
Kohoku Greater Area Administrative Affairs Centre	Osaka High Court ruled against our company (i.e. ordered a payment of ¥422 million against 5 companies, including our company) on June 18, 2009, and since Mitsubishi Heavy Industries, Ltd. which had received the order made a payment on July 3, 2009, the suit is now closed.
Ichinomiya City	Nagoya District Court ruled against our company (i.e. ordered the payment of ¥1,215 million against five companies including our company) on December 8, 2009. We appealed to Nagoya High Court on December 25, 2009. The case is currently under dispute.
Sado City	An action for damages of ¥621 million has been brought against our company at Niigata District Court on May 26, 2009. The case is currently under dispute.
Greater Chichibu Municipal Association	An action for damages of ¥952 million has been brought against five companies including our company at Tokyo District Court on June 18, 2009. The case is currently under dispute.
Yachiyo City	An action for damages of ¥585 million has been brought against our company at Tokyo High Court on March 29, 2010. The case is currently under dispute.

2. Status of Shares (as of March 31, 2010)

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

(2) Total number of shares issued 1,669,629,122 shares
(including 1,780,388 shares of treasury stock)

(3) Number of shareholders 167,090 persons

(4) Major shareholders (top 10)

Shareholder name	Shareholders' investment in the company	
	Number of shares held	Shareholding ratio
	thousand shares	%
Japan Trustee Services Bank, Ltd. (Trust Account)	66,043	3.9
Mizuho Bank, Ltd.	57,443	3.4
JFE Steel Corporation	56,174	3.3
Nippon Life Insurance Company	54,016	3.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	49,400	2.9
Tokio Marine & Nichido Fire Insurance Co., Ltd.	43,304	2.5
Kawasaki Heavy Industries, Ltd. Kyoueikai	32,181	1.9
Kawasaki Heavy Industries, Ltd. Employees Shareholder Association	31,829	1.9
Sumitomo Mitsui Banking Corporation	26,828	1.6
NIPPONKOA Insurance CO., LTD.	24,769	1.4

(Note) The shareholding ratio is calculated after subtracting treasury stock (1,780,388 shares).

3. Company Share Options

(1) Share options held by company officers at the end of the fiscal year under review

Not applicable.

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

Not applicable.

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

Share options already issued and currently existing

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 and other significant concurrent positions
* Chairman	Tadaharu Ohashi	Chairman, Japan Aircraft Development Corporation
* President	Satoshi Hasegawa	
* 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	Masashi Segawa	Assistant to the President, General Manager, Corporate Technology Division, in charge of technology and marketing, Industrial Facilities and Tunneling Equipment Division and Robot Division
* Senior Vice President	Chikashi Motoyama	President, Aerospace Company
* Senior Vice President	Mitsutoshi Takao	General Manager, Corporate Planning Division
○* Senior Vice President	Yuichi Asano	President, Gas Turbine & Machinery Company
○* Senior Vice President	Nobumitsu Kambayashi	General Manager, Corporate Business Development Division
○* Senior Vice President	Kyohei Matsuoka	President, Rolling Stock Company
○* Senior Vice President	Hiroshi Takata	President, Consumer Products & Machinery Company
Corporate Auditor	Nobuyuki Okazaki	(Standing)
○ Corporate Auditor	Tatsuyoshi Ogushi	(Standing)
Corporate Auditor	Kenzo Doi	Attorney, Outside Corporate Auditor of World Co., Ltd.
○ Corporate Auditor	Michio Oka	

(Notes)
1. * means a Representative Director.
2. Corporate Auditors Kenzo Doi and Michio Oka are both Outside Corporate Auditors.
3. Corporate Auditor Michio Oka is an Independent Officer.
4. ○ means new Directors and Corporate Auditors appointed at the 186th ordinary general meeting of shareholders held on June 25, 2009.
5. Masamoto Tazaki, Akira Matsuzaki and Shinichi Tamba, all Directors, and Akira Tanoue and Hiroshi Kawamoto, both Corporate Auditors, have resigned during the relevant business year with the conclusion of the 186th ordinary general meeting of shareholders.
6. As of April 1, 2010, the positions of Directors have changed: Chikashi Motoyama, formerly Senior Vice President (Representative Director) has become Director; and Nobumitsu Kambayashi, formerly Senior Vice President (Representative Director) has become Senior Vice President.
7. 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.

8. Executive Officers as of April 1, 2010 are as follows.

Position	Name	Areas of Responsibility within the Company
President	Satoshi Hasegawa	
Senior Executive Vice President	Shuji Mihara	Assistant to the President, in charge of the head office administrative departments and Mortorcycle & Engine Company
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	Mitsutoshi Takao	General Manager, Corporate Planning Division, in charge of Finance & Accounting Department
Senior Vice President	Yuichi Asano	President, Gas Turbine & Machinery Company
Senior Vice President	Nobumitsu Kambayashi	In charge of matters specially assigned by the President (Managing Director, Kawasaki Shipbuilding Corporation)
Senior Vice President	Kyohei Matsuoka	President, Rolling Stock Company
Senior Vice President	Hiroshi Takata	President, Mortorcycle & Engine Company
Managing Executive Officer	Shigeru Murayama	President, Aerospace Company
Executive Officer	Toru Yamaguchi	Deputy General Manager, Corporate Planning Division (In charge of special matters)
Executive Officer	Sosuke Kinouchi	General Manager, Quality Assurance Division, Mortorcycle & Engine 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	Takeshi Watanabe	Overall administration of the next large aircraft project, Aerospace Company
Executive Officer	Yasuo Murata	General Manager, General Administration Division
Executive Officer	Minoru Makimura	Deputy General Manager, Corporate Technology Division and Senior Manager, Technical Institute
Executive Officer	Tamaki Miyatake	General Manager, Planning Division, Mortorcycle & Engine 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 Planning Division. (In charge of special matters)
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, in charge of Harima Works Office
Executive Officer	Yukio Hayano	General Manager, Planning & Control Division, Aerospace Company

Position	Name	Areas of Responsibility within the Company
Executive Officer	Masahiro Ibi	General Manager, Gas Turbine Division, Gas Turbine & Machinery Company
Executive Officer	Takafumi Shibahara	Deputy General Manager, Corporate Planning Division and Senior Manager, Subsidiaries & Affiliates Control Department, in charge of Procurement Planning and Administration Department
Executive Officer	Yoshinori Kanehana	Vice President, Rolling Stock Company
Executive Officer	Nobuyoshi Kobayashi	General Manager, Industrial Facilities and Tunneling Equipment Division
Executive Officer	Minoru Akioka	General Manager, Finance & Accounting Division
Executive Officer	Yukinobu Kouno	Deputy General Manager, Corporate Technology Division and Senior Manager, System Technology Development Center
Executive Officer	Masafumi Nakagawa	General Manager, Marketing & Sales Division, Motorcycle & Engine Company, and Senior Manager, CP Sales Department

(2) Compensation to Directors and Corporate Auditors

Directors 13 persons	¥ 575,735 thousand
Corporate Auditors 6 persons	¥ 75,113 thousand (of which ¥ 13,920 thousand to three Outside Corporate Auditors)

(Notes) 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).

(3) Outside Officers

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

Not applicable.

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

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 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

Kenzo Doi, Corporate Auditor, attended all of the 12 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.

Michio Oka, Corporate Auditor, attended all of the 10 Board of Directors meetings, and all of the 13 Board of Corporate Auditors meetings held following his appointment as a Corporate Auditor on June 25 2009, and mainly made comments based on his experience as a company manager.

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

The company has concluded contracts for limitation of liability with Corporate Auditors Kenzo Doi and Michio Oka, 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

¥ 138,445 thousand

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

¥ 222,965 thousand

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

(3) Details of Non-audit Services

Operations such as procedures relating to the confirmation of balances of certain accounts issued to customers when orders are received for overseas projects, etc.

(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 Act, 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. The overview thereof is as follows.

I. Basic policy for developing a system for internal controls

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

II. Development of internal control systems

KHI has established the following internal control systems, and going forward KHI will review them as necessary, taking into account such factors as changes in the company's operating environment.

1. Internal control systems concerning Directors and employees

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

1) We established KHI Corporate Ethics Regulations, and are thoroughgoing in ensuring compliance with laws and the Articles of Incorporation and other KHI regulations and policies, and bind KHI's directors and employees to: put ethics regulations into practice as corporate citizens, respect individuals and individual rights and prohibit discrimination, promote protection of the environment, comply with laws and social rules, and use proper accounting practices and ensure reliability of financial reports (hereinafter, "Fundamental Principles of Corporate Ethics).
2) We established the CSR Committee Regulations, under the governance of the President, and established the CSR Committee comprising of directors and other members, and deliberate and make decisions on policies and measures, and conduct monitoring of the implementation thereof, to enhance policies and measures and Group internal controls to ensure compliance with the Fundamental Principles of Corporate Ethics which are stipulated in KHI Corporate Ethics Regulations.
3) We established the Compliance Committee Regulations and set up compliance committees in headquarters and each business divisions, and strive to ensure thorough compliance within the KHI Group.
4) We continuously strive to improve understanding and awareness of compliance by ongoing education and training activities for various types of legal compliance.
5) We established Compliance Reporting and Consultation System Regulations, and strive to enhance compliance systems by establishing an internal whistleblower system to report information regarding compliance breaches in cases where it is difficult to correct compliance breaches through management or concerned divisions.
6) Executive Officers who are delegated by Representative Directors with execution of business operations are appointed at the Board of Directors Meeting, and although Executive Officers are delegated with execution of business operations, a Director who does not concurrently serve as an Executive Officer shall be appointed in order to enhance supervisory and monitoring functions of the Board of Directors for overall management.
7) We ensure the appropriateness of business operations through the conduct of business audits by the Auditing Department (Internal Audit Department).
8) Based on our basic policy on internal controls over financial reporting, we establish internal controls over financial reporting and appropriately carry out evaluation and assessment thereof to ensure the reliability of financial reporting.

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

1) Information pertaining to Directors' execution of duties (meeting minutes, decision making records and appurtenant materials, account books, account invoices and other information) shall be appropriately stored and managed in accordance with Document Handling Regulations and other related policies and regulations. The information shall be made accessible at any time to Directors, Corporate Auditors and employees nominated thereby.
2) With respect to protection of confidential information, we have established Policies for Handling Corporate Secrets, and with respect to personal information, we have established Regulations for protecting Personal Information to ensure appropriate handling is thoroughly observed, and we ensure enforcement thereof through such measures as inspections and business audits, which are carried out according to methods stipulated in the regulations.

(3) Systems for management of risk of loss

1) The basic principles concerning identification, evaluation and handling of risk are articulated in the Risk Management Regulations, and risk management is conducted in the course of making various decisions.
2) With respect to risks pertaining to business strategies, risk analysis and consideration of countermeasures shall be conducted in advance by concerned divisions in accordance with Regulations of Board of Directors, Management Meeting Regulations and Approval Regulations, and discussions and decisions regarding those risks shall be carried out at Board of Directors Meetings or management meetings in accordance with those regulations.
3) We have also systemized implementation of appropriate risk management for major projects which have a significant impact on business operations, in accordance with Major Project Risk Management Regulations.
4) We have set down Crisis Management Regulations and articulated codes of conduct in event of emergencies, and have also appointed persons in charge of crisis management in each business place to construct crisis management systems.

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

1) Through the establishment of the Kawasaki Group Mission Statement, we have articulated KHI Group's role and its meaning of existence, while at the same time sharing final goals for the future, by setting forth a long-term vision for each business division in the medium-term business plan.
2) To attain the goals set forth in the Kawasaki Group Mission Statement and the long-term vision, we have formulated a medium-term business plan and a short-term business plan, and have introduced systems to establish performance goals for each officer and employee based on those plans. As a result thereof, we are able to clarify goals which should be achieved, while at the same time strive to link those goals. Furthermore, by conducting regular reviews of those respective plans and goals we aim to create a system which enables more appropriate and efficient execution of business operations.
3) We have stipulated matters such as division of roles and authority for execution of business operations and lines of responsibility and chains of command, etc. in Regulations for Managing Segregation of Business Operations and Approval Regulations, etc. in order to clarify the authority and discretion limits of officers and employees. We have also established Executive Officers Regulations, and Executive Officers are determined in accordance with a resolution at the Board of Directors meeting, and we clarify "Systems for Execution of Business Operations" to achieve efficient execution of business operations in each business and function area.
4) To ensure efficient execution of duties we instituted management meetings, at which policies and implementation are discussed, and which acts as a consultative organ to support Board of Directors meeting resolutions and the President's decision making. Furthermore, we hold Group Business Operations Meetings for all Executive Officers to ensure familiarity with, and a common understanding of management strategies and plans.
5) To enable agile business operations, we have introduced and operate a company system.

2. Internal controls systems in the company group

・ Systems to ensure proper business execution within the company group which is composed of the company and subsidiaries

1) With respect to management at each company within the KHI Group, while respecting the autonomy thereof, KHI and each company within KHI Group share the basic philosophy and vision indicated in the Kawasaki Mission Statement and the Medium-Term Business Plan, etc.
2) We implement controls as shareholders of subsidiaries and affiliates through the execution of voting rights at the General Meeting of Shareholders, and also implement controls over important decisions, etc. concerning the operation of subsidiaries and affiliates through the Subsidiaries and Affiliates Regulations and Approval Regulations.
3) We carry out management supervision and monitoring by dispatching non-full-time Directors and non-full-time Corporate Auditors to subsidiaries, and also with the establishment of the Subsidiaries & Affiliate Control Department which presides over subsidiaries, and clarification of the roles of each company, we are establishing appropriate Group business management systems. Furthermore, we have established Internal Regulations for Non-full-time Officers of Subsidiaries and Affiliates, and also carry out education and training for non-full-time officers dispatched from KHI.
4) We established an Auditing Department which presides over Group internal audits, and through the assessment of business audits and internal controls over financial reporting at KHI and subsidiaries, we are able to ensure appropriateness of operations and ensure systems to prevent unfair transactions between Group companies.
5) Pursuant to the CSR Committee Regulations, we discuss strategies and policies and measures concerning the Fundamental Principles of Corporate Ethics and Group internal controls with respect to the entire KHI Group, and establish systems to check operational status.

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

(1) Systems for employees in cases where the Corporate Auditor requests appointment of employees to assist with the Corporate Auditor's duties
- We allocate the required staff (to the Corporate Auditor) according to the Corporate Auditors' requests.

(2) Systems to ensure employees who assist with the Corporate Auditors duties are independent from Directors.
- The person employed to assist with the duties of the Corporate Auditor (assistant of the Corporate Auditor) shall follow the Corporate Auditor's directions and orders, and the consent of the Corporate Auditor is required in relation to the hiring or firing of the staff.

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

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

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

KHI resolutely refuses to comply with any unreasonable demands from anti-social forces, and strives to cut off all relations with anti-social forces.

With respect to specific measures, Paragraph 1 of the Compliance Guidebook which was distributed to all employees prohibits “giving favors to anti-social forces”, and specific examples of prohibited acts are listed. We strive to ensure that employees are thoroughly familiar with the matters contained in the Compliance Guidebook by conducting training, etc., and do not merely distribute the guidebook.

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

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

(As of March 31, 2010)

(Unit: million yen)

Description	Amount	Description	Amount
(Assets)		**(Liabilities)**	
Current assets	**931,678**	**Current liabilities**	**692,923**
Cash on hand and in banks	34,745	Trade payables	302,739
Trade receivables	400,264	Short-term borrowings	125,614
Merchandise and finished products	56,807	Commercial papers	32,000
Work in process	281,023	Current portion of bonds with stock acquisition rights	477
Raw materials and supplies	80,392	Current portion of lease obligations	708
Deferred tax assets	25,204	Income taxes payable	4,833
Other current assets	55,663	Deferred tax liabilities	859
Allowance for doubtful receivables	(2,424)	Advances from customers	99,532
Fixed assets	420,761	Accrued bonuses	14,202
Net property, plant and equipment	284,407	Provision for product warranties	6,640
Buildings and structures	116,123	Provision for losses on construction contracts	17,991
Machinery and equipment	79,868	Provision for business structure improvement	6,326
Land	64,282	Provision for losses on damages suit	5,165
Leased assets	282	Provision for environmental measures	778
Construction in progress	9,744	Other current liabilities	75,053
Other	14,106	**Long-term liabilities**	376,463
Intangible assets	20,718	Bonds payable	50,000
Investments and other assets	115,635	Convertible bonds	7,038
Investments in securities	28,448	Bonds with stock acquisition rights	3,475
Long-term loans	515	Long-term debt	209,360
Deferred tax assets	51,503	Lease obligations	236
Other investments and other assets	36,438	Deferred tax liabilities	2,526
Allowance for doubtful receivables	(1,270)	Provision for losses on damages suit	6,706
		Provision for environmental measures	3,713
		Employees' retirement and severance benefits	89,240
		Other	4,166
		Total liabilities	**1,069,386**
		(Net assets)	
		Shareholders' equity	**295,741**
		Common stock	**104,328**
		Capital surplus	**54,275**
		Retained earnings	**137,689**
		Treasury stock	**(552)**
		Valuation and translation adjustments	**(18,659)**
		Net unrealized gains on securities	**5,305**
		Gains(losses) on hedging items	**(162)**
		Foreign currency translation adjustments	**(23,803)**
		Minority interests	**5,972**
		Total net assets	**283,053**
Total assets	**1,352,439**	**Total liabilities and net assets**	**1,352,439**

Consolidated Statement of Income

(April 1, 2009 - March 31, 2010)

(Unit: million yen)

Description	Amount	
Net sales		**1,173,473**
Cost of sales		**1,023,609**
Gross profit		**149,863**
Selling, general and administrative expenses		**151,180**
Operating loss		**(1,316)**
Non-operating income		**29,575**
Interest income	3,065	
Dividend income	549	
Gain on sales of marketable and investment securities	1,739	
Equity in income of non-consolidated subsidiaries and affiliates	6,522	
Foreign exchange gains, net	10,955	
Other, net	6,743	
Non-operating expenses		**13,965**
Interest expense	5,399	
Other, net	8,566	
Recurring profit		**14,293**
Extraordinary income		**1,537**
Gain on reversal of provision for environmental measures	1,077	
Gain on reversal of allowance for doubtful receivables for subsidiaries and affiliates	460	
Extraordinary losses		19,651
Business structure improvement expenses	7,648	
Provision for losses on damages suit	6,983	
Loss on impairment of fixed assets	3,132	
Provision for environmental measures	1,489	
Loss on liquidation of subsidiaries and affiliates	399	
Loss before income taxes and minority interests		**(3,821)**
Income taxes-current		8,805
Income taxes-deferred		(2,822)
Minority interests in net income of consolidated subsidiaries		1,055
Net loss		**(10,860)**

Consolidated Statement of Changes in Net Assets

(April 1, 2009 - March 31, 2010)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	104,328	54,281	154,272	(467)	312,415
Changes of items during the period					
Cash dividends			(5,004)		(5,004)
Net loss for the year			(10,860)		(10,860)
Treasury stock purchased				(107)	(107)
Treasury stock disposed		(6)		23	17
Other			(718)		(718)
Net changes of items other than shareholders' equity					
Total changes of items during the period		(6)	(16,583)	(84)	(16,674)
Balance at March 31, 2010	104,328	54,275	137,689	(552)	295,741

	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, 2009	3,139	(263)	(24,850)	(21,974)	4,804	295,245
Changes of items during the period						
Cash dividends						(5,004)
Net loss for the year						(10,860)
Treasury stock purchased						(107)
Treasury stock disposed						17
Other						(718)
Net changes of items other than shareholders' equity	2,166	101	1,047	3,314	1,167	4,482
Total changes of items during the period	2,166	101	1,047	3,314	1,167	(12,192)
Balance at March 31, 2010	5,305	(162)	(23,803)	(18,659)	5,972	283,053

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 Trading Co., Ltd., Kawasaki Precision Machinery Ltd., Kawasaki Plant Systems, Ltd., Kawasaki Machine Systems, Ltd., NIPPI Corporation, EarthTechnica Co., Ltd., Kawasaki Thermal Engineering Co., Ltd., KCM Corporation, Kawasaki Motors Corporation Japan, Kawasaki Life Corporation, KCMJ Coporation

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

The three additional consolidated subsidiaries, Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd., Kawasaki Heavy Industries Machinery Trading (Shanghai) Co., Ltd., and one other newly established company, were included in the scope of consolidation.

Three consolidated subsidiaries were eliminated due to an absorption-type merger with another consolidated subsidiary, and were excluded from the scope of consolidation.

(Changes in accounting policies)

From this consolidated fiscal year we have applied the Guidance on Accounting Standard for Determining a Subsidiary and an Affiliate (Accounting Standards Board of Japan Guidance No. 22, May 13, 2008). This change has no impact on profit/loss.

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: 14 in total

Affiliates: 14, Nantong COSCO KHI Ship Engineering Co.,Ltd.

Of the additional two affiliate companies which are accounted for by the equity method, with respect to Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd., KHI acquired its shares, and Changzhou Kawasaki and Kwang Yang Engine Co., Ltd. was newly established, accordingly they have been included in the scope of accounting by the equity method.

(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

In preparedness for litigation losses, we have estimated future potential losses, and have posted an amount deemed necessary.

(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."

(viii) Provision for business structure improvement

We have posted an estimated amount required for expenses for business structure improvement of the Consumer Products & Machinery Business in North America.

(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 standard applied for posting revenue for construction contracts is in accordance with the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan, Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan, Guidance No. 18, December 27, 2007). However, with respect to posting of revenue for long-term or major construction works (principally those with a construction period longer than 1 year, and a contract amount of ¥3 billion or more) for which construction started prior to March 31, 2009, we apply the construction progress standard (the estimate for the rate of construction progress is mainly according to the cost accounting method), and with respect to other construction we apply the completed-contract method.

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.

The standard for posting revenues related to finance lease transactions is principally done by the method of posting the net sales and cost of sales at the time the lease fees are received.

(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)

Changes to standards for posting of revenue for completed construction and cost of completed construction

With respect to posting of revenue for construction contracts, to date we have principally applied the construction progress standard for construction works with a period longer than 1 year and a contract amount of ¥3 billion or more, and with respect to other construction we applied the completed-contract method, however from this consolidated fiscal year we applied the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan, Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan, Guidance No. 18, December 27, 2007), and we applied the construction progress standard (the estimate for the rate of construction progress is mainly according to the cost accounting method) for construction works which have started from this consolidated fiscal year for which the results can be ascertained on the part which has been partially completed by the end of this consolidated fiscal year, and with respect to other construction we applied the completed construction method. As a result, net sales increased by ¥32,214 million, and operating loss and current net loss before taxes and minority interests both decreased by ¥3,088 million, resulting in an increase in recurring profit of the same amount.

With respect to construction contracts which started prior to March 31, 2009 and are long-term or major construction contracts (principally those with a construction period longer than 1 year, and a contract amount of ¥3 billion or more), we applied the construction progress standard, and with respect to other construction we applied the completed-contract method.

Changes to the method for calculating discount rate for allowances for retirement benefits

From this consolidated fiscal year we applied the Partial Amendments to Accounting Standard for Retirement Benefits (Part3) (Accounting Standards Board of Japan, Statement No. 19, July 31, 2008). This change has no impact on profit/loss.

(Change in presentation methods)

Consolidated statement of income

This consolidated fiscal year "loss on valuation of securities" (¥32 million in the current consolidated fiscal year) was included and presented in "Other" under non-operating expenses as a result of the decline in the significance of the amount.

(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	¥615,228 million
3.	Assets pledged as collateral	
	Buildings and structures	¥4,481 million
	Land	¥291 million
	Securities hold for investment purpose	¥300 million
	Other	¥13 million
	Liabilities relating to collateral	
	Short-term borrowings	¥181 million
	Long-term debt	¥532 million
	Other	¥34 million
4.	Guarantee obligations for bank loans of subsidiaries and affiliates, etc. and employees	¥34,409 million

(Notes regarding the consolidated Statement of Income)

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

2. The gain on reversal of provision for environmental measures is the amount which was reversed as it was deemed not to be required as a result of re-estimation of expenses for such environmental measures as soil improvement.

3. The gain on reversal of allowance for doubtful receivables for subsidiaries and affiliates was due to the recovery of a loan to Shanghai Cosco Kawasaki Heavy Industries Steel Structure Co., Ltd.

4. The business structure improvement expenses charges were the total sum of the estimated required amount for the discharge of excess inventory in the Consumer Products & Machinery business in North America (the full amount of ¥6,326 million was allocated to provision for business structure improvement) and the expenses incurred in relation to early retirement of employees carried out at a consolidated subsidiary in the Consumer Products & Machinery business (¥1,321 million).

5. 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	Inami-cho, Kako-gun, Hyogo	Buildings and structures, Machinery and equipment
Assets used for business operations	Yokkaichi, Mie	Buildings and structures, 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 impairment loss
The amount of ¥3,132 million for impairment loss was posted under extraordinary losses as impairment loss, and the breakdown of the types of fixed assets is as follows.

Buildings and structures	¥1,199 million
Machinery and equipment	¥1,556 million
Others	¥376 million
Total	¥3,132 million

6. The amount allocated for provision for environmental measures is the amount which was deemed to be required as a result of re-estimation of expenses for such environmental measures as disposal of PCB waste and soil improvement in accordance with the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB (poly chlorinated biphenyl) Waste".

7. The loss on liquidation of subsidiaries and affiliates was due to the loss involving the liquidation of the Kawasaki Oita Manufacturing Co., Ltd.

(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, 2009	5,004	3	March 31, 2009	June 26, 2009

Scheduled date of resolution	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 25, 2010	5,003	3	March 31, 2010	June 28, 2010

3. Type and number of stock for share options

Common stock 17,709,893 shares

(Notes regarding financial instruments)

1. Matters regarding financial instruments

KHI Group raises necessary funds, in light of its business plans; for long-term working capital and capital expenditure funds the Group predominantly raises funds through bank loans and issuance of corporate bonds, for short-term working capital it raises funds through bank loans and issuance of short-term bonds (electronic commercial paper), etc. Temporary surplus funds are invested in highly-secure financial assets.

Operating receivables, namely, trade receivables are exposed to counterparty credit risk. The currency exchange risk of the debts and credits in foreign currencies which arise from global business operations is hedged by using foreign exchange forward contracts and currency swaps etc. in principle against the net amount of the debts and credits in the foreign currency. Investments in securities are mainly shares of corporations which we have business dealings with, and of these the investments, those shares that are listed are exposed to the risk of market price fluctuations.

Trade payables which are operating liabilities, mostly have maturities of less than one year. Some of those are denominated in foreign currencies due to the import of materials, etc., and although they are exposed to the risk of currency fluctuation, most are within the limit of the balance of accounts receivable in the same foreign currency. Debts payable composed of loans, corporate bonds, and lease obligations related to finance lease transactions are raised for the purpose of securing working capital and capital expenditure funds, and the longest maturity from the date of settlement is about 10 years. Some of those instruments have floating interest and are therefore exposed to the risk of interest rate fluctuations, however we hedge those risks as required by using derivatives transactions (interest rate swaps).

Derivatives are used for mitigating the aforementioned risks and it is our policy to not conduct speculative trading. Derivative transactions are transactions which include exchange forward contracts and currency options for the purpose of hedging exchange fluctuation risks of the debts and credits in foreign currencies, and interest rates swap transactions etc. for the purpose of hedging interest fluctuation risks of debts payable.

2. Matters concerning fair market value, etc. of financial instruments

The prices recorded in the consolidated balance sheet, fair market value and the difference between those as of the end of this consolidated fiscal year are as follows.

	Price recorded in the consolidated balance sheet(*)	Fair market value(*)	Difference
(1) Cash on hand and in banks	34,745	34,745	-
(2) Trade receivables	400,264	400,129	(135)
(3) Investments in securities	19,009	19,015	5
(4) Trade payables	[302,739]	[302,739]	-
(5) Short-term borrowings	[125,614]	[125,614]	-
(6) Commercial papers	[32,000]	[32,000]	-
(7) Current portion of bonds with stock acquisition rights	[477]	[477]	-
(8) Bonds payable	[60,513]	[61,845]	(1,332)
(9) Long-term debt	[209,360]	[210,253]	(892)
(10) Derivative transactions	2,313	2,313	-

(*) Figures which are posted as liabilities are shown in [ ].

(Note 1) Matters concerning the method for calculating the fair market value of financial instruments and marketable securities and derivatives transactions

(1) Cash on hand and in banks
These instruments can be settled within short term and fair market value is roughly equal to book value, therefore the fair market value is stated at book value.

(2) Trade receivables
Trade receivables are grouped into a specified period, and are stated at present value calculated by the discount rate, which takes into account the respective period and credit risk.

(3) Investments in securities
The fair market value for these securities is stated at the price listed on the exchange.

(4) Trade payables, short-term borrowings, commercial papers and current portion of bonds with stock acquisition rights
These instruments can be settled within short term and fair market value is roughly equal to book value, therefore the fair market value is stated at book value.

(5) Bonds payable
The fair market value of these instruments is stated at market price.

(6) Long-term debt
The fair market value of long-term debt is determined by discounting the total of principal and interest by the interest rate on similar new debt.

(7) Derivatives transactions
The fair market value of exchange forward contracts is stated at the forward exchange rate. Of instruments which are subject to hedge accounting, those which are subject to appropriation of forward exchange contracts are stated in association with hedged trade receivables, and trade payables. Their fair market value is therefore included in the fair market value of the relevant trade receivables, and trade payables. Instruments subject to special treatment such as interest rate swaps are stated in association with hedged long-term debt and their fair market value is therefore included in the fair market value of the relevant long-term debt.

(Note 2) Unlisted equities and investments in silent partnership (amount recorded in the consolidated balance sheet was ¥9,439 million) are not included in “3. Investments in securities,” as it is deemed to be extremely difficult to ascertain the fair market value as those instruments have no market prices, and it is not possible to estimate their future cash flows

(Notes regarding per share information)

1. Net assets per share ¥ 166.13
2. Net loss per share ¥ 6.51

Non-consolidated Balance Sheet

(As of March 31, 2010)

(Unit: million yen)

Description	Amount	Description	Amount
(Assets)		**(Liabilities)**	
Current assets	**617,175**	**Current liabilities**	**453,541**
Cash on hand and in banks	17,495	Notes payable-trade	20,480
Notes receivable-trade	1,372	Accounts payable-trade	190,559
Accounts receivable-trade	229,499	Short-term borrowings	93,529
Raw materials and supplies	50,570	Current portion of long-term debt	3,613
Work in process	221,869	Commercial papers	32,000
Advance payments	15,829	Current portion of bonds with stock acquisition rights	477
Prepaid expenses	371	Notes payable-facilities	1,488
Deferred tax assets	13,765	Current portion of lease obligations	4
Short-term loans	44,621	Accounts payable-other	12,569
Accounts receivable-other	12,280	Accrued expenses	24,981
Accrued income	50	Income taxes payable	462
Other current assets	9,848	Advances from customers	41,297
Allowance for doubtful receivables	(399)	Deposits received	1,620
Fixed assets	359,285	Unearned revenue	17
Net property, plant and equipment	151,615	Accrued bonuses	6,615
Buildings	53,671	Provision for product warranties	744
Structures	10,446		
Machinery and equipment	39,580	Provision for losses on construction contracts	8,717
Vessels	0		
Aircraft	94	Provision for business structure improvement	6,326
Vehicles	498	Provision for losses on damages suit	5,165
Tools, Furniture and fixtures	7,886	Provision for environmental measures	778
Land	33,698	Other current liabilities	2,092
Leased assets	144	**Long-term liabilities**	302,198
Construction in progress	5,594	Bonds payable	50,000
		Convertible bond	7,038
Intangible assets	15,091	Bond with stock acquisition rights	3,475
Software	8,716	Long-term debt	205,587
License production and licensee's execution right	726	Lease obligations	1
Other intangible assets	5,649	Long-term accounts payable-other	91
Investments and other assets	192,577	Provision for losses on damages suit	6,706
		Provision for environmental measures	2,461
Investments in securities	25,394	Employees' retirement and severance benefits	26,131
Stock of affiliates	111,853	Other long-term liabilities	706
Investments in capital of affiliates	3,537	**Total liabilities**	**755,740**
Long-term loans	11,362	**Net assets**	
Deferred tax assets	35,779	**Shareholders' equity**	**215,764**
Other investments and other assets	6,806	Common stock	104,328
Allowance for doubtful receivables	(2,157)	Capital surplus	52,091
		Legal capital surplus	52,058
		Other capital surplus	33
		Retained earnings	59,895
		Other retained earnings	59,895
		Provision for special depreciation	715
		Provision for advanced depreciation of fixed assets	7,044
		Retained earnings brought forward	52,316
		Treasury stock	(552)
		Valuation and translation adjustments	**4,955**
		Net unrealized gains on securities	4,775
		Gains(losses) on hedging items	180
		Total net assets	**220,720**
Total assets	**976,460**	**Total liabilities and net assets**	**976,460**

Non-consolidated Statement of Income

(April 1, 2009 - March 31, 2010)

(Unit: million yen)

Description	Amount	
Net sales		**644,133**
Cost of sales		**597,898**
Gross profit		**46,234**
Selling, general and administrative expenses		**65,229**
Operating loss		**(18,995)**
Non-operating income		**36,747**
Interest income	1,054	
Dividend income	20,888	
Gain on sales of marketable and investment securities	1,741	
Foreign exchange gains	9,745	
Other	3,317	
Non-operating expenses		**9,125**
Interest expense	3,761	
Interest on bonds	805	
Other	4,558	
Recurring profit		**8,627**
Extraordinary income		1,537
Gain on reversal of provision for environmental measures	1,077	
Gain on reversal of allowance for doubtful receivables for subsidiaries and affiliates	460	
Extraordinary losses		21,912
Loss on investment in subsidiaries and affiliates	7,234	
Provision for losses on damages suit	6,983	
Business structure improvement expenses	6,326	
Provision for environmental measures	1,368	
Loss before income taxes		**(11,748)**
Income taxes-current	260	
Income taxes-deferred	(6,591)	
		(6,330)
Net loss		**(5,417)**

Non-consolidated Statement of Changes in Net Assets

(April 1, 2009 - March 31, 2010)

(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, 2009	104,328	52,058	39	146	6,798	384	62,988	(467)	226,277
Changes of items during the period									
Cash dividends							(5,004)		(5,004)
Net loss for the year							(5,417)		(5,417)
Treasury stock purchased								(107)	(107)
Treasury stock disposed			(6)					23	17
Provision for special depreciation				672			(672)		–
Reversal of provision for special depreciation				(103)			103		–
Provision for advanced depreciation of fixed assets					411		(411)		–
Reversal of provision for advanced depreciation of fixed assets					(165)		165		–
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	–	–	(6)	569	245	(384)	(10,852)	(84)	(10,512)
Balance at March 31, 2010	104,328	52,058	33	715	7,044	–	52,136	(552)	215,764

	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, 2009	2,872	1,649	4,522	230,799
Changes of items during the period				
Cash dividends				(5,004)
Net loss for the year				(5,417)
Treasury stock purchased				(107)
Treasury stock disposed				17
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	1,902	(1,469)	433	433
Total changes of items during the period	1,902	(1,469)	433	(10,079)
Balance at March 31, 2010	4,775	180	4,955	220,720

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 "Net unrealized gains on 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 pensiontrust) 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. The employees' retirement and severance benefits is presented after offsetting the amount of pension trust, which is ¥53,793 million (market value at the time when shares were contributed to the trust).

(6) In preparedness for litigation losses, we have estimated future potential losses, and have posted an amount deemed necessary.

(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) In a provision for business structure improvement, we have posted an estimated amount required for expenses for restructuring of the Consumer Products & Machinery Business in North America.

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. Standards for revenue recognition
The standard applied for posting revenue for construction contracts is in accordance with the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan, Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan, Guidance No. 18, December 27, 2007). However, with respect to posting of revenue for long-term or major construction works (those with a construction period longer than 1 year, and a contract amount of ¥3 billion or more) for which construction started prior to March 31, 2009 we apply the construction progress standard (the estimate for the rate of construction progress is mainly according to the cost accounting method), and with respect to other construction we apply the completed-contract method. 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.

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

(Notes to changes in accounting policies)

Changes to standards for posting of revenue for completed construction and cost of completed construction

With respect to posting of revenue for construction contracts, to date we have applied the construction progress standard for construction works with a period longer than 1 year and a contract amount of ¥3 billion or more, and with respect to other construction we applied the completed-contract method, however from this fiscal year we applied the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan, Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan, Guidance No. 18, December 27, 2007), and we applied the construction progress standard (the estimate for the rate of construction progress is mainly according to the cost accounting method) for construction works which have started from this fiscal year for which the results can be ascertained on the part which has been partially completed by the end of this fiscal year, and with respect to other construction we applied the completed construction method. As a result, net sales increased by ¥14,299 million, and operating loss and loss before income taxes both decreased by ¥1,287 million, resulting in an increase in recurring profit of the same amount.

With respect to construction contracts which started prior to March 31, 2009 and are long-term or major construction contracts (principally those with a construction period longer than 1 year, and a contract amount of ¥3 billion or more), we applied the construction progress standard, and with respect to other construction we applied the completed-contract method.

Changes to the method for calculating the discount rate for allowances for retirement benefits

From this fiscal year we applied the Partial Amendments to Accounting Standard for Retirement Benefits (Part3) (Accounting Standards Board of Japan, Statement No. 19, July 31, 2008). This change has no impact on profit/loss.

(Change in presentation methods)

Non-consolidated statement of income

This fiscal year "loss on valuation of securities" (¥22 million in the current fiscal year) was included and presented in "Other" under non-operating expenses as a result of the decline in the significance of the amount.

(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		¥ 374,951 million
3.	Monetary receivables from and payables to affiliates		
		Short-term monetary assets	¥ 135,244 million
		Long-term monetary assets	¥ 12,205 million
		Short-tem monetary liabilities	¥ 76,886 million
4.	Asset pledged as collateral and liability relating to collateral		
	(1)	Assets pledged as collateral	
		Land	¥ 5 million
		Buildings	¥ 106 million
		Total	¥ 111 million
	(2)	Liability relating to collateral	
		Long-term debt (due for repayment within one year)	¥ 16 million
		Long-term debt	¥ 203 million
5.		Guarantee liability for bank borrowings by affiliates and employees	¥ 116,002 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	¥ 244,149 million
Purchases	¥ 107,339 million
Transactions other than operating transactions	¥ 20,515 million

3. The gain on reversal of provision for environmental measures is the amount which was reversed as it was deemed to not be required as a result of re-estimation of expenses for such environmental measures as soil improvement.
4. The gain on reversal of allowance for doubtful receivables for subsidiaries and affiliates was due to the recovery of a loan to Shanghai Cosco Kawasaki Heavy Industries Steel Structure Co., Ltd.
5. The loss on investment in subsidiaries and affiliates were related to KCM Corporation, Kawasaki Oita Manufacturing Co., Ltd and Kawasaki Metal Industries, Ltd. and consisted of valuation losses on shares, ¥6,131 million; allowance for bad debts, ¥753 million; and other losses ¥349 million.
6. The business structure improvement expenses were allocated to provisions for business structure improvement for the estimated required amount for the discharge of excess inventory in the Consumer Products & Machinery business in North America.
7. The amount of provision for environmental measures is the allocated amount which was deemed to be required as a result of re-estimation of expenses for such environmental measures as disposal of PCB waste and soil improvement in accordance with the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB (poly chlorinated biphenyl) Waste".

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

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

Common stock 1,780,388 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 net unrealized gain on 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 Motors Corp., U.S.A.	100% directly held	Sale of the company's products	Loan guarantees	39,769	-	-
Subsidiary	Kawasaki Shipbuilding Corporation	100% directly held	Directors concurrently serving	Loan guarantees Money lending	14,620 10,615	- Short-term loans	- 14,348
Companies, etc. in which the officers have significant influence	Japan Aircraft Development Corporation	Ownership 0% directly	Directors concurrently serving	Loan guarantees	14,196	-	-
Subsidiary	Kawasaki Motors Europe. N.V.	100% directly held	Sale of the company's products	Loan guarantees	13,420	-	-
Subsidiary	Kawasaki Plant Systems, Ltd.	100% directly held	Sale of the company's products Directors concurrently serving	Loan guarantees Money borrowing	12,439 26,407	- Short-term borrowings	- 15,918
Subsidiary	KCM Corporation	100% directly held	Directors concurrently serving	Business transfer Amount of transferred assets Amount of transferred liabilities Consideration for transfers	 19,390 13,417 5,997	-	-

Transaction conditions and policies for determining transaction conditions

(Note 1) For debt guarantees we charge a certain ratio for guarantee fees, and perform guarantee of debts for bank loans, etc. when requested by financial institutions.

(Note 2) With respect to lending and borrowing of money we reasonably decide the interest rate taking into consideration market interest rates, and do not receive collateral. The transaction amount stated is the average balance in this fiscal year.

(Note 3) With respect to business transfer, we transferred the Construction Machinery business, and the price was determined through negotiation, based on the value calculated by the company.

(Notes to per Share Information)

1. Net assets per share	¥ 132.33
2. Net loss per share	¥ 3.24

Board of Corporate Auditors' audit report (duplicated copy)

Audit Report

(English Translation of the Board of Corporate Auditors' Report Originally Issued in the Japanese Language)

Regarding the performance of duties by the Directors for the 187th fiscal year from April 1, 2009 to March 31, 2010, 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. Methods and Substance of Audit by Each Corporate Auditor and the 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 requested their 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 collect information and to improve the auditing environment, as well as participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, the Executive Officers, employees, and other relevant personnel regarding performance of their duties, requested their explanations as necessary, examined important documents and associated information, and studied the operations and financial positions at the headquarters and principal business offices. In addition, we audited the contents of the resolutions of the Board of Directors on establishing systems necessary to ensure that the execution of duties by the Directors complies with laws and regulations and the Articles of Incorporation, as well as the systems prescribed by Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act as necessary to ensure the properness of operations of a joint stock corporation（internal control systems）. We also audited the status of the internal control systems established in accordance with this resolution. 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 requested their 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 reports regarding their businesses 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 requested their 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 requested their 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 its supplementary schedules fairly represent the Company's condition in accordance with the related laws and regulations and the Articles of Incorporation.

(ii) We have found no evidence of unfair conduct 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 appropriate. In addition, we have found no matters on which to remark regarding the performance of duties by the Directors in connection with the 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 auditing method and results of the Accounting Auditors, KPMG AZSA & Co., are appropriate.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the auditing method and results of the Accounting Auditors, KPMG AZSA & Co., are appropriate.

May 24, 2010

The Board of Corporate Auditors, Kawasaki Heavy Industries, Ltd.

Full-Time Corporate Auditor	Nobuyuki Okazaki
Full-Time Corporate Auditor	Tatsuyoshi Ohgushi
Outside Corporate Auditor	Kenzo Doi
Outside Corporate Auditor	Michio Oka

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, whereas taking into consideration the earnings forecasts and the level of retained earnings etc., the annual cash dividend will amount to ¥3 per ordinary share for a total of ¥5,003,546,202.

In addition, the Company's year-end dividend distribution is June 28, 2010.

Proposal No. 2 Election of Twelve Directors

The term of office of all ten Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders.

Therefore, in preparation for the absorption-type merger on October 1, 2010 of three of KHI's wholly-owned subsidiaries (Kawasaki Shipbuilding Corporation, Kawasaki Precision Machinery Ltd., and Kawasaki Plant Systems, Ltd.), we propose appointing an additional two Directors, resulting in a total of twelve Directors to be elected anew.

The candidates for Director are as follows:

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]	Shares of the Company
1	Tadaharu Ohashi (Nov. 9, 1944)	Apr. 1969 Joined Kawasaki Heavy Industries, Ltd. Jun. 2003 Senior Vice President Apr. 2005 Senior Executive Vice President, Assistant to the President Jun. 2005 President Jun. 2009 Chairman of the Board (current position) [Significant concurrent positions] Chairman, Japan Aircraft Development Corporation (Note)	122,000 shares
2	Masashi Segawa (Nov. 22, 1947)	Apr. 1970 Joined Kawasaki Heavy Industries, Ltd. Jun. 2005 Senior Vice President President, Rolling Stock & Construction Machinery Company Apr. 2009 Senior Executive Vice President, Assistant to the President, In charge of technology and marketing General Manager, Corporate Technology Division, In charge of Industrial Facilities and Tunneling Equipment Division and Robot Division (current position)	112,000 shares
3	Shuji Mihara (Jan. 27, 1946)	Apr. 1969 Joined Kawasaki Heavy Industries, Ltd. Jun. 2007 Senior Vice President Senior Manager, Personnel & Labor Administration Department, In charge of Outside Activity for Kansai Region Apr. 2008 Senior Vice President Senior Manager, Corporate Planning Department, In charge of Subsidiaries & Affiliates Control Department and Legal Department and Personnel & Labor Administration Department Apr. 2009 Senior Executive Vice President, Assistant to the President In charge of the Head Office administrative departments In charge of Consumer Products & Machinery Company Apr. 2010 Senior Executive Vice President, Assistant to the President In charge of the Head Office administrative departments In charge of Motorcycle & Engine Company (current position)	80,000 shares

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]		Shares of the Company
4	Satoshi Hasegawa (Aug. 16, 1947)	Apr. 1972 Jun. 2007 Apr. 2009 Jun. 2009	Joined Kawasaki Heavy Industries, Ltd. Senior Vice President President, Gas Turbine & Machinery Company Senior Executive Vice President, Assistant to the President President (current position)	81,000 shares
5	Mitsutoshi Takao (Apr. 1, 1950)	Apr. 1972 Apr. 2005 Jun. 2008 Apr. 2009 Apr. 2010	Joined Kawasaki Heavy Industries, Ltd. Executive Officer General Manager, Finance & Accounting Department Senior Vice President General Manager, Finance & Accounting Department Senior Vice President General Manager, Corporate Planning Division Senior Vice President General Manager, Corporate Planning Division In charge of Finance & Accounting Division (current position)	62,000 shares
6	Yuichi Asano (Sep. 13,1947)	Apr. 1970 Apr. 2005 Nov. 2007 Apr. 2008 Apr. 2009 Jun. 2009	Joined Kawasaki Heavy Industries, Ltd. 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 Senior Vice President President, Gas Turbine & Machinery Company (current position)	24,000 shares
7	Nobumitsu Kambayashi (May 28, 1948)	Apr. 1971 Oct. 2002 Jun. 2005 Apr. 2008 Jun. 2009 Apr. 2010	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 Senior Vice President General Manager, Corporate Business Development Division, Kawasaki Heavy Industries, Ltd. Senior Executive Vice President Kawasaki Shipbuilding Corporation Senior Vice President Kawasaki Heavy Industries, Ltd. President, Kawasaki Shipbuilding Corporation (current position) [Significant concurrent position] President, Kawasaki Shipbuilding Corporation	26,000 shares

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]		Shares of the Company
8	Kyohei Matsuoka (Sep. 16, 1949)	Apr. 1973 Apr. 2003 Apr. 2006 Apr. 2008 Apr. 2009 Jun. 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 & Construction Machinery Company Managing Executive Officer Vice President, Rolling Stock Company Managing Executive Officer President, Rolling Stock Company Senior Vice President President, Rolling Stock Company (current position)	51,000 shares
9	Hiroshi Takata (Jan. 5, 1950)	Apr. 1972 Apr. 2004 Apr. 2006 Apr. 2007 Apr. 2009 Jun. 2009 Apr. 2010	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 Senior Vice President President, Consumer Products & Machinery Company Senior Vice President President, Motorcycle & Engine Company	29,000 shares
10	Toshikazu Hayashi (Dec. 3, 1946)	Apr. 1969 Apr. 2004 Apr. 2005	Joined Kawasaki Heavy Industries, Ltd. Executive Officer Vice President, Plant & Infrastructure Engineering Company General Manager, Power Plant & Industrial Plant Engineering Division, Plant & Infrastructure Engineering Company President, Kawasaki Plant Systems, Ltd. (current position) [Significant concurrent position] President, Kawasaki Plant Systems, Ltd.	29,000 shares
11	Makoto Sonoda (Dec. 7, 1948)	Apr. 1971 Oct. 2002 Jun. 2005 Jun. 2007	Joined Kawasaki Heavy Industries, Ltd. Director, Kawasaki Precision Machinery, Ltd. Senior Vice President, Kawasaki Precision Machinery, Ltd. President, Kawasaki Precision Machinery, Ltd. (current position) [Significant current position] President, Kawasaki Precision Machinery, Ltd	26,000 shares
12	Shigeru Murayama (Feb. 27, 1950)	Apr. 1974 Jan. 2005 Apr. 2005 Apr. 2008 Apr. 2010	Joined Kawasaki Heavy Industries, Ltd. Aerospace Company Executive Officer Vice President, Aerospace Company Managing Executive Officer Vice President, Aerospace Company Managing Executive Officer President, Aerospace Company (current position)	73,000 shares

(Note) Tadaharu Ohashi holds Chairman of Japan Aircraft Development Corporation concurrently and we are dealing with this corporation for following business.

・ Fiscal year 2010 (ended March 31, 2010) : Supplying our guarantee against borrowings from the bank to Japan Aircraft Development Corporation

There is no special conflict of interest between the company and the other candidates.

Proposal No. 3 Election of One Substitute Corporate Auditor

At the conclusion of this Ordinary General Meeting of Shareholders, the term of office will expire for substitute Corporate Auditor, Tomoko Sasaki, who was elected at the 183rd Ordinary General Meeting of Shareholders on June 27, 2006, and we propose electing anew a substitute Corporate Auditor in preparedness for cases where there is a shortfall in the number of Corporate Auditors.

Furthermore, if the candidate for the position of substitute Corporate Auditor is elected as the substitute Corporate Auditor, we are capable of, with the resolution of the Board of Directors and consent of the Board of Auditors, canceling the appointment, as prescribed in Article 96, Paragraph 2, Item 6 of the Companies Act Enforcement Regulations.

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

The candidate for substitute Corporate Auditor is as follows.

No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]		Shares of the Company
1	Nobuyuki Fujikake (Apr. 24, 1955)	Apr. 1991 Apr. 1993 Nov. 2001	Admitted to Bar in Japan Joined Iseki Law Office Established Takashima-Fujikake Law Office Established Fujikake Law Office (At present Kobe-Minatogawa Law Office) (current position)	0 shares

(Notes) 1. There is no special conflict of interest between the Company and the candidate for substitute Corporate Auditor.

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

1) Nobuyuki Fujikake is a candidate for substitute Outside Corporate Auditor.

2) Nobuyuki Fujikake has been chosen as a candidate for substitute Outside Corporate Auditor as the Company has judged that he is able to perform duties as substitute Outside Corporate Auditor appropriately in light of his substantial experience and knowledge as an attorney.

3) In the event that Mr. Nobuyuki Fujikake assumes the role of Corporate Auditor, he intends to conclude an agreement with the Company that limits his 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 ¥10,000,000 or the amount stipulated by law.