The Items Published on the Internet Website Concerning the Notice of the 190th Ordinary General Meeting of Shareholders

Kawasaki Heavy Industries, Ltd.

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: 95 in total

   (Domestic) Kawasaki Trading Co., Ltd., NIPPI Corporation, KCM Corporation, Kawasaki Machine Systems, Ltd., Kawasaki Thermal Engineering Co., Ltd., KCMJ Corporation, EarthTechnica Co., Ltd., Kawasaki Motors Corporation Japan

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

   Two newly established subsidiaries were included in the scope of consolidation.

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

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: 17 in total

   Affiliates: 17, Nantong COSCO KHI Ship Engineering Co., Ltd.

   Of the additional three affiliate companies which are accounted for by the equity method, Dalian Cosco Khi Ship Engineering Co., Ltd. and Estaleiro Enseada do Paraguacu S.A. received new investment and one company was newly established. Accordingly, they have been included in the scope of accounting by the equity method from the current consolidated fiscal year.

   (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 first-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 Business Accounting 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.

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.

(Additional Information)

Transfer of benefit obligation relating to employees' pension fund

Two consolidated subsidiaries received approval from the Minister of Health, Labour and Welfare with respect to their applications for exemption from the benefit obligation related to future employee services under the substitutional portion of the employees' pension fund on May

1, 2012, and for exemption from the past benefit obligation with respect to the substitutional portion of the employees' pension fund on March 31, 2013. As a result, "Gain on transfer of benefit obligation relating to employees' pension fund" of 8,624 million yen was recorded in "Extraordinary income" in the consolidated statement of income.

(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 such as the disposal of PCB (poly chlorinated biphenyl) waste required under the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB Waste."

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

(6) Standards for revenue recognition
The standard applied for posting revenue for construction contracts is in accordance with the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan(ASBJ), Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ 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 ¥3.0 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) The Company adopts a consolidated tax payment system.

(9) Amortization method and amortization period of goodwill
Goodwill is 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.

(Changes in accounting policies)

Change in depreciation method of property, plant and equipment

In conjunction with the amendment to the income tax law, the Company and consolidated Japanese subsidiaries have changed the depreciation method for property, plant and equipment that were acquired on or after April 1, 2012, and they are depreciated in accordance with the amended law.

This change resulted in an increase of ¥1,379 million in operating income, recurring profit, and income before income taxes respectively for this fiscal year, as compared with the amount calculated using the previous method.

(Change in presentation methods)

Consolidated statement of income

From this consolidated fiscal year, "Loss on valuation of securities" (¥55 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. "Loss on valuation of securities" (¥591 million in the previous consolidated fiscal year) is presented independently as a result of the increase in the significance of the amount.

(Unapplied accounting standards, etc.)

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Statement No. 25, May 17, 2012)

(1) Summary

Revising these standards has allowed us to apply a method in which actuarial differences and prior service cost are recognized in net assets in the consolidated balance sheet after adjusting for a tax effect and amounts indicating the reserve status are recorded as liabilities or assets. In addition, with regard to the method for periodically allocating estimated retirement benefits, the benefit calculation standard as well as the method of allocating to each period by the straight-line method have become applicable. The calculation method for discount rates has also been revised.

(2) Scheduled date of application

The above change will be applied for the fiscal term ending in March 2014 and later. Because the interim measures are stipulated in the said accounting standards, these changes will not be applied retroactively to the consolidated financial statements for prior years.

(3) Effects of the application of the said accounting standards, etc.

The effects of the application on the balance sheets at the time of preparation of consolidated financial statements are under assessment.

(Notes to Consolidated Balance Sheet)

1. The amounts presented are rounded down to the nearest unit.
2. Accumulated depreciation of property, plant and equipment ¥697,289 million
3. Assets pledged as collateral

Accounts receivable-trade	¥49,910 million
Buildings and structures	¥82 million
Securities held for investment purpose	¥14 million
Other	¥13 million

Besides those mentioned above, shares of affiliates in the amount of ¥30 million, which are eliminated in consolidated financial statements, are offered in security (revolving pledge).

Liabilities relating to collateral

Short-term borrowings	¥30,748 million
Long-term debt	¥140 million
Other	¥3 million

4. Guarantee obligations for bank loans of subsidiaries and affiliates, etc. and employees ¥30,396 million

(Notes to Consolidated Statement of Income)

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

2. Loss on impairment of fixed assets

(1) Outline of the asset group that recognized an impairment loss

Use	Place	Type
Idle assets	Funabashi City, Chiba	Buildings and structures
Idle assets	Higashinada-ku, Kobe City	Buildings and structures, land, etc.

(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 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 ¥363 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	¥246 million
Land, etc.	¥116 million
Total	¥363 million

(Notes to Consolidated Statement of Changes in Net Assets)

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

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

Common stock 1,671,892,659 shares

3. Dividends

Resolution	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 27, 2012	8,359	5	March 31, 2012	June 28, 2012

Scheduled date of resolution	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 26, 2013	8,358	5	March 31, 2013	June 27, 2013

(Notes to 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), and so forth. Temporary surplus funds are invested in highly secure financial assets. We use derivatives to avoid risks described hereunder and do not engage in speculative transactions.

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, and so forth. 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 investments, those shares that are listed are exposed to the risk of market price fluctuations.

Most trade payables, which are operating liabilities, have maturities of less than one year. Some of those are denominated in foreign currencies due to the import of materials, and so forth, 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 nine years. Some of those instruments have floating interest and are denominated in foreign currencies and are therefore exposed to the risk of interest rate and currency exchange fluctuations, however we hedge those risks as required by using derivatives transactions (interest rate swaps and currency swaps).

Derivative transactions are transactions which include exchange forward contracts and currency options and currency swaps transactions for the purpose of hedging exchange fluctuation risks of the debts and credits in foreign currencies, and interest rates swap transactions and so forth. 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.

(Unit: million yen)

	Price recorded in the consolidated balance sheet(*)	Fair market value(*)	Difference
(1) Cash on hand and in banks	38,525	38,525	-
(2) Trade receivables	432,649	432,619	(29)
(3) Short-term and long-term investment securities	14,875	14,867	(8)
(4) Trade payables	[281,062]	[281,062]	-
(5) Short-term borrowings	[213,510]	[213,510]	-
(6) Commercial papers	[6,000]	[6,000]	-
(7) Current bonds payable	[10,000]	[10,000]	-
(8) Bonds payable	[70,000]	[71,627]	(1,627)
(9) Long-term debt	[184,362]	[183,641]	720
(10) Derivative transactions	[31,883]	[31,883]	-

(*) 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) Short-term and long-term investment securities

The fair market value for these securities is stated at the price listed on the exchange.

(4) Trade payables, (5) Short-term borrowings, (6) Commercial papers, (7) Current bonds payable

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.

(8) Bonds payable

The fair market value of these instruments is stated at market price.

(9) 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.

(10) Derivatives transactions

The fair market value of derivatives is stated at the forward exchange rate or the price offered by the trading financial institution. Of instruments 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) Shares of affiliates, investments in affiliates and unlisted stocks, and investments in silent partnerships (amount recorded in the consolidated balance sheet was ¥60,268 million) are not included in the table above, as it is deemed to be extremely difficult to ascertain fair market value because those instruments have no market prices, and it is not possible to estimate their future cash flows.

(Notes to per share information)

1. Net assets per share ¥ 202.32
2. Net income per share ¥ 18.46

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 pension trust) to cover employee retirement benefits. Actuarial differences are expensed by the straight-line method over a period of ten years commencing from the following fiscal year, and past service liabilities are expensed by the straight-line method over a period of ten years commencing from the current fiscal year.

(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 such as the disposal of PCB waste required under the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB (poly chlorinated biphenyl) Waste."

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

9. Standards for revenue recognition
The standard applied for posting revenue for construction contracts is in accordance with the Accounting Standard for Construction Contracts (ASBJ Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ 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 ¥3.0 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.

11. We adopt a consolidated tax payment system.

(Changes in accounting policies)

Change in depreciation method of property, plant and equipment

In conjunction with the amendment to the income tax law, the Company has changed the depreciation method for property, plant and equipment that were acquired on or after April 1, 2012 and they are depreciated in accordance with the amended law.

This change resulted in an increase of ¥1,230 million in operating income, recurring profit, and income before income taxes respectively for this fiscal year, as compared with the amount calculated using the previous method.

(Change in presentation methods)

Non-consolidated Balance Sheet

"Lease investment assets" (¥2,652 million in the previous consolidated fiscal year) and "Derivatives liabilities" (¥6,238 million in the previous consolidated fiscal year) are presented independently as a result of the increase in the significance of the amounts.

Non-consolidated statement of income

From this consolidated fiscal year, "Loss on valuation of securities" (¥53 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. "Gain on sales of securities" (¥593 million in the previous consolidated fiscal year) is presented independently as a result of the increase 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 ¥528,253 million
3. Monetary receivables from and payables to affiliates

Short-term monetary assets	¥189,773 million
Long-term monetary assets	¥6,795 million
Short-term monetary liabilities	¥147,742 million

4. Asset pledged as collateral and liability relating to collateral

(1) Assets pledged as collateral

Investment securities	¥41 million
Buildings	¥82 million
Total	¥123 million

(2) Liability relating to collateral

Long-term debt (due for repayment within one year)	¥13 million
Long-term debt	¥140 million

5. Guarantee liability for bank borrowings by affiliates and employees ¥38,763 million

(Notes to Non-consolidated Statement of Income)

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

Net sales	¥ 349,263 million
Purchases	¥ 161,390 million
Transactions other than operating transactions	¥ 35,365 million

3. Loss on impairment of fixed assets

(1) Outline of the asset group that recognized an impairment loss

Use	Place	Type
Idle assets	Funabashi City, Chiba	Buildings, etc.
Idle assets	Higashinada-ku, Kobe City	Buildings and land, etc.

(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 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 ¥363 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	¥246 million
Land, etc.	¥116 million
Total	¥363 million

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

1. The amounts presented are rounded down to the nearest unit.
2. Number of treasury stock at the end of fiscal year under review

Common stock 100,116 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 losses on construction contracts, 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
Affiliate	Nantong COSCO KHI Ship Engineering Co., Ltd.	50% directly held	Directors concurrently serving	Loan guarantees	6,767	-	-
Subsidiary	Kawasaki Trading Co., Ltd.	70% directly held	Sale of the company's products	Purchase of fixed assets	7,696	Accounts payable	249
Subsidiary	Kawasaki Hydromechanics Corporation	100% directly held	Manufacture and sale of the Company's products	Purchase of fixed assets	3,442	Accounts payable	0
Subsidiary	Kawaju Finance, Ltd.	100% directly held	Businesses related to factoring with business partners	Money lending	26,762	Short-term loans receivable	26,189

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

(Note 2) With respect to the purchase of fixed assets, the price is determined through negotiation in each case, based on market prices and other related factors.

(Note 3) With respect to lending money, we reasonably decide the interest rate taking into consideration market interest rates. The transaction amount stated is the average balance in this fiscal year.

(Note 4) Consumption tax is not included in the amount of transaction, but is included in the balance at fiscal year-end.

(Notes to per Share Information)

1. Net assets per share ¥154.61
2. Net income per share ¥10.26