Report of Earnings and Financial Statements for the Year Ended March 31, 2011

April 28, 2011

Listed company's name:	**Kawasaki Heavy Industries, Ltd.**
Listed on:	1st sections of TSE, OSE, NSE
Stock code:	7012
URL:	http://www.khi.co.jp/
Representative:	Satoshi Hasegawa, President
Contact:	Hideyuki Matsubara, Senior Manager, Accounting Department

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	million yen	million yen	million yen	million yen
Year ended March 31, 2011	81,929	(52,942)	(18,862)	44,629
Year ended March 31, 2010	30,178	(63,277)	35,911	34,137

2. Dividends

Record date or term	Dividend per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends / Net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of financial year	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended March 31, 2010	-	0.00	-	3.00	3.00	5,003	-	1.7
Year ended March 31, 2011	-	0.00	-	3.00	3.00	5,011	19.3	1.7
Year ending March 31, 2012 (forecast)	-	0.00	-	4.00	4.00		20.8	

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2012

(April 1, 2011 to March 31, 2012)

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Recurring profit		Net income		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen

For reference:

Overview of Non-Consolidated Financial Results

(1) Operating Results

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Recurring profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended March 31, 2011	817,455	26.9	1,731	(109.1)	32,837	280.6	33,341	-
Year ended March 31, 2010	644,133	(16.5)	(18,995)	-	8,627	230.0	(5,417)	-

	Earnings per share	Earnings per share – diluted
	yen	yen
Year ended March 31, 2011	19.97	19.66
Year ended March 31, 2010	(3.24)	-

(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	million yen	million yen	%	yen

Accompanying Materials – Contents

1. Qualitative Information and Financial Statements

(1) Consolidated operating results

In the fiscal year ended March 31, 2011, the KHI Group was beset by an adverse business environment marked by continued domestic economic sluggishness, yen appreciation, and sharply rising material prices. Moreover, the Japanese economic outlook has recently become even murkier in the aftermath of the catastrophic earthquake that struck eastern Japan on March 11.

Rolling Stock

Consolidated orders received totaled ¥187.1 billion, up ¥120.8 billion from the previous fiscal year. The increase was largely attributable to subway

Motorcycle & Engine

Consolidated net sales grew ¥31.3 billion year on year to ¥234.4 billion, largely reflecting sales growth in emerging markets.

Consolidated operating loss was reduced to ¥4.9 billion, a dramatic ¥22.0 billion improvement from the previous fiscal year despite the strong yen's adverse impact. The improvement was attributable to fixed-cost cutting and an increase in contribution margin ratio in addition to sales growth.

Precision Machinery

Consolidated orders received totaled ¥148.9 billion, a ¥64.0 billion increase from the previous fiscal year. Order growth was driven predominantly by demand for hydraulic equipment from construction machinery makers.

Consolidated net sales rose ¥57.6 billion year on year to ¥140.3 billion, buoyed by growth in hydraulic equipment sales to construction machinery makers and sales of clean robots for semiconductor production facilities.

Consolidated operating income was up ¥18.9 billion year on year to ¥22.3 billion as profitability improved by virtue of sales growth coupled with increased capacity utilization.

Other Operations

Consolidated net sales totaled ¥114.0 billion, a ¥16.1 billion increase from the previous fiscal year. Consolidated operating income totaled ¥2.5 billion, a ¥3.6 billion improvement from the previous fiscal year.

Consolidated Earnings Outlook

The global economic outlook remains uncertain, clouded by deceleration of economic recovery in developed countries, Europe's fiscal crisis, and heightened tensions in the Middle East. Nonetheless, the global economy as a whole will likely remain in a gradual recovery driven by emerging market economies, particularly Asian ones. The Japanese economy faces likely ripple effects from supply chain disruptions and destabilization of power supplies stemming from the March 11 earthquake, in addition to concerns about exchange rate movements and raw material cost inflation.

Faced with such a highly uncertain business environment, the Company will steadily and vigorously push ahead with specific initiatives to rebuild its earnings foundation and re-embark on a sustained growth trajectory toward realization of *Kawasaki Business Vision 2020*.

For the fiscal year ending March 31, 2012, the Company forecasts consolidated net sales of ¥1,360 billion, a ¥140 billion increase from the fiscal year just ended. The Company plans to derive the bulk of this sales growth from the Plant & Infrastructure, Motorcycle & Engine, and Precision Machinery segments.

In terms of earnings, the Company forecasts consolidated operating income of ¥50 billion, ordinary income of ¥52 billion, and net income of ¥32 billion. The Company plans to achieve these forecasts by continuing to pursue ongoing initiatives to improve earnings across all operations through such means as reducing fixed and overhead costs and boosting productivity.

The Company’s earnings forecasts assume exchange rates of ¥83 to the US dollar and ¥115 to the euro.

(2) Consolidated financial position

Financial Condition

At March 31, 2011, consolidated assets totaled ¥1,354.2 billion, essentially unchanged from March 31, 2010. Of this total, current assets accounted for ¥951.7 billion, a 2.1% increase from March 31, 2010. The increase was mainly attributable to growth in deferred tax assets, growth in trade receivables in conjunction with sales activities, and inventory growth reflecting progress toward completion of construction jobs. Fixed assets totaled ¥402.5 billion at March 31, 2011, a 4.3% decrease from a year earlier. The decrease was largely attributable to fixed-asset impairment losses

Cash Flow Ratios

Year ended March 31:	2007	2008	2009	2010	2011
Ratio of shareholders’ equity to total assets (%)	21.3	22.7	20.7	20.4	21.3
Market-value equity ratio (%)	60.9	26.8	23.3	31.8	45.1
Debt-to-cash-flow ratio (%)	663.3	364.8	—	1,421.2	523.7
Interest-coverage ratio (times)	7.1	9.4	—	5.5	17.2

Notes:

1. Ratios are calculated as follows.
   Ratio of shareholders’ equity to total assets: Shareholders’ equity / Total assets
   Market-value equity ratio: Market capitalization / Total assets
   Debt-to-cash-flow ratio: Interest-bearing debt / Cash flow from operating activities
   Interest-coverage ratio: Cash flow from operating activities / Interest paid
2. All ratios are calculated using consolidated-basis financial data.
3. Market capitalization is calculated by multiplying the closing price of the company’s stock by the number of shares issued and outstanding (excluding treasury stock) at the end of the fiscal year.
4. The figure for cash flow from operating activities is taken from cash flow from operating activities on the consolidated statement of cash flows.
5. Interest-bearing debt is all interest-bearing debt listed under liabilities on the consolidated balance sheet. Interest paid is the figure for “Cash paid for interest” on the consolidated statement of cash flows.
6. The debt-to-cash-flow ratio and interest coverage ratio are omitted for the fiscal year ended March 31, 2009, because that fiscal year’s operating cash flow was negative.

(3) Dividend policy and dividends for the fiscal years through March 31, 2011 and 2012

The Company’s basic policy is to pay shareholders stable dividends commensurate with earnings on an ongoing basis while internally retaining sufficient funds to strengthen and expand its earnings power and operating foundation in pursuit of future growth. After comprehensively considering its earnings performance, the sufficiency of its retained earnings, and other relevant factors in light of said policy, the Company intends to pay a dividend of ¥3 per share for the fiscal year ended March 31, 2011.

For the fiscal year ending March 31, 2012, the Company plans to pay a dividend of ¥4 per share.

(4) Business and other risks

No risks other than those disclosed under the heading “Business and Other Risks” in the Company’s most recent full-year statutory financial report (filed June 25, 2010) have surfaced since said filing. Updated risk disclosures are therefore omitted here.

2. Status of Group

A “Chart of Operations (Nature of Operations)” is presented on the following page. There have been no material changes in the “Status of Affiliated Companies” in the Company’s most recent full-year statutory financial report (filed June 25, 2010). Updated disclosure of said status is therefore omitted here.

3. Management Strategy

(1) Basic management strategy

The Group has amassed a broad range of technologies related to air, marine, and land transport systems, energy, environmental engineering, and industrial machinery. In accord with its Group Mission Statement, “Kawasaki, working as one for the good of the planet,” the Group has embraced

(4) Management priorities

In order for the Group to achieve sustained growth into the future, it has become important to secure a level of performance in FY2011 (the interim year of *"Medium-Term Business Plan 2010"* (FY2010-FY2012)) that exceeds that of FY2010 and ensure achievement of the objectives of the plan for FY2012. Although the impact of the strong Yen on the Motorcycle & Engine segment was larger than expected in FY2010, we succeeded in achieving a level of performance that exceeded the initial target, due to securing profitability as a result of large-scale projects and growth of the hydraulic machinery business for China. We will continue to work on the thorough reimplementation of "employing prudent risk management" and "emphasizing quality over quantity", satisfy demand from emerging countries and enhance measures to respond to exchange fluctuations to reinforce our revenue base.

Tiniti

(vi) Motorcycle & Engine: Enhance cost competitiveness through optimal production and optimal procurement on a global basis, expand sales channels and develop new markets in emerging countries we already enter (Southeast Asia and Brazil, etc.) and develop leading technologies to respond to environmental requirements

(vii) Precision Machinery: Accurately respond to strong demand for hydraulic equipment for construction machinery in China and emerging markets and strengthen system-handling capabilities for industrial robots

(viii) Others: Improve development and sales capabilities with respect to the construction machinery division by deepening our alliance with Hitachi Construction Machinery Co., Ltd. and enhance profitability by lowering break-even points

Needless to say, compliance is a fundamental premise in carrying out business activities such as those above. The 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 have continued to take thoroughgoing organizational compliance initiatives by setting up a department which presides over internal controls, compliance, and CSR promotion, and creating units in charge of compliance within each business unit, while also striving to create a corporate culture that places the highest priority at all times on information disclosure and transparency.

The 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 highly trusted.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

	Millions of yen	
	As of March 31, 2010	As of March 31, 2011
Assets		
Current assets		
Cash on hand and in banks	34,745	47,233
Trade receivables	400,264	401,753
Merchandise and finished products	56,807	50,528
Work in process	281,023	285,977
Raw materials and supplies	80,392	88,817
Deferred tax assets	25,204	35,887
Other current assets	55,663	44,351
Allowance for doubtful receivables	(2,424)	(2,829)
Total current assets	931,678	951,719
Fixed assets		
Net property, plant and equipment		
Buildings and structures	116,123	113,186
Machinery and equipment	79,868	74,156
Land	64,282	64,107
Leased assets	282	283
Construction in progress	9,744	12,651
Other	14,106	11,394
Total property, plant and equipment	284,407	275,780
Intangible assets		
Goodwill	866	626
Other	19,852	18,622
Total intangible assets	20,718	19,249
Investments and other assets		
Investments in securities	28,448	24,641
Long-term loans	515	458

Long-term liabilities		
Bonds payable	60,513	50,000
Long-term debt	209,360	203,801
Lease obligations	236	645
Deferred tax liabilities	2,526	3,990
Provision for loss on damages suit	6,706	5,868
Provision for environmental measures	3,713	3,333
Employees' retirement and severance benefits	89,240	80,556
Asset retirement obligations	-	440
Other	4,166	4,480
Total long-term liabilities	376,463	353,117
Total liabilities	1,069,386	1,056,844
Net assets		
Shareholders' equity		
Common stock	104,328	104,340
Capital surplus	54,275	54,251
Retained earnings	137,689	158,615
Treasury stock	(552)	(30)
Total shareholders' equity	295,741	317,176
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities	5,305	3,876
Deferred loss on hedges	(162)	(990)
Foreign currency translation adjustment	(23,803)	(31,006)
Total accumulated other comprehensive income	(18,659)	(28,119)
Minority interests	5,972	8,376
Total net assets	283,053	297,433
Total net assets and liabilities	1,352,439	1,354,278

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated statements of operations

Consolidated statements of comprehensive income

	Millions of yen	
	Year ended March 31, 2010	Year ended March 31, 2011
Income before minority interests	-	27,758
Other comprehensive income		
Net unrealized gains (losses) on securities	-	(1,437)
Differed loss on hedges	-	(480)
Foreign currency translation adjustment	-	(5,420)
Share of other comprehensive income of associates		(2,167)
Total other comprehensive income	-	(9,505)
Comprehensive Income	-	18,252
Comprehensive income attributable to owners of the parent		16,505
Comprehensive income attributable to minority interests	-	1,746

(3) Consolidated statement of changes in shareholders' equity

	Millions of yen	
	Year ended March 31, 2010	Year ended March 31, 2011
Shareholders' equity		
Common stock		
Balance at end of previous year	104,328	104,328
Changes during the period		
Conversion of convertible bonds	-	11
Total changes during the period	-	11

Total changes during the period	101	(828)
Balance at end of year	(162)	(990)
Foreign currency translation adjustments		
Balance at end of previous year	(24,850)	(23,803)
Changes during the period		
Net changes in items other than shareholders' equity	1,047	(7,202)
Total changes during the period	1,047	(7,202)
Balance at end of year	(23,803)	(31,006)
Total comprehensive income for the year		
Balance at end of previous year	(21,974)	(18,659)
Changes during the period		
Net changes in items other than shareholders' equity	3,314	(9,460)
Total changes during the period	3,314	(9,460)
Balance at end of year	(18,659)	(28,119)
Minority interests		
Balance at end of previous year	4,804	5,972
Changes during the period		
Net changes in items other than shareholders' equity	1,167	2,404
Total changes during the period	1,167	2,404
Balance at end of year	5,972	8,376
Total net assets		
Balance at end of previous year	295,245	283,053
Changes during the period		
Conversion of convertible bonds	-	506
Cash dividend	(5,004)	(5,003)
Net income for the year (loss)	(10,860)	25,965
Treasury stock purchased	(107)	(15)
Treasury stock disposed	17	1
Other	(718)	(19)
Net changes in items other than shareholders' equity	4,482	(7,055)
Total changes during the period	(12,192)	14,380
Balance at end of year	283,053	297,433

(5) Notes on the going-concern assumption

Not applicable

(6) Basis of preparation of financial statements

Other than information disclosed under the heading “(7) Changes in Basis of Preparation of Financial Statements” below, no material changes have been made from the information disclosed in the Company’s most recent full-year statutory financial report (filed June 25, 2010). An updated disclosure is therefore omitted here.

(7) Changes in basis of preparation of financial statements

1. Change in the scope of consolidation

(1) Change in the scope of consolidation

Five companies were added as consolidated subsidiaries because they were newly established by the Company.

Six companies ceased to be consolidated subsidiaries. Kawasaki Shipbuilding Corporation, Kawasaki Precision Machinery Ltd., and Kawasaki Plant Systems, Ltd. merged with the Company and were dissolved. One other company merged with another consolidated subsidiary and was dissolved. Another two companies were liquidated.

(2) Number of consolidated subsidiaries after change

96 companies

2. Change in application of the equity method

(1) Non-consolidated subsidiaries which are accounted for under the equity method :
None

(2) Associated companies which are accounted for under the equity method

1) Change in associated companies which are accounted for under the equity method
None

2) Number of associated companies accounted for under the equity method after change
14 companies

3. Changes in accounting standards

(1) Adoption of accounting standards related to asset retirement obligations

Effective the first quarter of the fiscal year ended March 31, 2011, the Company adopted the *Accounting Standard for Asset Retirement Obligations* (Statement No. 18, March 31, 2008) and its associated *Guidance on Accounting Standard for Asset Retirement Obligations* (Guidance No. 21, March 31, 2008).

Due to adoption of the standard and guidance, operating income decreased by 16 million yen, recurring profit decreased by 21 million yen, and income before income taxes decreased by 313 million yen.

(2) Adoption of accounting standards related to equity method accounting

Effective the first quarter of the fiscal year ended March 31, 2011, the Company adopted the *Accounting Standard for Equity Method of Accounting for Investments* (ASBJ 11 Statement No. 16, March 10, 2008) and the

(3) Adoption of the Accounting Standard for Business Combinations

(2) Method for asset grouping

Asset grouping is based on line of business, and principle assets held for lease and idle assets are treated as independent asset groups.

(3) Reason for recognition of loss on impairment of fixed assets

The book values of some assets were written down to recoverable amounts due to deteriorating business income, market price declines, or diminished expectation of future use.

(4) Calculation of recoverable amount

Recoverable amounts are measured by net sales price or utility value. Net sales price is principally calculated based on assessment by a real estate appraiser or on fixed assets' tax-assessment values. Utility value is calculated based on expected future cash flows with a 4.0% discount rate.

(5) Loss on impairment of fixed assets

A write-down of 9,923 million yen was recorded as loss on impairment of fixed assets in extraordinary losses. Amounts by asset type are listed below.

Buildings and structures	3,731 million yen
Machinery and equipment, etc.	2,300 million yen
Other	3,891 million yen
	9,923 million yen

Other than the notes on consolidated statements of income stated above, information is omitted here as its disclosure in this report is not of material importance.

Consolidated Statements of Comprehensive Income

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

*1. Comprehensive income for the fiscal year ended March 31, 2010

	Millions of yen
Comprehensive income attributable to owners of the parent	(7,545)
Comprehensive income attributable to minority interests	2,081
Total	(5,464)

*2. Other comprehensive income for the fiscal year ended March 31, 2010

	Millions of yen
Net unrealized gains (losses) on securities	2,215
Gain (losses) on hedge items	833
Foreign currency translation adjustments	859
Share of other comprehensive income of associated companies accounted for under the equity method	431
Total	4,340

Information Omitted

Notes on the consolidated statements of changes in shareholders' equity, the consolidated cash flow statements, lease transactions, related-party transactions, tax-effect accounting, financial instruments, securities, derivative transactions, retirement benefits, stock-based compensation, asset retirement obligations, investment and rental property, and special purpose companies are omitted here, as their disclosure in this report is not of material importance.

Segment information
1) Information by industry segment

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

Millions of yen

	Sales and operating income (loss)					Assets, depreciation/amortization, and capital expenditures		
	External sales	Intersegment sales or transfers	Total sales	Operating expenses	Operating income (loss)	Assets	Depreciation/ amortization	Capital expenditures
Shipbuilding	151,893	1,564	153,458	151,967	1,490	128,948	4,350	6,693
Rolling Stock	167,156	2,413	169,570	161,810	7,759	172,420	3,668	5,264
Aerospace	188,892	2,005	190,897	189,147	1,749	304,371	8,192	9,142
Gas Turbines & Machinery	191,379	22,765	214,144	207,450	6,694	215,874	6,222	10,278
Plant & Infrastructure Engineering	90,495	11,076	101,571	95,294	6,277	104,851	975	1,111
Consumer Products & Machinery	216,990	3,973	220,964	252,614	(31,649)	236,306	19,283	17,105
Hydraulic Machinery	68,809	7,319	76,129	69,167	6,961	57,901	3,883	2,282
Other Operations	97,855	32,550	130,406	130,825	(419)	154,652	3,064	5,551
Total	1,173,473	83,669	1,257,142	1,258,277	(1,134)	1,375,326	49,639	57,429
Eliminations/ corporation	-	(83,669)	(83,669)	(83,487)	(181)	(22,886)	1,783	1,843
Consolidated total	1,173,473	-	1,173,473	1,174,789	(1,316)	1,352,439	51,423	59,272

Notes: 1. Method of segmentation
Business segmentation is based on the categorization used by management.

2. Major products by industry segment

Industry segment	Major products
Shipbuilding	Ships and vessels
Rolling Stock	Rolling stock, snow plows, crushers
Aerospace	Aircrafts
Gas Turbines & Machinery	Jet engines, general-purpose gas turbine generators, prime movers
Plant & Infrastructure Engineering	Industrial equipment, boilers, environmental equipment, steel structures
Consumer Products & Machinery	Motorcycles, personal watercraft, all-terrain vehicles (ATV), utility vehicles, general-purpose gasoline engines, industrial robots
Hydraulic Machinery	Industrial hydraulic products
Other Operations	Construction machinery, commercial activities, sales/order agency and intermediary activities, management of welfare facilities

3. The figure for “Eliminations/corporation” under “Assets” includes working funds (cash on hand and in banks) of the Company, fixed assets shared by all the segments, deferred tax assets, and long-term investment funds (investment in securities), together totaling 114,487 million yen.

4. The figure for “Eliminations/corporation” under “Depreciation/amortization” includes depreciation expenses for fixed assets shared by all the segments, and the figure for “Eliminations/corporation” under “Capital expenditure” includes expenses related to fixed assets shared by all the segments.

5. Change in method of segmentation

In October 2008, the Company, Hitachi Construction Machinery Co., Ltd., and TCM Corporation reached an agreement on forming an alliance with respect to their wheel loader businesses. The alliance is to involve (i) joint research and development and (ii) a spin-off of the Company's wheel loader operation into a newly created subsidiary of the Company, and Hitachi’s investment in that subsidiary.

In accordance with the agreement, the construction machinery business was spun-off in April 2009 and succeeded by the Company's subsidiary, KCM Corporation. As a result, said business’s relationship with the Rolling Stock & Construction Machinery segment was weakened and effective the fiscal year ended March 31, 2010, it was therefore shifted from the Rolling Stock & Construction Machinery segment to the Other Operations segment.

Due to this change, compared with what they would have been under the previous method, net sales for the fiscal year ended March 31, 2010, in the Rolling Stock segment was 20,625 million yen lower (including 22,207 million yen of external sales) and in the Other Operations segment, 21,622 million yen higher (including 22,207 million yen of external sales). By the same comparison, operating income in the Rolling Stock segment was 3,321 million yen higher, while operating loss in the Other Operations segment was 3,322 million yen higher.

6. Change in accounting standard for construction revenue and cost

As stated under the heading “Changes in accounting standard” in the “Changes in basis of preparation of financial statements” sec

2) Information by geographic area

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

Millions of yen

	External sales	Intersegment sales or transfers	Total sales	Operating expenses	Operating income (loss)	Assets
Japan	917,366	154,199	1,071,566	1,072,557	(990)	1,130,537
North America	135,306	16,764	152,070	160,241	(8,170)	159,335
Europe	66,865	1,792	68,657	67,809	848	47,042
Asia	42,909	37,842	80,751	74,676	6,075	39,328
Other areas	11,025	190	11,215	10,287	927	6,870
Total	1,173,473	210,788	1,384,261	1,385,571	(1,310)	1,383,113
Eliminations/corporate	-	(210,788)	(210,788)	(210,781)	(6)	(30,674)
Consolidated total	1,173,473	-	1,173,473	1,174,789	(1,316)	1,352,439

Notes: 1. Classification method of geographic segment: by geographic proximity

2. Major countries or regions in each segment other than Japan:

North America	The U.S.A. and Canada
Europe	The Netherlands, the United Kingdom, and Germany
Asia	Thailand, Indonesia, the Philippines, and Korea
Other areas	Australia and Brazil

3. The figure for "Eliminations/corporation" under "Assets" includes working funds (cash on hand and in banks) of the Company, fixed assets shared by all the segments, deferred tax assets, and long-term investment funds (investment in securities), together totaling 114,487 million yen.

4. Change in accounting standard for construction revenue and cost

As stated under the heading "Changes in accounting standard" in the "Changes in basis of preparation of financial statements" section, the Company previously used the percentage-of-completion method for accounting of revenues associated mainly with construction contracts with a contract amount of 3 billion yen or more and a construction period of over one year, and other construction works were accounted for with the completed-contract method. Effective the fiscal year ended March 31, 2010, however, in conjunction with adoption of the *Accounting Standard for Construction Contracts* (ASBJ Statement No.15, December 27, 2007) and its associated *Guidance on Accounting Standard for Co.0032 0.0019 T39*

3) Overseas sales

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

Millions of yen

	Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated sales (%)
North America	226,859	-	19.3
Europe	93,035	-	7.9
Asia	141,577	-	12.0
Other areas	100,124	-	8.5
Total	561,595	1,173,473	47.8

4) Segment Information

1. Overview of reportable segments

The Company’s reportable segments are components of the company about which separate financial information is available. These segments are subject to periodic reviews by the Company’s board of directors to decide how to allocate resources and assess performance. The Company’s operations are divided into internal companies base

4. Reconciliation and main components of difference between total for reportable segments and amounts on the consolidated financial statements

Millions of yen

Net sales	Year ended March 31, 2010	Year ended March 31, 2011
Total for reportable segments	1,257,047	1,314,362
Intersegment transactions	(83,574)	(87,412)
Net sales reported on the consolidated financial statements	1,173,473	1,226,949

Millions of yen

Income	Year ended March 31, 2010	Year ended March 31, 2011
Total for reportable segments	6,259	47,950
Intersegment transactions	9	(3)
Corporate expenses*	(7,585)	(5,318)

5) Related Information

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

1. Information by product and service

   Information by product and service

Business combination

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Transactions under common control

The Company merged Kawasaki Shipbuilding Corporation, Kawasaki Precision Machinery Ltd. (KPM), and Kawasaki Plant Systems, Ltd. (K Plant) into the Company as of October 1, 2010, pursuant to decisions made at the Board Meeting of September 30, 2009.

1. Name and outline of business of constituent company, date of business combination, legal form of business combination, name of company after business combination, and outline of transactions including purpose of transactions

(1) Name and outline of business of constituent company

Company surviving in absorption-type merger

Name:	Kawasaki Heavy Industries, Ltd. (KHI)
Outline of business:	Production and sale of ships and vessels, rolling stock, construction machinery, crushers, aircrafts, jet engines, general-purpose gas turbine generators, prime movers, various industrial plants/industrial equipment, boilers, environmental equipment, steel structures, motorcycles, all-terrain vehicles (ATV), industrial robots, and various industrial hydraulic products

Company absorbed in absorption-type merger

Name:	Kawasaki Shipbuilding Corporation
Outline of business:	Design, production, sale and maintenance of ships, naval vessels, marine equipment, other transportation equipment, and accompanying equipment and parts
Name:	Kawasaki Precision Machinery Ltd. (KPM)
Outline of business:	Design, procurement, production, installation, maintenance , and sale of industrial hydraulic products, hydraulic systems, electronic control equipment and systems, and accompanying devices, parts, and accessories
Name:	Kawasaki Plant Systems, Ltd. (K Plant)
Outline of business:	Design, production, installation, and sale of various plant machinery and equipment

(2) Date of business combination

October 1, 2010

(3) Legal form of business combination

The merger was an absorption-type merger whereby the Company (KHI) is the surviving entity and the three subsidiaries were dissolved.

(4) Name of company after business combination

Kawasaki Heavy Industries, Ltd.

(5) Outline of transactions including purpose of transactions

Guided by its mission statement adopted in 2007, the Company has been working to create new value for a better environment and brighter future by leveraging its advanced technological capability across a broad range of fields. Creating new value involves making existing products smarter through innovation and developing brand new products in totally new fields. To do this, Kawasaki must work quickly to efficiently integrate and make the most of the entire Kawasaki Group's intellectual assets.

For these reasons, KHI decided to remerge Kawasaki Shipbuilding, KPM, and K Plant in order to achieve maximum efficiency in leveraging the Group's technological assets and human resources, while removing any restrictions caused by being subsidiaries.

In addition to the pursuit of greater competitiveness in existing businesses, the *Kawasaki Business Vision 2020*, formulated in April 2011, designates the development of new products and businesses as a key measure for accelerating sustained Group growth. The Company will use the merger to draw together technological expertise and knowhow across conventional organizational and product boundaries to develop new products in the transportation systems, energy and environment, and industrial equipment sectors. The Company also intends to advance research and development of core technologies in new business fields such as CO_2-free hydrogen technologies and ocean energy. By accelerating initiatives aimed at Group-wide sharing and maximal utilization of intellectual assets amassed by KHI Group companies, such as those related to sales expertise, technologies, procurement, and human resources, the Company seeks to realize its Group Mission Statement, "Kawasaki, working as one for the good of the planet."

2. Outline of accounting procedure used

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5. Non-consolidated Financial Statements

(1) Non-consolidated balance sheets

	Millions of yen	
	As of March 31, 2010	As of March 31, 2011
Assets		
Current assets		
Cash on hand and in banks	17,495	29,970
Notes receivable-trade	1,372	5,460
Accounts receivable-trade	229,499	317,841
Work in process	221,869	230,601
Raw materials and supplies	50,570	65,076
Advance payments	15,829	17,949
Prepaid expenses	371	370
Deferred tax assets	13,765	29,360
Short-term loans	44,621	16,042
Accounts receivable, other	12,280	19,410
Accrued income	50	75
Derivative assets	5,850	2,504
Other	3,997	3,893
Allowance for doubtful receivables	(399)	(611)
Total current assets	617,175	737,948

Liabilities		
Current liabilities		
Notes payable-trade	20,480	28,181
Accounts payable-trade	190,559	251,141
Short-term debt	93,529	74,972
Current portion of long-term debt	3,613	29,017
Lease obligations, current	4	9
Accounts payable, other	12,569	16,782
Accrued expenses	24,981	23,757
Income taxes payable	462	618
Advances from customers	41,297	54,054
Deposits received	1,620	2,118
Unearned revenue	17	10
Accrued bonuses	6,615	10,164
Provision for product warranties	744	5,152
Provision for losses on construction contracts	8,717	26,618
Provision for restructuring charges	6,326	1,077
Provision for losses on damages suit	5,165	-
Provision for environmental measures	778	499
Asset retirement obligations	-	10
Current portion of bonds payable	-	20,000
Current portion of convertible bonds payable	-	7,038
Current portion of bonds with stock acquisition rights	477	3,445
Commercial paper	32,000	-
Notes payable-facilities	1,488	874
Other	2,092	4,061
Total current liabilities	453,541	559,604
Long-term liabilities		
Bonds payable	50,000	50,000
Convertible bond	7,038	-
Bonds with stock acquisition rights	3,475	-
Long-term debt	205,587	203,591
Lease obligations	1	13
Provision for losses on damages suit	6,706	5,868
Provision for environmental measures	2,461	2,993
Employees' retirement and severance benefits	26,131	45,163
Asset retirement obligations	-	422
Long-term accounts payable	91	27
Other	706	1,503
Total long-term liabilities	302,198	309,582
Total liabilities	755,740	869,187
Net assets		
Shareholders' equity		
Common stock	104,328	104,340
Capital surplus		
Legal capital surplus	52,058	52,067
Other capital surplus	33	0
Total capital surplus	52,091	52,067
Retained earnings		
Other retained earnings		
Provision for special depreciation	715	942
Provision for advanced depreciation of fixed assets	7,044	6,959
Retained earnings brought forward	52,136	80,316
Total retained earnings	59,895	88,217
Treasury stock	(552)	(30)
Total shareholders' equity	215,764	244,595
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	4,775	3,219
Gains (losses) on hedging items	180	(925)
Total valuation and translation adjustments	4,955	2,293
Total net assets	220,720	246,888
Total net assets and liabilities	976,460	1,116,076

(2) Non-consolidated statements of income

Millions of yen

(3) Non-consolidated statement of changes in shareholders' equity

Millions of yen	Year ended March 31, 2010	Year ended March 31, 2011
Shareholders' equity		
Common stock		
Balance at end of previous year	104,328	104,328
Changes during the period		
Conversion of convertible bonds	-	11
Total changes during the period	-	11
Balance at end of year	104,328	104,340
Capital surplus		
Capital reserve		
Balance at end of previous year	52,058	52,058
Changes during the period		
Conversion of convertible bonds	-	9
Total changes during the period	-	9
Balance at end of year	52,058	52,067
Other capital surplus		
Balance at end of previous year	39	33
Changes during the period		
Conversion of convertible bonds	-	(33)
Treasury stock disposed	(6)	(0)
Total changes during the period	(6)	(33)
Balance at end of year	33	0
Retained earnings		
Other retained earnings		
Provision for special depreciation		
Changes during the period		

Provision for special account for advanced depreciation of fixed assets	-	-
Reversal of provision for special account for advanced depreciation of fixed assets	384	-
Total changes during the period	(10,852)	28,179
Balance at end of year	52,136	80,316

Net sales

	Year ended March 31, 2010 A		Year ended March 31, 2011 B		Change B-A	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	151,893	12.9	118,416	9.6	(33,477)	(22.0)
Rolling Stock	150,071	12.7	131,104	10.6	(18,966)	(12.6)
Aerospace	188,892	16.1	196,876	16.0	7,984	4.2
Gas Turbine & Machinery	191,379	16.3	202,692	16.5	11,313	5.9
Plant & Infrastructure	107,580	9.1	89,012	7.2	(18,568)	(17.2)
Motorcycle & Engine	203,084	17.3	234,479	19.1	31,394	15.4
Precision Machinery	82,715	7.0	140,328	11.4	57,612	69.6
Other	97,855	8.3	114,038	9.2	16,183	16.5
Total	1,173,473	100.0	1,			

Orders, net sales and order backlog by industry segment

Orders received

	Year ended March 31, 2010 A		Year ended March 31, 2011 B		Change B-A	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	-	-	39,994	4.9	-	-
Rolling Stock	53,617	9.2	116,019	14.2	62,402	116.3

(b) Orders received

Billions of yen

	Outlook for the year ending March 31, 2012 (A)	Year ended March 31, 2011 (B) (actual)	Change (A – B)
Ship & Offshore Structure	60.0	78.9	(18.9)
Rolling Stock	150.0	187.1	(37.1)
Aerospace	260.0	206.7	53.3
Gas Turbine & Machinery	220.0	187.5	32.5
Plant & Infrastructure	120.0	119.9	0.1
Motorcycle & Engine	260.0	234.4	25.6
Precision Machinery	180.0	148.9	31.1
Other	110.0	106.8	3.2
Total	1,360.0	1,270.6	89.4