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.

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.

(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

(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

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

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

[redacted]

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

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	

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

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

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(2) Compensation to Directors and Corporate Auditors

Directors 13 persons ¥575,735 thousand

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.

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

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	
	6,517	

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)

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

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 th

(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

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	

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 [ ].

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
		Leg48	11474
		Other capital surplus	33
		Retained earnings	59,895
		Other	11474
		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	

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

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

(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
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
		Apr. 1971 Oct. 2002 Jun. 2005 Apr. 2008 Jun. 2009	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 Ex6pi HeavTSenior u-.04er50 6pi HIutTw[(Junt8 357.38 r)otTJ11.3w[8001 9 0 0 9 169.26 50	Gener2n.

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No.	Name (Date of Birth)	Abridged Personal Records, Positions and Duties [Significant concurrent positions]	Shares of the Company

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]