The Items Published on the Internet Website Concerning the Notice of the 191st Ordinary General Meeting of Shareholders

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	96 in total
(Domestic)	Kawasaki Trading Co., Ltd., NIPPI Corporation,

- Leased assets
  The leased assets involved in finance lease

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.

(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 the effective duration. However, all goodwill that is monetarily insignificant is amortized at the same time in the fiscal year under review.

(10) Other important matters in preparing the consolidated financial statements

Standards of accounting for retirement and severance benefit liabilities

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 consolidated fiscal year mainly by the straight line method over a period of 10 years, and prior service costs are expensed effective from this fiscal year chiefly by the straight line method for a period of 10 years.

Unrecognized actuarial differences and unrecognized prior service cost are recorded for accumulated other comprehensive income’s cumulative adjustment for retirement benefits in the net assets section of the consolidated balance sheet after adjusting for a tax effect.

With regard to the method for attributing expected retirement benefits to this consolidated accounting period under review in calculating projected benefit obligations, the benefit formula basis is applicable.

(Changes in accounting policies)

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(Adoption of new accounting standard for retirement benefits)

Effective from the consolidated fiscal year under review, the Company adopted the Accounting Standards Board of Japan’s new Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and its accompanying implementation guidelines, “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), both of which take effect from the start of the consolidated fiscal year beginning on or after April 1, 2013. The Company has switched to recognizing the excess of retirement benefit obligations over pension assets as retirement and severance benefit liabilities and booked previously unrecognized actuarial losses and unrecognized prior service costs as retirement and severance benefit liabilities. Additionally, the Company revised its method of calculating retirement benefit obligations and service costs and changed its method of attributing projected retirement and severance benefit obligations to accounting periods from a straight line basis to a benefit formula basis.

When recognizing a retirement benefit liability in the amount of the excess of retirement benefit obligations over pension assets as of the start of the consolidated fiscal year under review, the Company debited accumulated other comprehensive income’s cumulative adjustment for retirement benefits to reflect recognition of the liability in accordance with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. The Company also debited its capital surplus account as of the beginning of the consolidated fiscal year under review, to reflect the effect of the change in its method of calculating retirement benefit obligations and service costs.

These debits reduced accumulated other comprehensive income and

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

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 f. is [illegible])]TJ

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

(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- DT(9)- 0.t33 0.1.489.83

calculating retirement benefit obligations and service costs and changed its method of attributing projected retirement and severance benefit obligations to accounting periods from a straight line basis to a benefit formula basis.

As of the start of the fiscal year under review, in accordance with the transitional measures provided in Paragraph 37 of the Retirement Benefits Accounting Standard, the Company debited its retained earnings brought forward as of beginning of the fiscal year under review, to reflect the effect of the change in its method of calculating retirement benefit obligations and service costs.

This debit reduced retained earnings as of the beginning of the fiscal year under review by ¥10,516 million. The effect on income is minimal.

(Treatment of FIA)

When the Company’s main partners sell jet engines to airlines, the airlines demand a type of discount called fleet introductory assistance (FIA). The Company is charged a share of this FIA in proportion to its involvement in projects. The Company has previously included these FIA charges in cost of sales. Effective from the fiscal year under review under review, the Company has switched to reporting FIA charges as a deduction from sales.

After reassessing its FIA transactions in light of the Japanese Institute of Certified Public Accountants’

(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 ¥542,584 million
3. Monetary receivables from and payables to affiliates

Short-term monetary assets	¥170,217 million
Long-term monetary assets	¥6,438 million
Short-term monetary liabilities	¥94,516 million

4. Asset pledged as collateral and liability relating to collateral

(1)

(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	Commercial Airplane Co., Ltd.	40% directly held	Sale of the company's products Directors concurrently serving	Sale of the company's products	108,684	Accounts receivable	16,209
Subsidiary	Kawaju Finance, Ltd.	100% directly held	Businesses related to factoring with business partners	Money lending	20,167	Short-term loans receivable	4,900

(Note 1) With respect to sale of products, the price is determined based on the same conditions as those of parties that are not related to the Company.

(Note 2) 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 3) 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 ¥163.41
2. Net income per share ¥19.20