

Report of Earnings and Financial Statements for the Year Ended March 31, 2010

April 27, 2010

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/>
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 Scheduled dates:
 Ordinary General Meeting of shareholders June 25, 2010
 Commencement date of dividend payments June 28, 2010
 Submission of financial statements: June 25, 2010

1. Consolidated Financial Results for the Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(Amounts rounded down to the nearest million yen)

(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, 2010	1,173,473	(12.3)	(1,316)	-	14,293	(63.0)	(10,860)	-
Year ended March 31, 2009	1,338,597	(10.8)	28,713	(62.6)	38,718	(39.4)	11,727	(66.6)

	Earnings per share	Earnings per share – diluted	Return on equity	Return on assets	Operating income to net sales
	yen	yen	%	%	%
Year ended March 31, 2010	(6.51)	-	(3.8)	1.0	(0.1)
Year ended March 31, 2009	7.02	6.92	3.8	2.7	2.1

For reference: Equity in income of non-consolidated subsidiaries and affiliates:

Year ended March 31, 2010: 6,522 million yen

Year ended March 31, 2009: 8,709 million yen

(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	million yen	million yen	%	yen
March 31, 2010	1,352,439	283,053	20.4	166.13
March 31, 2009	1,399,770	295,245	20.7	174.10

Note: Shareholders' equity: March 31, 2010: 277,081 million yen
 March 31, 2009: 290,440 million yen

(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, 2010	30,178	(63,277)	35,911	34,137
Year ended March 31, 2009	(41,256)	(72,283)	107,692	31,413

2. Dividends

Record date	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, 2009	-	0.00	-	3.00	3.00	5,004	42.6	1.6
Year ended March 31, 2010	-	0.00	-	3.00	3.00	5,003	-	1.7
Year ending March 31, 2011 (forecast)	-	0.00	-	3.00	3.00		25.0	

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2011

(April 1, 2010 to March 31, 2011)

(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 six months ending September 30, 2010	580,000	12.3	7,000	-	6,000	-	5,000	-	2.99
Full year	1,280,000	9.0	32,000	-	32,000	123.8	20,000	-	11.99

4. Other Information

1) Changes affecting the status of material subsidiaries (scope of consolidation): None

2) Changes in accounting principles, procedures, and methods of presentation applicable to the preparation of consolidated financial statements:

(1) Changes in accordance with revisions to accounting standards: Yes

(2) Changes other than (1) above: None

Note: For details, see "Changes in Basis of Preparation of Financial Statements" on page 19 in the "Consolidated Financial Statements" section.

3) Number of shares issued (common stock)

(1) Number of shares issued at end of period (treasury stock included):

March 31, 2010: 1,669,629,122 shares

March 31, 2009: 1,669,629,122 shares

(2) Number of shares held in treasury at end of period:

March 31, 2010: 1,780,388 shares

March 31, 2009: 1,394,288 shares

Note: Concerning the number of shares based on calculation of Earnings per share (Consolidated), see "Per-share Data" on page 30.

For reference:

Overview of Non-Consolidated Financial Results

(1) Operating Results

	Net sales		Operating income		Recurring profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended March 31, 2010	644,133	(16.5)	(18,995)	57.4	8,627	230.0	(5,417)	-
Year ended March 31, 2009	771,428	(13.3)	(12,061)	-	2,614	(91.7)	(6,109)	-

	Earnings per share	Earnings per share – diluted
	yen	yen
Year ended March 31, 2010	(3.24)	-
Year ended March 31, 2009	(3.66)	-

(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	million yen	million yen	%	yen
March 31, 2010	976,460	220,720	22.6	132.33
March 31, 2009	977,988	230,799	23.5	138.34

Note: Shareholders' equity: March 31, 2010: 220,720 million yen
March 31, 2009: 230,799 million yen

*** Appropriate Use of Financial Forecasts and Other Important Matters**

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For the assumptions underlying the earnings forecasts presented and other information regarding the use of such forecasts, refer to "Consolidated Earnings Outlook" in "Qualitative Information and Financial Statements," beginning on page 6.

Qualitative Information and Financial Statements

Consolidated operating results

During fiscal 2010 (the year ended March 31, 2010), the Japanese economy remained weak as the yen strengthened against the dollar, capital spending continued to drop, and the downturn in both employment conditions and personal consumption persisted. However, demand from emerging countries grew and domestic demand generally improved, pointing to signs of an economic recovery.

Globally, some emerging countries showed growth signs, but Europe and America only managed a modest recovery.

This adverse operating environment continued to weight heavily on all areas of KHI Group business. Orders received declined in all but the Plant & Infrastructure Engineering segment. Revenues declined in most business segments, particularly Consumer Products & Machinery. Profits fell in all segments but the Aerospace and Shipbuilding segments, under the weight of yen appreciation and downturns in European and American markets.

As a result, consolidated Orders received declined ¥539.2 billion to ¥1,001.2 billion, consolidated net sales fell 165.1 billion versus fiscal 2009 (the year ended March 31, 2009) to ¥1,173.4 billion, consolidated operating income declined ¥30.0 billion to an operating loss of ¥1.3 billion, and recurring profit fell ¥24.4 billion to ¥14.2 billion. Net income decreased ¥22.5 billion to a net loss of ¥10.8 billion.

On a non-consolidated basis, the KHI Group reported orders amounting to ¥578.6 billion, net sales of ¥644.1 billion, an operating loss of ¥18.9 billion, and recurring profit of ¥8.6 billion, to finish on a net loss of ¥5.4 billion.

The details of segment information of fiscal 2010 are as follows.

Segment information

Segment information (billions of yen)

Segment	Year ended March 31, 2010		Year ended March 31, 2009		For reference: Orders	
	Net sales	Operating income	Net sales	Operating income	Year ended March 31, 2010	Year ended March 31, 2009
Shipbuilding	151.8	1.4	126.4	(1.0)	16.1	71.5
Rolling Stock	167.1	7.7	186.4	11.3	77.1	264.6
Aerospace	188.8	1.7	200.4	(4.1)	171.3	239.1
Gas Turbines & Machinery	191.3	6.6	195.1	11.0	226.2	355.5
Plant & Infrastructure Engineering	90.4	6.2	105.1	8.9	124.7	83.6
Consumer Products & Machinery	216.9	(31.6)	336.4	(10.1)	216.9	336.4
Hydraulic Machinery	68.8	6.9	84.9	8.3	71.0	84.1
Other	97.8	(0.4)	103.5	4.2	97.5	105.5
Eliminations and corporate	—	(0.1)	—	0	—	—
Consolidated total	1,173.4	(1.3)	1,338.5	28.7	1,001.2	1,540.5

Note: Net sales are external sales.

Shipbuilding

With a significant decline in orders for new vessels, consolidated orders received decreased ¥55.3 billion year on year to ¥16.1 billion.

Consolidated net sales increased ¥25.4 billion year on year to ¥151.8 billion, boosted by a spate of sales of large vessels.

Operating income increased ¥2.5 billion year on year to ¥1.4 billion due to increased sales, improved margins reflecting a decline in materials costs, and other factors.

Rolling Stock

Consolidated orders received included orders from Singapore for subway cars but declined to ¥77.1 billion, down ¥187.4 billion versus the previous year, which was marked by an influx of large orders.

Consolidated net sales fell ¥19.2 billion year on year to ¥167.1 billion due mainly to the re-segmentation of the Construction Machinery business, despite growth in sales of rolling stock to the JR Group and overseas customers.

Consolidated operating income decreased ¥3.6 billion year on year to ¥7.7 billion due to reduced profitability of export deals as a result of yen appreciation.

The above year-on-year changes reflect the impact of the re-segmentation involving the Construction Machinery business. Retroactively adjusted to reflect the re-segmentation, the Rolling Stock segment had consolidated orders received of ¥235.0 billion, consolidated net sales of ¥154.8 billion, and operating income of ¥12.3 billion in the previous fiscal year (ended March 31, 2009).

Aerospace

Consolidated orders received decreased ¥67.7 billion year on year to ¥171.3 billion as a result of decreased orders for aircraft for Japan's Ministry of Defense and component parts for the Boeing 777 etc.

Consolidated net sales were down ¥11.5 billion year on year to ¥188.8 billion, largely due to decreased sales to Japan's Ministry of Defense.

Despite the decline in sales, consolidated operating income was up ¥5.9 billion year on year to an operating profit of ¥1.7 billion, due in part to adjustments to expense recognition timing resulting from changes to the Boeing 787's development schedule.

Gas Turbines & Machinery

Consolidated orders received decreased ¥129.2 billion year on year to ¥226.2 billion as a result of decreased orders for aircraft engine components, marine propulsion systems, and other items.

Consolidated net sales declined ¥3.7 billion year on year to ¥191.3 billion, due to reduced sales of marine diesel engines, despite an increase in sales of steam turbines for land and other products. Consolidated operating income decreased ¥4.3 billion year on year to ¥6.6 billion, largely as a result of yen appreciation.

Plant & Infrastructure Engineering

Consolidated orders received increased to ¥124.7 billion, up ¥41.1 billion year on year, due to orders for overseas fertilizer plants and other items.

Consolidated net sales decreased ¥14.6 billion year on year to ¥90.4 billion, largely reflecting a falloff in overseas sales of large plant installations.

Consolidated operating income decreased ¥2.6 billion year on year to ¥6.2 billion, largely due to a decline in sales.

Consumer Products & Machinery

Consolidated net sales fell ¥119.4 billion year on year to ¥216.9 billion amid a decline in European and North American motorcycle sales coupled with a falloff in industrial robots sales.

The sales decline, compounded yen appreciation, led to a consolidated operating loss of ¥31.6 billion, ¥21.5 billion worse than the previous fiscal year, despite improvement of the marginal profit ratio and measures to cut fixed expenses.

Hydraulic Machinery

Consolidated orders received fell ¥13.0 billion year on year to ¥71.0 billion, mainly as a result of diminished demand from the construction machinery industry.

Consolidated net sales were down ¥16.1 billion year on year to ¥68.8 billion, largely due to a decline in sales to the construction machinery industry.

Operating income decreased in tandem with the drop in sales, declining ¥1.4 billion year on year to ¥6.9 billion.

Other Operations

Consolidated net sales declined ¥5.7 billion year on year to ¥97.8 billion.

The Other segment booked a consolidated operating loss of ¥400 million, ¥4.6 billion below the operating income recorded in the previous fiscal year, largely due to the Construction Machinery business's re-segmentation.

The above year-on-year changes reflect the impact of the re-segmentation involving the Construction Machinery business. Retroactively adjusted to reflect the re-segmentation, the Other segment had consolidated net sales of ¥135.1 billion, and operating income of ¥3.2 billion in the previous fiscal year (ended March 31, 2009).

Consolidated Earnings Outlook

Despite ongoing uncertainty posed by expanding fiscal deficits in European countries and concern about the diminishing effects of countries' economic stimulus packages, we expect the mild global economic recovery to continue, led by emerging countries in Asia and elsewhere. To achieve the vision for the KHI Group that we recently set forth in the *Kawasaki Business Vision 2020*, we will forge resolutely ahead with concrete measures to rebuild our earnings base and return to a sustained-growth trajectory. In particular, quickly returning the Motorcycle & Engine business segment to profitability is a top priority (effective the fiscal year ending March 31, 2011, the Consumer Products & Machinery segment has been renamed the Motorcycle & Engine segment).

We project consolidated net sales for the fiscal year ending March 31, 2011, of ¥1,280.0 billion, a year-on-year increase of approximately ¥100 billion. We expect sales from the Shipbuilding segment to decrease but sales in the Motorcycle & Engine, Precision Machinery, and other mass-production businesses to improve in response to mild improvements in the market environment.

Profit-wise, we expect operating income and recurring profit of ¥32.0 billion, and net income of ¥20.0 billion. Although uncertainty posed by currency fluctuations and concern about materials price appreciation remains unabated, we will continue endeavoring to improve profitability throughout our operations through determined efforts to cut fixed expenses and boost productivity, which we have been carrying out since the year before last.

Assumed exchange rates are ¥90 to the US dollar and ¥125 to the euro.

Consolidated Financial Condition

Financial Condition

Current assets were down 6.4% to ¥931.6 billion. The main reason for the decrease in current

assets was a decline in inventories due to an increase in sales of large vessels and a reduction of current inventories in the Consumer Products & Machinery business. Total fixed assets grew 4.1% versus March 31, 2009, to ¥420.7 billion, due to the increase in deferred tax assets and other factors.

As a result, total assets as of March 31, 2010 were ¥1,352.4 billion, down 3.3% versus March 31, 2009.

Current liabilities decreased 16.5% versus March 31, 2009, to ¥692.9 billion, and long-term liabilities grew 37.2% to ¥376.4 billion.

As a result, total liabilities decreased 3.2% to ¥1,069.3 billion. This was primarily due to a ¥55.7 billion decrease in trade payables and a ¥26.2 billion decrease in advances from customers, while interest bearing debts increasing ¥39.6 billion.

Net assets decreased 4.1% versus March 31, 2009, to ¥283.0 billion, reflecting dividend payments and posting of a net loss.

Cash Flows

Net cash provided by operating activities in fiscal 2010 (the year ended March 31, 2010) was ¥30.1 billion, ¥71.4 billion more than in fiscal 2009. Principal cash inflows were a decrease in inventories of ¥56.2 billion and depreciation and amortization of ¥51.4 billion. Principal cash outflows were a decrease in trade payables of ¥56.3 billion, a decrease in advances from customers of ¥27.1 billion, and income taxes of ¥12.8 billion.

Net cash used in investing activities amounted to ¥63.2 billion, ¥9.0 billion lower than in fiscal 2009. This cash was principally used to acquire property, plant and equipment.

Net cash provided by financing activities was to ¥35.9 billion, ¥71.7 billion lower than in fiscal 2009. The increase was mainly due to an increase in borrowings.

Cash Flow Ratios

	March 31,	2006	2007	2008	2009	2010
Ratio of shareholders' equity to total assets (%)		18.5	21.3	22.7	20.7	20.4
Market-value equity ratio (%)		50.0	60.9	26.8	23.3	31.8
Cash flow to debt ratio (%)		698.8	663.3	364.8	—	1,421.2
Interest-coverage ratio (times)		8.5	7.1	9.4	—	5.5

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

Cash flow to debt ratio: Interest-bearing debt / Cash flow from operating activities

Interest-coverage ratio: Cash flow from operating activities / Interest paid

2. All indices are calculated using consolidated figures.

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 consists of 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. Cash flow from operating activities was negative for the fiscal year ended March 31, 2009, so the cash flow to debt ratio and the interest-coverage ratio are not given for that year.

Dividend Policy and Dividends for the Fiscal Years through March 31, 2010 and 2011

The Company's basic policy is to continuously pay shareholders a stable dividend commensurate with the Company's earnings while accruing sufficient internal reserves to boost earnings power and strengthen and enhance the Company's operating foundation to enable future growth. In consideration of recent earnings performance, internal reserves, and other relevant factors, the Company intends to pay a dividend of ¥3 per share for the fiscal year ended March 31, 2010.

The Company also intends to pay a dividend of ¥3 per share for the fiscal year ending March 31, 2011.

Business and Other Risks

No additional risks have surfaced since the Company reported on business and other risks in its most recent full-year statutory financial report (filed on June 25, 2009). Information on business and other risks is therefore omitted here.

Status of Group

The “Chart of Operations (Nature of Operations)” appears on the following page. There have been no material changes in the “Status of Affiliated Companies.” The Company has therefore omitted an updated disclosure.

Chart of Operations (Nature of Operations)

	Sales & Manufacturing	Manufacturing	Sales	incidental business
Shipbuilding		Kawasaki Shipbuilding Corporation Nantong COSCO KHI ShipEngineering Co.,Ltd.		Kawajyu Kobe Support Co., Ltd.
Rollingstock	Kawasaki Heavy Industries, Ltd.	Kawasaki Rail Car, Inc. Kawasaki Motors Manufacturing Corp., U.S.A.		Kawasaki Rolling Stock Component Co., Ltd. Kawasaki Rolling Stock Technology Co., Ltd.
Aerospace		NIPPI Corporation		Kawaju Gifu Manufacturing Co., Ltd. Kawaju Gifu Engineering Co.,Ltd.
Gas Turbines & Machinery		Kawasaki Thermal Engineering Co., Ltd.	Kawasaki Machine Systems, Ltd.	
Plant & Infrastructure Engineering		Kawasaki Plant Systems, Ltd.		Kawasaki Engineering Co., Ltd. KEE Environmental Construction Co.,Ltd.
Consumer Products & Machinery		Kawasaki Motors Manufacturing Corp., U.S.A.	Kawasaki Motors Corporation Japan Kawasaki Machine Systems, Ltd. Kawasaki Motors Corp., U.S.A. Kawasaki Motors Europe N.V. Kawasaki Motors Enterprise(Thailand) Co., Ltd. Kawasaki Robotics (USA) Inc.	
Hydraulic Machinery			Kawasaki Precision Machinery Ltd. Kawasaki Precision Machinery (UK) Ltd.	
Other Operations			KCM Corporation KCMA Corporation KCMJ Corporation	
		Kawasaki Heavy Industries (U.S.A.) Inc. Kawasaki Heavy Industries (U.K.) Ltd.	Kawasaki Trading Co.,Ltd.	Kawasaki Life Corporation

- Notes:
- 1.The table above lists only major companies. Consolidated subsidiaries are enclosed by a solid line; associated companies accounted for under the equity method are enclosed by a dotted line.
 2. Kawasaki Thermal Engineering Co., Ltd. is listed on the JASDAQ securities exchange.
 3. The construction machinery business spun-off from the Company in April 2009 was succeeded by KCM Corporation; the construction machinery business spun-off from Kawasaki Machine Systems Ltd. in April 2009 was succeeded by KCMJ Corporation. These business interests were shifted from the Rolling Stock segment to the Other segment.
 4. KCMA Corporation was shifted from the Rolling Stock segment to the Other segment.

Management Strategy

(1) Basic Management Strategy

In accord with the mission statement, the Group is pursuing a mission of “Kawasaki, working as one for the good of the planet.” The Group has amassed a diverse wealth of technologies across a broad range of domains, most notably including land, marine, and air transport systems, and energy and environmental engineering. By maximally utilizing and combining these technological assets, the Group aims to harmonize diverse values and reconcile contradictory challenges such as material affluence and preservation of the global environment. As an integrated technology group, the Group is explicitly committed to contributing to the development of society by creating new value. Amid today’s rapidly changing societal and operating environment, the Group’s basic management policy is to enhance corporate value and increase customer satisfaction by maximally capitalizing on its integrated technological capabilities to offer customers exceptional products and services differentiated on the basis of brand or technology, while meeting the expectations of shareholders, customers, employees, and local communities.

The Company’s basic policy is to continuously pay shareholders a dividend commensurate with the Company’s earnings while accruing sufficient internal reserves in order to strengthen and enhance the Company’s operating foundation to enable future growth.

(2) Target Management Metrics

In the aim of generating profits that meet investors’ expectations, the Group has adopted ROIC (return on invested capital: earnings before interest and taxes ÷ invested capital), a measure of capital efficiency, as its target metric of operating performance. While seeking to maximize ROIC, the Group will also endeavor to strengthen its financial condition through earnings growth and improvement in invested-capital efficiency.

(3) Medium-to-long-term Management Strategy

The Company has formulated a new medium-term business plan, *Medium-term Business Plan 2010*, for the three years from fiscal 2011 through fiscal 2013. This plan heeds successes from and problems encountered in the previous medium-term business plan, *Global K*, and addresses dramatic and severe changes in the business environment. The plan includes a detailed roadmap for returning the Group to the growth trajectory it was on in first half of fiscal 2009 by the end of the new plan’s term. Meanwhile, bolstering new business and new product development efforts is crucial to ensure sustained group growth into the future. To this end the Group formulated the *Kawasaki Business Vision 2020*, which lays out an overall direction for business and long-term business strategies. The Company aims to return to growth through its *Medium Term Business Plan 2010* while laying the foundations for the future.

(4) Management Priorities

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 orders received 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 ("MTBP2010")", which covers the three year period from FY2011 to FY2013, aims to undertake measures to restructure KHI Group's revenue base and improve cashflows, and return to the growth path followed until the first half of FY2009.

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

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

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

Needless to say, compliance is a fundamental premise in carrying out business activities such as those above. KHI Group strives to ensure that employees are made thoroughly aware of the provisions of the various laws and regulations which apply to them, by implementing such measures as establishing internal regulations concerning corporate ethics, carrying out staff training for each position level, distribution of compliance guidebooks, and setting up CSR committees in each organization. Furthermore, we are continuing to take thoroughgoing organizational compliance initiatives, principally through the CSR Department which is the umbrella organization cooperating with the Corporate Planning Division which presides over internal controls, with respect to the promotion of compliance and CSR including the creation of units in charge of compliance within each business unit, while also striving to create a corporate culture that places the highest priority at all times on information disclosure and its transparency.

KHI Group aims to increase profitability across all businesses in this way, and along with enhancing corporate value through thorough compliance, it aims to establish the Kawasaki brand as one that can be trusted.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash on hand and in banks	31,955	34,745
Trade receivables	402,341	400,264
Merchandise and finished products	69,609	56,807
Work in process	325,578	281,023
Raw materials and supplies	81,253	80,392
Deferred tax assets	33,232	25,204
Other current assets	54,937	55,663
Allowance for doubtful receivables	(3,111)	(2,424)
Total current assets	995,796	931,678
Fixed assets		
Net property, plant and equipment		
Buildings and structures	105,817	116,123
Machinery and equipment	76,944	79,868
Land	64,287	64,282
Leased assets	690	282
Construction in progress	19,572	9,744
Other	16,805	14,106
Total property, plant and equipment	284,117	284,407
Intangible assets		
Goodwill	1,106	866
Other	18,466	19,852
Total intangible assets	19,573	20,718
Investments and other assets		
Investments in securities	24,865	28,448
Long-term loans	559	515
Deferred tax assets	42,773	51,503
Other	33,272	36,438
Allowance for doubtful receivables	(1,187)	(1,270)
Total investments and other assets	100,283	115,635
Total fixed assets	403,974	420,761
Total assets	1,399,770	1,352,439
Liabilities		
Current liabilities		
Trade payables	358,478	302,739
Short-term debt	157,082	125,614
Current position of lease obligations	272	708
Income taxes payable	8,710	4,833
Deferred tax liabilities	931	859
Accrued bonuses	14,241	14,202
Provision for product warranties	7,638	6,640
Provision for losses on construction contracts	20,930	17,991
Provision for restructuring charges	-	6,326
Provision for losses on damages suit	7,410	5,165
Provision for environmental measures	-	778
Advances from customers	125,762	99,532
Current portion of bonds	20,000	477
Commercial paper	30,000	32,000
Other	78,547	75,053
Total current liabilities	830,006	692,923

Long-term liabilities		
Bonds payable	40,990	60,513
Long-term debt	140,715	209,360
Lease obligations	227	236
Deferred tax liabilities	2,938	2,526
Provision for loss on damages suit	-	6,706
Provision for environmental measures	3,980	3,713
Employees' retirement and severance benefits	79,969	89,240
Other	5,697	4,166
	Total long-term liabilities	<u>274,518</u>
		<u>376,463</u>
Total liabilities		<u>1,104,525</u>
		<u>1,069,386</u>
Net assets		
Shareholders' equity		
Common stock	104,328	104,328
Capital surplus	54,281	54,275
Retained earnings	154,272	137,689
Treasury stock	(467)	(552)
	Total shareholders' equity	<u>312,415</u>
		<u>295,741</u>
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	3,139	5,305
Gains (losses) on hedging items	(263)	(162)
Foreign currency translation adjustment	(24,850)	(23,803)
	Total valuation and translation adjustments	<u>(21,974)</u>
		<u>(18,659)</u>
Minority interests	4,804	5,972
Total net assets		<u>295,245</u>
		<u>283,053</u>
Total net assets and liabilities		<u>1,399,770</u>
		<u>1,352,439</u>

(2) Consolidated Statements of Income

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	1,338,597	1,173,473
Cost of sales	1,146,944	1,023,609
Gross profit	191,652	149,863
Selling, general and administrative expenses		
Salaries and benefits	41,879	39,570
Advertising expenses	12,966	7,741
R&D expenses	38,256	38,057
Provision for doubtful receivables	359	-
Other	69,477	65,811
Total selling, general and administrative expenses	162,939	151,180
Operating income (loss)	28,713	(1,316)
Non-operating income		
Interest income	3,141	3,065
Dividend income	1,210	549
Gain on sale of marketable and investment securities	620	1,739
Equity in income of non-consolidated subsidiaries and affiliates	8,709	6,522
Foreign exchange gain, net	10,373	10,955
Other	3,784	6,743
Total non-operating income	27,838	29,575
Non-operating expenses		
Interest expense	6,658	5,399
Loss on valuation of securities	1,875	-
Other	9,298	8,566
Total non-operating expenses	17,832	13,965
Recurring profit	38,718	14,293
Extraordinary income		
Reversal of provision for environmental measures	-	1,077
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	-	460
Gain on sale of business	594	-
Total extraordinary income	594	1,537
Extraordinary losses		
Restructuring charges	-	7,648
Provision for losses on damages suit	5,165	6,983
Loss on impairment of fixed assets	1,399	3,132
Provision for environmental measures	1,812	1,489
Loss on liquidation of affiliate	-	399
Loss on contribution of securities to the pension trust	4,492	-
Other	2,818	-
Total extraordinary losses	15,688	19,651
Income (loss) before income taxes and minority interests	23,625	(3,821)
Income taxes		
Current	16,783	8,805
Deferred	(6,021)	(2,822)
Total income taxes	10,761	5,983
Minority interests in net income of consolidated subsidiaries	1,135	1,055
Net income (loss)	11,727	(10,860)

(3) Consolidated Statement of Changes in Shareholders' Equity

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' equity		
Common stock		
Balance at end of previous year	104,328	104,328
Changes during the period		
Issuance of new shares	-	-
Total changes during the period	-	-
Balance at end of year	104,328	104,328
Capital surplus		
Balance at end of previous year	54,290	54,281
Changes during the period		
Treasury stock disposed	(9)	(6)
Total changes during the period	(9)	(6)
Balance at end of year	54,281	54,275
Retained earnings		
Balance at end of previous year	151,401	154,272
Changes during the period		
Cash dividend	(8,341)	(5,004)
Net income for the year (loss)	11,727	(10,860)
Other	(514)	(718)
Total changes during the period	2,871	(16,583)
Balance at end of year	154,272	137,689
Treasury stock		
Balance at end of previous year	(459)	(467)
Changes during the period		
Treasury stock purchased	(31)	(107)
Treasury stock disposed	23	23
Total changes during the period	(7)	(84)
Balance at end of year	(467)	(552)
Total shareholders' equity		
Balance at end of previous year	309,560	312,415
Changes during the period		
Issuance of new shares	-	-
Cash dividend	(8,341)	(5,004)
Net income for the year (loss)	11,727	(10,860)
Treasury stock purchased	(31)	(107)
Treasury stock disposed	14	17
Other	(514)	(718)
Total changes during the period	2,854	(16,674)
Balance at end of year	312,415	295,741
Valuation and translation adjustments		
Net unrealized gain (loss) on securities		
Balance at end of previous year	10,292	3,139
Changes during the period		
Net changes in items other than shareholders' equity	(7,152)	2,166
Total changes during the period	(7,152)	2,166
Balance at end of year	3,139	5,305
Gains (losses) on hedging items		
Balance at end of previous year	5,217	(263)
Changes during the period		
Net changes in items other than shareholders' equity	(5,480)	101
Total changes during the period	(5,480)	101
Balance at end of year	(263)	(162)

Foreign currency translation adjustments		
Balance at end of previous year	(11,878)	(24,850)
Changes during the period		
Net changes in items other than shareholders' equity	(12,972)	1,047
Total changes during the period	(12,972)	1,047
Balance at end of year	(24,850)	(23,803)
Total Valuation and translation adjustments		
Balance at end of previous year	3,631	(21,974)
Changes during the period		
Net changes in items other than shareholders' equity	(25,606)	3,314
Total changes during the period	(25,606)	3,314
Balance at end of year	(21,974)	(18,659)
Minority interests		
Balance at end of previous year	5,845	4,804
Changes during the period		
Net changes in items other than shareholders' equity	(1,040)	1,167
Total changes during the period	(1,040)	1,167
Balance at end of year	4,804	5,972
Total net assets		
Balance at end of previous year	319,037	295,245
Changes during the period		
Issuance of new shares	-	-
Cash dividend	(8,341)	(5,004)
Net income for the year (loss)	11,727	(10,860)
Treasury stock purchased	(31)	(107)
Treasury stock disposed	14	17
Other	(514)	(718)
Net changes in items other than shareholders' equity	(26,646)	4,482
Total changes during the period	(23,792)	(12,192)
Balance at end of year	295,245	283,053

(4) Consolidated Cash Flow Statement

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Cash flow from operating activities		
Income (loss) before income taxes and minority interests	23,625	(3,821)
Depreciation and amortization	44,334	51,423
Loss on impairment of fixed assets	1,399	3,132
Increase (decrease) in employees' retirement and severance benefits	2,314	9,317
Increase (decrease) in accrued bonuses	(5,335)	(38)
Increase (decrease) in allowance for doubtful receivables	(849)	(615)
Increase (decrease) in provision for product warranties	1,161	(1,013)
Increase (decrease) in provision for losses on construction contracts	12,201	(2,916)
Increase (decrease) in provision for restructuring charges	-	6,326
Increase (decrease) in provision for losses on damages suit	5,165	4,461
Increase (decrease) in provision for environmental measures	1,812	510
Loss on disposal of inventories	2,382	1,992
(Gain) loss on sale of marketable and investment securities	(620)	(1,739)
(Gain) loss on valuation of securities	1,875	32
(Gain) loss on sale of property, plant, and equipment	164	784
(Gain) loss on contribution of securities to the pension trust	4,492	-
Investment gain on equity method	(8,709)	(6,522)
Interest and dividend income	(4,351)	(3,615)
Interest expense	6,658	5,399
(Increase) decrease in trade receivables	5,398	(3,792)
(Increase) decrease in inventories	(54,708)	56,241
(Increase) decrease in other current assets	(2,709)	(2,966)
Increase (decrease) in trade payables	(55,077)	(56,396)
Increase (decrease) in advances received	8,274	(27,179)
Increase (decrease) in other current liabilities	(8,867)	12,165
Other	2,916	(404)
Subtotal	(17,050)	40,764
Cash received for interest and dividends	8,926	7,698
Cash paid for interest	(6,480)	(5,408)
Cash paid for income taxes	(25,064)	(12,876)
Cash paid for suspension of activities for participation in Moto GP	(1,587)	-
Net cash provided by operating activities	(41,256)	30,178
Cash flow from investing activities		
Decrease (Increase) in time deposits with maturities over three months	705	21
Acquisition of property, plant and equipment	(68,059)	(61,198)
Proceeds from sale of property, plant and equipment	2,902	993
Acquisition of intangible assets	(6,400)	(4,764)
Proceeds from sale of intangible assets	14	48
Acquisition of investments in securities	(3,043)	(123)
Proceeds from sale of investments in securities	1,795	1,913
Acquisition of equity interest in subsidiaries resulting in change in scope of consolidation	(1,241)	-
Acquisition of investments in subsidiaries of affiliate	-	(1,331)
Decrease (Increase) in short-term loans receivable	(33)	518
Additions to long-term loans receivable	(165)	(65)
Proceeds from collection of long-term loans receivable	1,474	115
Other	(233)	594
Net cash used for investing activities	(72,283)	(63,277)
Cash flow from financing activities		
Increase (decrease) in short-term debt, net	67,880	(21,463)
Proceeds from long-term debt	73,551	74,793
Repayment of long-term debt	(7,499)	(11,518)
Proceeds from issuance of bonds	-	20,000
Redemption of bonds payable	(17,518)	(20,000)
Acquisition of treasury stock	(16)	(90)
Proceeds from stock issuance to minority shareholders	-	230
Cash dividends paid	(8,320)	(5,004)
Cash dividends paid to minority shareholders	(361)	(741)
Other	(22)	(293)

Net cash used for financing activities	107,692	35,911
Effect of exchange rate changes	(908)	(88)
Increase (decrease) in cash and cash equivalents due to changes	(6,755)	2,723
Cash and cash equivalents at beginning of year	38,169	31,413
Cash and cash equivalents at end of year	31,413	34,137

(5) Notes on the going-concern assumption

Not applicable

(6) Basis of Preparation of Financial Statements

Other than the information stated under the following (7) “Changes in Basis of Preparation of Financial Statements,” no material changes have been made from the information in the most recent full-year statutory financial report (filed on June 25, 2009). The Company has therefore omitted an updated disclosure.

(7) Changes in Basis of Preparation of Financial Statements

1. Change in the scope of consolidation

(1) Change in the scope of consolidation

Three companies became consolidated subsidiaries. Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd., Kawasaki Precision Machinery Trading (Shanghai) Co., Ltd., and another company were added as consolidated subsidiaries because they were newly established by the Company. Three companies ceased to be consolidated subsidiaries because they merged with other consolidated subsidiaries and were dissolved.

Change in accounting policy

Effective the first quarter of fiscal year ended March 31, 2010, the Company adopted the *Guidance on determining a subsidiary and an affiliate* (ASBJ Guidance No.22, May 13, 2008). This change had no impact on the income and loss.

(2) Number of consolidated subsidiaries after change

97 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

Two companies were newly accounted for under the equity method. Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. became an equity-method affiliate because the Company acquired shares in that company, and Changzhou Kawasaki and Kwang Yang Engine Co., Ltd. also became an equity-method affiliate because the Company newly established it.

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

14 companies

3. Changes in accounting standards

(1) Accounting standards for principal reserves and allowances

Provision for restructuring charge

Provision for restructuring charge is provided for in the estimated amounts required for the re-structure of the Consumer Products & Machinery business.

(2) Accounting standards for revenue/expense recognition

Accounting standard for construction revenue and cost

a. Construction contracts for which certain elements were determinable with certainty at March 31, 2010: the percentage-of-completion method (The percentage of completion is estimated mainly with the proportion-of-cost method)

b. Other construction contracts: the completed-contract method

Change in accounting policy

The Company previously used the percentage-of-completion method for accounting revenues associated mainly with construction contracts with a contract amount of three 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 first quarter of 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 accompanying *Guidance on Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27, 2007), the percentage-of-completion method was applied to construction contracts that were started during the first quarter ended June 30, 2009, for which certain elements were determinable with certainty at the fiscal year end. The percentage of completion is estimated mainly with the proportion-of-cost method, under which the percentage of construction completed during the period is calculated as the ratio of the construction cost incurred during that period relative to the total construction cost. The completed-contract method was applied to other works.

Due to this change, net sales were 32,214 million yen higher. While operating loss was 1,976 million yen lower, recurring profit was higher in the same amount, and loss before income taxes and minority interests was lower in the same amount.

The change's impact by segment is detailed in the relevant section.

Change in the Presentation of Accounts

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

Consolidated Statements of Income

“Valuation loss on marketable securities” was included in “other” under non-operating expenses in the amount of 32million yen because it declined to less than ten-hundredth of non-operating expenses.

(8) Notes on Financial Statements

Consolidated balance sheets

Year ended March 31, 2010 (As of March 31, 2010)

Information is omitted here as its disclosure in this report is not of material importance.

Consolidated Statements of Income

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

1. Reversal of provision for environmental measures was recognized as a result of revaluation of estimated costs for environmental measures such as soil improvement and recorded in the amount not required.
2. Reversal of allowance for doubtful accounts for subsidiaries and affiliates was recorded associated with collection of loans from Shanghai Cosco Kawasaki Heavy Industries Steel Structure Co., Ltd.
3. Restructuring charge was the total of estimated costs for liquidation of overstock of the Consumer Products & Machinery business in North America (6,326 million yen, all of which was provided for the provision for restructuring charge) and costs for the employees' early retirement scheme implemented in consolidated subsidiaries in said business (1,321 million yen).
4. Loss on impairment of fixed assets

(1) Outline asset groups in which loss on impairment of fixed assets was recognized

Purpose	Location	Type
Assets held for business	Inami-cho, Kako-gun, Hyogo	Buildings and structures, Machinery and equipment, etc.
Assets held for business	Yokkaichi-city, Mie	Buildings and structures, Machinery and equipment, etc.

(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, and market price declines.

(4) Calculation of recoverable amounts

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 5% discount rate.

(5) Loss on impairment of fixed assets

A write-down of 3,132 million yen was recorded as loss on impairment of fixed assets in extraordinary losses. Amounts by asset type are listed below.

Buildings and structures	1,199 million yen
Machinery and equipment, etc.	1,556 million yen
Other	376 million yen
	<hr/>
	3,132 million yen

5. Provision for environmental measures

An additional provision for environmental measures was recorded in the amount required as a result of revaluation of estimated costs for the PCB waste treatment that is obligated by the "Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes."

6. Loss on liquidation of affiliate was recognized associated with the liquidation of Kawasaki Oita Manufacturing Co., Ltd.

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.

Information Omitted

Notes on the consolidated statements of changes in shareholders' equity, the consolidated cash flow statement, lease transactions, related-party transactions, tax-effect accounting, financial instruments, securities, derivative transactions, retirement benefits, stock-based compensation, business combinations, and investment and rental property 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, 2009 (April 1, 2008 – March 31, 2009)

Millions of yen

	Sales and operating income (loss)					Assets, depreciation/amortization, and capital expenditures		
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Assets	Depreciation/amortization	Capital expenditures
Shipbuilding	126,426	1,761	128,188	129,207	(1,018)	139,016	3,986	7,115
Rolling Stock & Construction	186,454	1,367	187,822	176,452	11,369	200,481	5,139	6,147
Machinery	200,424	1,873	202,298	206,475	(4,177)	331,670	6,659	20,380
Aerospace	195,156	18,315	213,471	202,446	11,025	203,902	4,606	10,176
Gas Turbines & Machinery	105,178	13,852	119,030	110,059	8,971	113,157	1,716	1,270
Plant & Infrastructure Engineering	336,459	4,037	340,497	350,640	(10,142)	268,013	14,957	24,297
Consumer Products & Machinery	84,919	8,523	93,443	85,053	8,389	60,429	3,729	10,539
Hydraulic Machinery	103,579	42,143	145,722	141,466	4,256	149,478	1,846	1,173
Other								
Total	1,338,597	91,876	1,430,473	1,401,802	28,671	1,466,151	42,642	81,099
Eliminations/corporation	-	(91,876)	(91,876)	(91,918)	41	(66,380)	1,691	1,350
Consolidated total	1,338,597	-	1,338,597	1,309,883	28,713	1,399,770	44,334	82,450

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 & Construction Machinery	Rolling stock, construction machinery, snow plows, crushers
Aerospace	Aircrafts
Gas Turbines & Machinery	Jet engines, general-purpose gas turbines, 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	Commercial activities, sales/order agency and intermediary activities, administration 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 96,934 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 inventory valuation standard and method

The Company previously valued ordinary held-for-sale inventories mainly at cost by the specific identification, moving average, and FIFO methods. Effective the fiscal year ended March 31, 2009, the Company switched to valuing inventories mainly at cost (writing down of inventories' carrying value to reflect impairment of the goods' utility) by the specific identification, moving average, and FIFO methods when it adopted the *Accounting Standard for Measurement of Inventories* (ASBJ Statement No. 9, as revised July 5, 2006). Due to this change, operating income for the fiscal year ended March 31, 2009, in the Rolling Stock & Construction Machinery segment was 516 million yen lower; in the Gas Turbines & Machinery segment, 1,677 million yen lower; in the Plant & Infrastructure Engineering segment, 29 million yen lower; in the Hydraulic Machinery segment, 103 million yen lower; and in the Other segment, 34 million yen lower. At the same time, operating loss in the Aerospace segment was 1,226 million yen higher; and in the Consumer Products & Machinery segment, 486 million yen higher.

6. Change in useful life for property, plant and equipment

The Company and its consolidated subsidiaries in Japan have revised machinery's useful life pursuant to 2008 amendments to the tax code. Due to this change, operating income for the fiscal year ended March 31, 2009, in the Rolling Stock & Construction Machinery segment, 473 million yen lower; in the Gas Turbines & Machinery segment, 260 million yen lower; in the Plant & Infrastructure Engineering segment, 53 million yen lower; in the Other segment, 48 million yen lower, while in the Hydraulic Machinery segment, it was 166 million yen higher. At the same time, operating loss in the Shipbuilding segment was 543 million yen higher; in the Aerospace segment, 271 million yen higher; and in the Consumer Products & Machinery segment, 205 million yen higher.

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

	Sales and operating income (loss)					Assets, depreciation/amortization, and capital expenditures		
	External sales	Intersegment sales	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	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 turbines, 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	Commercial activities, sales/order agency and intermediary activities, administration 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 accord 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 first quarter of the fiscal year ended March 31, 2010, it was therefore shifted from the Rolling Stock & Construction Machinery segment to the Other 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 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 segment was 3,322 million yen higher.

6. Change in accounting standard for construction revenue and cost

As stated under the heading “Changes in Basis of Preparation of Financial Statements” on page 20 of the “Qualitative Information and 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 three 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 first quarter of 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 accompanying *Guidance on Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27,

2007), the percentage-of-completion method was applied to construction contracts that were started during the first quarter ended June 30, 2009, for which certain elements were determinable with certainty as of March 31, 2010. The percentage of completion is estimated mainly with the proportion-of-cost method, under which the percentage of construction completed during the period is calculated as the ratio of the construction cost incurred during that period relative to the total construction cost. The completed-contract method was applied to other works.

Due to this change, net sales for the fiscal year ended March 31, 2010, in the Shipbuilding segment was 15,609 million yen higher; in the Rolling Stock segment, 702 million yen higher; in the Aerospace segment, 5,663 million yen higher; in the Gas Turbines & Machinery segment, 7,247 million yen higher; and in the Plant & Infrastructure Engineering segment, 2,991 million yen higher. Also due to the change, operating income in the Shipbuilding segment was 262 million yen higher; in the Rolling Stock segment, 65 million yen higher; in the Aerospace segment, 494 million yen higher; in the Gas Turbines & Machinery segment, 649 million yen higher; and in the Plant & Infrastructure Engineering segment, 504 million yen higher.

2) Information by geographic area

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Assets
Japan	974,453	247,019	1,221,473	1,208,066	13,406	1,169,702
North America	220,855	24,499	245,355	246,742	(1,386)	182,268
Europe	90,897	4,563	95,460	94,753	707	59,216
Asia	43,328	41,818	85,146	80,593	4,552	38,421
Other areas	9,062	250	9,312	8,945	367	2,970
Total	1,338,597	318,151	1,656,748	1,639,101	17,647	1,452,578
Eliminations/corporate	-	(318,151)	(318,151)	(329,217)	11,065	(52,808)
Consolidated total	1,338,597	-	1,338,597	1,309,883	28,713	1,399,770

- 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 96,934 million yen.
4. Change in inventory valuation standard and method
 The Company previously valued ordinary held-for-sale inventories mainly at cost by the specific identification, moving average, and FIFO methods. Effective the fiscal year ended March 31, 2009, in conjunction with adoption of the *Accounting Standard for Measurement of Inventories* (ASBJ Statement No. 9, as revised July 5, 2006), the Company switched to valuing inventories mainly at cost (writing down of inventories’ carrying value to reflect impairment of the goods’ utility) by the specific identification, moving average, and FIFO methods. Due to this change, operating income for the fiscal year ended March 31, 2009, in Japan was 4,074 million yen lower.
5. Change in useful life for property, plant and equipment
 The Company and its consolidated subsidiaries in Japan have revised machinery’s useful life pursuant to 2008 amendments to the tax code. Due to this change, operating income for the fiscal year ended March 31, 2009, in Japan was 1,690 million yen lower.

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

Millions of yen

	External sales	Intersegment sales	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 Basis of Preparation of Financial Statements” on page 19 of the “Qualitative Information and 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 three 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 first quarter of 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 accompanying *Guidance on Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27, 2007), the percentage-of-completion method was applied to construction contracts that were started during the first quarter ended June 30, 2009, for which certain elements were determinable with certainty as of March 31, 2010. The percentage of completion is estimated mainly with the proportion-of-cost method, under which the percentage of construction completed during the period is calculated as the ratio of the construction cost incurred during that period relative to the total construction cost. The completed-contract method was applied to other works.

Due to this change, net sales for the fiscal year ended March 31, 2010, in Japan was 32,214 million yen higher, while operating loss in Japan was 1,976 million yen lower.

3) Overseas sales

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

			Millions of yen
	Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated sales (%)
North America	309,979	-	23.1
Europe	116,298	-	8.6
Asia	174,310	-	13.0
Other areas	130,050	-	9.7
Total	730,637	1,338,597	54.5

- Notes: 1. "Overseas sales" includes sales by the Company and its consolidated subsidiaries to the countries and regions other than Japan.
 2. Classification method of geographic segment: by geographic proximity
 3. Major countries or regions in each segment:

North America	The U.S.A. and Canada
Europe	The United Kingdom, France, the Netherlands, Germany, and Italy
Asia	China, Korea, the Philippines, Taiwan, and Indonesia
Other areas	Panama, The Bahamas, Brazil and Australia

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

- Notes: 1. "Overseas sales" includes sales by the Company and its consolidated subsidiaries to the countries and regions other than Japan.
 2. Classification method of geographic segment: by geographic proximity
 3. Major countries or regions in each segment:

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

Per-share Data

(yen)

Year ended March 31, 2009		Year ended March 31, 2010	
Net assets per share	174.10	Net assets per share	166.13
Earnings per share - basic	7.02	Loss per share - basic	6.51
Earnings per share - diluted	6.92	Diluted net income per share is not stated, because we posted net loss for the period.	

Notes:

1. Net assets per share were calculated based on the following:

		As of March 31, 2009	As of March 31, 2010
Total net assets	(millions of yen)	295,245	283,053
Amounts excluded from total net assets	(millions of yen)	4,804	5,972
<i>Of which: minority interest</i>	<i>(millions of yen)</i>	<i>4,804</i>	<i>5,972</i>
Net assets attributable to the common shares	(millions of yen)	290,440	277,081
Number of common shares used to compute net assets per share	(thousands of shares)	1,668,234	1,667,848

2. Net income/loss per share and net income per share (diluted) were calculated based on the following:

		Year ended March 31, 2009	Year ended March 31, 2010
Earnings per share - basic			
Net income (loss)	(millions of yen)	11,727	(10,860)
Earnings not attributable to common shareholders	(millions of yen)	-	-
Net income (loss) allocated to the common shares	(millions of yen)	11,727	(10,860)
Average number of common shares outstanding	(thousands of shares)	1,668,271	1,668,119
Net income per share (diluted)			
Net income adjustment	(millions of yen)	77	-
<i>Of which: interest expense etc. (after-tax equivalent)</i>	<i>(millions of yen)</i>	<i>77</i>	<i>-</i>
Increase in common shares			
	(thousands of shares)	35,747	-
<i>Of which: exercise of convertible bonds</i>	<i>(thousands of shares)</i>	<i>18,037</i>	<i>-</i>
<i>Of which: Zero-coupon convertible bond</i>	<i>(thousands of shares)</i>	<i>17,709</i>	<i>-</i>
Summary of non-diluting residual securities not included in the computation of diluted earnings per share		-	-

Material subsequent events

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

Not applicable

Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash on hand and in banks	9,607	17,495
Notes receivable-trade	1,595	1,372
Accounts receivable-trade	266,188	229,499
Work in process	238,757	221,869
Raw materials and supplies	50,006	50,570
Advance payments	20,318	15,829
Prepaid expenses	442	371
Deferred tax assets	16,536	13,765
Short-term loans	26,417	44,621
Accounts receivable, other	11,096	12,280
Accrued income	33	50
Derivative assets	9,900	5,850
Other	3,003	3,997
Allowance for doubtful receivables	(947)	(399)
Total current assets	652,956	617,175
Fixed assets		
Net property, plant and equipment		
Buildings	48,646	53,671
Structures	9,389	10,446
Machinery and equipment	35,497	39,580
Vessels	1	0
Aircraft	137	94
Vehicles	666	498
Tools, furniture and fixtures	10,721	7,886
Land	34,509	33,698
Leased assets	547	144
Construction in progress	15,271	5,594
Total property, plant and equipment	155,389	151,615
Intangible assets		
Software	3,474	8,716
License production and licensee's execution right	114	726
Other	10,169	5,649
Total intangible assets	13,758	15,091
Investments and other assets		
Investments in securities	22,482	25,394
Shares of affiliates	95,491	111,853
Investments in capital of affiliates	2,873	3,537
Long-term loans	13	11
Long-term loans to affiliates	3,371	11,127
Long-term loans to employees	258	224
Claims in bankruptcy and rehabilitation	180	318
Deferred tax assets	26,712	35,779
Other	6,214	6,487
Allowance for doubtful receivables	(1,713)	(2,157)
Total investments and other assets	155,883	192,577
Total fixed assets	325,031	359,285
Total assets	977,988	976,460
Liabilities		
Current liabilities		
Notes payable-trade	25,797	20,480

Accounts payable-trade	214,072	190,559
Short-term debt	118,968	93,529
Current portion of long-term debt	8,974	3,613
Current position of lease obligations	119	4
Accounts payable, other	18,851	12,569
Accrued expenses	26,954	24,981
Income taxes payable	983	462
Advances from customers	48,373	41,297
Deposits received	1,792	1,620
Unearned revenue	18	17
Accrued bonuses	6,756	6,615
Provision for product warranties	1,007	744
Provision for losses on construction contracts	10,985	8,717
Provision for restructuring charges	-	6,326
Provision for losses on damages suit	7,410	5,165
Provision for environmental measures	-	778
Current portion of bonds payable	20,000	-
Current portion of bonds with stock acquisition rights	-	477
Commercial paper	30,000	32,000
Notes payable-facilities	2,080	1,488
Other	3,308	2,092
	Total current liabilities	546,455
		453,541
Long-term liabilities		
Bonds payable	30,000	50,000
Convertible bond	7,038	7,038
Bonds with stock acquisition rights	3,952	3,475
Long-term debt	134,711	205,587
Lease obligations	2	1
Long-term accounts payable, other	374	91
Provision for losses on damages suit	-	6,706
Provision for environmental measures	2,945	2,461
Employees' retirement and severance benefits	21,238	26,131
Other	471	706
	Total long-term liabilities	200,732
		302,198
Total liabilities		747,188
		755,740
Net assets		
Shareholders' equity		
Common stock	104,328	104,328
Capital surplus		
Legal capital surplus	52,058	52,058
Other capital surplus	39	33
Total capital surplus	52,098	52,091
Retained earnings		
Other retained earnings		
Provision for special depreciation	146	715
Provision for advanced depreciation of fixed assets	6,798	7,044
Provision for special account for advanced depreciation of fixed assets	384	-
Retained earnings brought forward	62,988	52,136
Total retained earnings	70,318	59,895
Treasury stock	(467)	(552)
Total shareholders' equity	226,277	215,764
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	2,872	4,775
Gains (losses) on hedging items	1,649	180
Total valuation and translation adjustments	4,522	4,955
Total net assets	230,799	220,720
Total net assets and liabilities	977,988	976,460

(2) Non-consolidated Statements of Income

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	771,428	644,133
Cost of sales	718,187	597,898
Gross profit	53,241	46,234
Selling, general and administrative expenses		
Salaries and benefits	12,110	12,027
Depreciation and amortization	778	861
Allowance for doubtful receivables	7	-
R&D expenses	32,849	32,316
Unallocated expenses	5,430	5,330
Contract expenses	3,148	3,014
Other	10,978	11,678
Total selling, general and administrative expenses	65,302	65,229
Operating income (loss)	(12,061)	(18,995)
Non-operating income		
Interest income	1,002	1,054
Dividend income	12,077	20,888
Gain on sale of marketable and investment securities	11	1,741
Foreign exchange gains, net	11,213	9,745
Other	1,230	3,317
Total non-operating income	25,534	36,747
Non-operating expenses		
Interest expense	3,465	3,761
Interest on bonds	1,008	805
Loss on valuation of securities	1,777	-
Loss on reduction of noncurrent assets	-	999
Loss on assignment of accounts receivable	-	934
Other	4,608	2,623
Total non-operating expenses	10,859	9,125
Recurring profit	2,614	8,627
Extraordinary income		
Reversal of provision for environmental measures	-	1,077
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	-	460
Total extraordinary income	-	1,537
Extraordinary losses		
Loss on investment in subsidiaries and affiliates	-	7,234
Provision for losses on damages suit	5,165	6,983
Restructuring charges	-	6,326
Provision for environmental measures	1,558	1,368
Loss on contribution of securities to the pension trust	4,492	-
Provision for doubtful accounts of affiliates	1,230	-
Loss on valuation of stock of affiliates	452	-
Other	2,818	-
Total extraordinary losses	15,716	21,912
Income (loss) before income taxes	(13,102)	(11,748)
Income taxes		
Current	2,030	260
Deferred	(9,023)	(6,591)
Total income taxes	(6,992)	(6,330)
Net income (loss)	(6,109)	(5,417)

(3) Non-consolidated Statement of Changes in Shareholders' Equity

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' equity		
Common stock		
Balance at end of previous year	104,328	104,328
Changes during the period		
Issuance of new shares	-	-
Total changes during the period	-	-
Balance at end of year	104,328	104,328
Capital surplus		
Capital reserve		
Balance at end of previous year	52,058	52,058
Changes during the period		
Issuance of new shares	-	-
Total changes during the period	-	-
Balance at end of year	52,058	52,058
Other capital surplus		
Balance at end of previous year	48	39
Changes during the period		
Treasury stock disposed	(9)	(6)
Total changes during the period	(9)	(6)
Balance at end of year	39	33
Retained earnings		
Other retained earnings		
Provision for special depreciation		
Balance at end of previous year	174	146
Changes during the period		
Provision for special depreciation	5	672
Reversal of provision for special depreciation	(33)	(103)
Total changes during the period	(28)	569
Balance at end of year	146	715
Provision for advanced depreciation of fixed assets		
Balance at end of previous year	6,734	6,798
Changes during the period		
Provision for advanced depreciation of fixed assets	128	411
Reversal of provision for advanced depreciation of fixed assets	(64)	(165)
Total changes during the period	63	245
Balance at end of year	6,798	7,044
Provision for special account for advanced depreciation of fixed assets		
Balance at end of previous year	-	384
Changes during the period		
Provision for special account for advanced depreciation of fixed assets	384	-
Reversal of provision for special account for advanced depreciation of fixed assets	-	(384)
Total changes during the period	384	(384)
Balance at end of year	384	-
Retained earnings brought forward		
Balance at end of previous year	77,859	62,988
Changes during the period		
Cash dividend	(8,341)	(5,004)
Net income (loss)	(6,109)	(5,417)
Provision for special depreciation	(5)	(672)
Reversal of provision for special depreciation	33	103
Provision for advanced depreciation of fixed assets	(128)	(411)

Reversal of provision for advanced depreciation of fixed assets	64	165
Provision for special account for advanced depreciation of fixed assets	(384)	-
Reversal of provision for special account for advanced depreciation of fixed assets	-	384
Total changes during the period	<u>(14,871)</u>	<u>(10,852)</u>
Balance at end of year	<u>62,988</u>	<u>52,136</u>
Treasury stock		
Balance at end of previous year	(459)	(467)
Changes during the period		
Treasury stock purchased	(31)	(107)
Treasury stock disposed	23	23
Total changes during the period	<u>(7)</u>	<u>(84)</u>
Balance at end of year	<u>(467)</u>	<u>(552)</u>
Total shareholders' equity		
Balance at end of previous year	240,745	226,277
Changes during the period		
Issuance of new shares	-	-
Cash dividend	(8,341)	(5,004)
Net income for the year	(6,109)	(5,417)
Treasury stock purchased	(31)	(107)
Treasury stock disposed	14	17
Total changes during the period	<u>(14,468)</u>	<u>(10,512)</u>
Balance at end of year	<u>226,277</u>	<u>215,764</u>
Valuation and translation adjustments		
Net unrealized gain (loss) on securities		
Balance at end of previous year	9,237	2,872
Changes during the period		
Net changes in items other than shareholders' equity	(6,364)	1,902
Total changes during the period	<u>(6,364)</u>	<u>1,902</u>
Balance at end of year	<u>2,872</u>	<u>4,775</u>
Gains (losses) on hedging items		
Balance at end of previous year	5,383	1,649
Changes during the period		
Net changes in items other than shareholders' equity	(3,733)	(1,469)
Total changes during the period	<u>(3,733)</u>	<u>(1,469)</u>
Balance at end of year	<u>1,649</u>	<u>180</u>
Total valuation and translation adjustments		
Balance at end of previous year	14,620	4,522
Changes during the period		
Net changes in items other than shareholders' equity	(10,098)	433
Total changes during the period	<u>(10,098)</u>	<u>433</u>
Balance at end of year	<u>4,522</u>	<u>4,955</u>
Total net assets		
Balance at end of previous year	255,366	230,799
Changes during the period		
Issuance of new shares	-	-
Cash dividend	(8,341)	(5,004)
Net income for the year	(6,109)	(5,417)
Treasury stock purchased	(31)	(107)
Treasury stock disposed	14	17
Net changes in items other than shareholders' equity	(10,098)	433
Total changes during the period	<u>(24,566)</u>	<u>(10,079)</u>
Balance at end of year	<u>230,799</u>	<u>220,720</u>

(4) Events or circumstances that raise material doubt regarding the going-concern assumption

Not applicable

6. Other

(1) Corporate officer changes

Refer to the Company's press release on February 22, 2010, titled "Directors and Executive Officers to Change."

(2) Orders and sales (consolidated)

1) Orders received

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	71,512	4.6	16,128	1.6	(55,384)	(77.4)
Rolling Stock	264,603	17.1	77,166	7.7	(187,437)	(70.8)
Aerospace	239,176	15.5	171,380	17.1	(67,796)	(28.3)
Gas Turbines & Machinery	355,517	23.0	226,228	22.5	(129,288)	(36.3)
Plant & Infrastructure Engineering	83,648	5.4	124,767	12.4	41,119	49.1
Consumer Products & Machinery	336,459	21.8	216,990	21.6	(119,468)	(35.5)
Hydraulic Machinery	84,142	5.4	71,042	7.0	(13,099)	(15.5)
Other	105,528	6.8	97,584	9.7	(7,943)	(7.5)
Total	1,540,589	100.0	1,001,290	100.0	(539,299)	(35.0)

Note: The Consumer Products & Machinery segment's orders received are equal to its net sales as its production is based mainly on estimated demand.

2) Net sales

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	126,426	9.4	151,893	12.9	25,467	20.1
Rolling Stock	186,454	13.9	167,156	14.2	(19,297)	(10.3)
Aerospace	200,424	14.9	188,892	16.1	(11,531)	(5.7)
Gas Turbines & Machinery	195,156	14.5	191,379	16.3	(3,776)	(1.9)
Plant & Infrastructure Engineering	105,178	7.8	90,495	7.7	(14,682)	(13.9)
Consumer Products & Machinery	336,459	25.1	216,990	18.4	(119,468)	(35.5)
Hydraulic Machinery	84,919	6.3	68,809	5.8	(16,109)	(18.9)
Other	103,579	7.7	97,855	8.3	(5,723)	(5.5)
Total	1,338,597	100.0	1,173,473	100.0	(165,124)	(12.3)

3) Order backlog

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	356,937	21.0	218,134	14.4	(138,802)	(38.8)
Rolling Stock	478,565	28.1	385,655	25.5	(92,909)	(19.4)
Aerospace	286,600	16.8	264,788	17.5	(21,812)	(7.6)
Gas Turbines & Machinery	405,196	23.8	426,506	28.3	21,309	5.2
Plant & Infrastructure Engineering	112,162	6.6	146,565	9.7	34,402	30.6
Consumer Products & Machinery	-	-	-	-	-	-
Hydraulic Machinery	28,539	1.6	30,772	2.0	2,232	7.8
Other	31,160	1.8	34,635	2.2	3,474	11.1
Total	1,699,162	100.0	1,507,057	100.0	(192,105)	(11.3)

(3) Orders and sales (non-consolidated)

Due to re-segmentation of Construction Machinery business, the year-on-year rate of Rolling Stock Segment is not mentioned below.

Orders, net sales and order backlog by industry segment

1) Orders received

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Rolling Stock	209,304	19.8	53,617	9.2	(155,686)	-
Aerospace	222,684	21.1	153,077	26.4	(69,606)	(31.2)
Gas Turbines & Machinery	345,796	32.7	216,216	37.3	(129,580)	(37.4)
Plant & Infrastructure Engineering	28,977	2.7	12,778	2.2	(16,198)	(55.9)
Consumer Products & Machinery	247,740	23.4	142,986	24.7	(104,754)	(42.2)
Total	1,054,503	100.0	578,676	100.0	(475,826)	(45.1)
Export orders received	553,607	52.4	318,553	55.0	(235,054)	(42.4)

Note: The Consumer Products & Machinery segment's orders received are equal to its net sales as its production is based mainly on estimated demand.

2) Net sales

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Rolling Stock	129,779	16.8	118,679	18.4	(11,099)	-
Aerospace	182,995	23.7	169,211	26.2	(13,784)	(7.5)
Gas Turbines & Machinery	184,540	23.9	184,886	28.7	346	0.1
Plant & Infrastructure Engineering	26,373	3.4	28,368	4.4	1,995	7.5
Consumer Products & Machinery	247,740	32.1	142,986	22.2	(104,754)	(42.2)
Total	771,428	100.0	644,133	100.0	(127,295)	(16.5)
Net export sales	455,912	59.0	337,390	52.3	(118,521)	(25.9)

3) Order backlog

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Rolling Stock	355,432	31.7	285,197	27.6	(70,235)	-
Aerospace	271,872	24.2	251,438	24.3	(20,434)	(7.5)
Gas Turbines & Machinery	434,666	38.7	452,429	43.8	17,762	4.0
Plant & Infrastructure Engineering	58,485	5.2	42,889	4.1	(15,595)	(26.6)
Consumer Products & Machinery	-	-	-	-	-	-
Total	1,120,456	100.0	1,031,954	100.0	(88,502)	(7.8)
Export order backlog	549,261	49.0	507,820	49.2	(41,440)	(7.5)

(4) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2011

1) Consolidated earnings outlook

Billions of yen

	Outlook for the year ending March 31, 2011 (A)	Year ended March 31, 2010 (B) (actual)	Change (A – B)
Net sales	1,280.0	1,173.4	106.5
Operating income	32.0	(1.3)	33.3
Recurring profit	32.0	14.2	17.7
Net income	20.0	(10.8)	30.8
Orders received	1,240.0	1,001.2	238.8
Before-tax ROIC (%)	5.6%	0.2%	5.4%
R&D expenses	40.5	38.0	2.4
Capital expenditures	66.0	59.2	6.8
Depreciation/amortization	54.0	51.4	2.6
Number of employees at end of period	32,400	32,297	103
*Number of employees outside of Japan included therein	*7,800	*7,901	*(101)

Notes: 1. The expected foreign exchange rate used for the outlook: ¥90=US\$1, ¥125=1 Euro
 2. Before-tax ROIC = (income before income taxes + interest expense) / invested capital
 3. Capital expenditures represent the total of newly recorded property, plant and equipment and newly recorded intangible assets. Depreciation/amortization represents depreciation/amortization expenses for property, plant and equipment and intangible assets.

2) Outlook by industry segment

Net sales and operating income (loss)

Billions of yen

	Outlook for the year ending March 31, 2011 (A)		Year ended March 31, 2010 (B) (actual)		Change (A – B)	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Shipbuilding	120.0	2.0	151.8	1.5	(31.8)	0.4
Rolling Stock	145.0	8.0	150.0	8.7	(5.0)	(0.7)
Aerospace	215.0	4.0	188.8	3.7	26.1	0.2
Gas Turbines & Machinery	210.0	10.0	191.3	8.9	18.6	1.0
Plant & Infrastructure Engineering	110.0	6.0	107.5	7.9	2.4	(1.9)
Motorcycle & Engine	260.0	0.0	203.0	(27.0)	56.9	27.0
Precision Machinery	110.0	8.0	82.7	3.4	27.2	4.5
Other	110.0	(6.0)	97.8	(8.6)	12.1	2.6
Total	1,280.0	32.0	1,173.4	(1.3)	106.5	33.3

2) Orders received

Billions of yen

	Outlook for the year ending March 31, 2011 (A)	Year ended March 31, 2010 (B) (actual)	Change (A – B)
Shipbuilding	90.0	16.1	73.8
Rolling Stock	130.0	66.2	63.7
Aerospace	200.0	171.3	28.6
Gas Turbines & Machinery	220.0	226.2	(6.2)
Plant & Infrastructure Engineering	120.0	135.6	(15.6)
Motorcycle & Engine	260.0	203.0	56.9
Precision Machinery	110.0	84.9	25.0
Other	110.0	97.5	12.4
Total	1,240.0	1,001.2	238.7

Note: Outlook figures for the year ending March 31, 2011, appearing in the tables above were prepared based on the *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information*. In accord with the change in the Company's internal business categorizations effected in April 2010, the "Outlook by industry segment" above was also prepared based on the new segmentation: the crushers business, which was previously part of the Rolling Stock segment, was shifted to the Plant & Infrastructure Engineering segment, the robot business, which was previously part of the Consumer Products & Machinery segment, was shifted to the Precision Machinery segment. Simultaneously, the denomination of the Consumer Products & Machinery segment was changed to the Motorcycle & Engine segment, and the denomination of the Hydraulic Machinery segment was changed to the Precision Machinery segment.

The figures in the "Net sales and operating income (loss)" and "Orders received" columns for the Plant & Infrastructure Engineering segment for the year ended March 31, 2010, include the results of the crushers business, and the corresponding figures for the Precision Machinery segment include the results of the robot business. In addition, figures in the "Operating income (loss)" columns for the year ended March 31, 2010, were calculated with the cost allocation method adopted for the calculation of outlook figures for the year ending March 31, 2011. Accordingly, these figures differ from those for net sales and operating income (loss) reported in the "Segment information" section and in the "Orders and sales (consolidated)" section.