

**Financial Results for FY 2009  
(for the year ended March 31, 2010)**

**April 27, 2010**

**Kawasaki Heavy Industries, Ltd**



# Table of Contents

## I. Consolidated Results for FY2009

◇ Summary of Financial Results	1
◇ Details of Change in Profit ①	2
◇ Details of Change in Profit ②	3
◇ Financial Results by Segment	4
Shipbuilding	5
Rolling Stock	6
Aerospace	7
Gas Turbines & Machinery	8
Energy & Environmental Engineering	9
Motorcycle & Engine	10
Precision Machinery	11
Others	12
◇ Financial Condition and Cash Flows	13

## II. Forecast for FY2010

◇ Consolidated Operating Performance	14
◇ Forecast by Segment	15
◇ R&D/CAPEX/Number of Employees	16
(Note) Change in Segment Information	
Disclosure	17

# **I. Consolidated Results for FY2009**

# Summary of Financial Results

(¥ Billion / In accumulated amount)

	FY2008	FY2009		Change	
	Actual	Forecast in Jan.	Actual	vs. FY2008	vs. Forecast in Jan.
Orders Received	1,540.5	1,060.0	<b>1,001.2</b>	- 539.2	- 58.7
Net Sales	1,338.5	1,180.0	<b>1,173.4</b>	- 165.1	- 6.5
Operating Income/Loss	28.7	5.0	<b>- 1.3</b>	- 30.0	- 6.3
Recurring Profit	38.7	10.0	<b>14.2</b>	- 24.4	+ 4.2
Net Income/Loss	11.7	3.0	<b>- 10.8</b>	- 22.5	- 13.8

## 【Orders Received】

Decrease in all segments except Energy & Environmental Engineering segment

## 【Net Sales】

Significant decrease in Consumer Products & Machinery segment due to sales decrease of motorcycles in U.S. & European markets

## 【Profits】

Profit declined due to the adverse impact of sales decrease in U.S. & European Markets, and also of the appreciation of the yen, despite implementation of the fixed cost reduction especially in mass production businesses

Exchange Rates ( weighted-average )

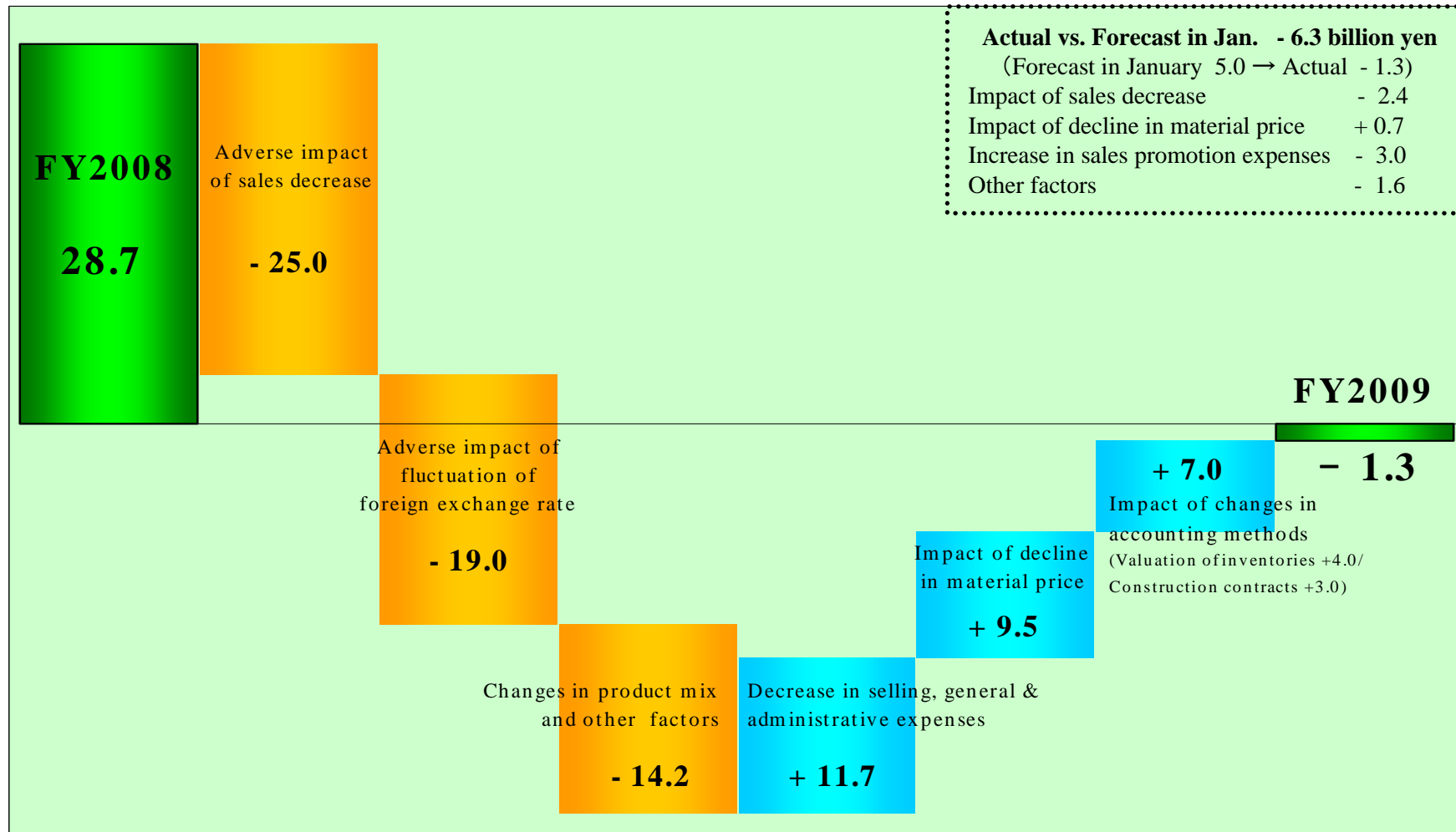
¥/US\$	101	90	<b>93</b>
¥/EUR	142	130	<b>130</b>

# Details of Change in Profit ①

- FY2009 vs. FY2008 -

(¥ Billion / In accumulated amount)

【Operating Income/loss】 - 30.0 ( FY2008 28.7 => FY2009 - 1.3 )



# Details of Change in Profit ②

- FY2009 vs. FY2008-

(¥ Billion / In accumulated amount)

## 【Non-operating Income/Expenses】 + 5.6 ( FY2008 10.0 => FY2009 15.6 )

Net Interest expense ( incl. dividend income )	+ 0.5	( - 2.3 ⇒ - 1.7 )
Equity in income of unconsolidated subsidiaries and affiliates	- 2.1	( 8.7 ⇒ 6.5 )
Gain and loss on foreign exchange	+ 0.5	( 10.3 ⇒ 10.9 )
Others	+ 6.6	( - 6.7 ⇒ 0 )

## 【Extraordinary Income/Losses】 - 3.0 ( FY2008 - 15.0 => FY2009 - 18.1 )

Provision for losses on damages suit	- 1.8	( <sup>※1</sup> ( - 5.1 ) ⇒ <sup>※2</sup> ( - 6.9 ) )
Business restructuring expenses on Consumer Products business	- 7.6	( 0 ⇒ <sup>※3</sup> ( - 7.6 ) )
Loss on impairment of fixed assets	- 1.7	( - 1.3 ⇒ <sup>※4</sup> ( - 3.1 ) )
Loss on contribution of securities to the pension trust	+ 4.4	( - 4.4 ⇒ 0 )
Others	+ 3.6	( - 4.0 ⇒ - 0.3 )

※1 Amount equivalent to fine claimed by Japan Fair Trade Commission in relation to refuse incineration plants  
 ※2 Estimated loss for the company in case of losing a suit for damages by owner of refuse incineration plants  
 ※3 Expenses estimated to need to liquidate the excess inventory (¥6.3bil.), Expenses on early retirement of employees (¥1.3bil.)  
 ※4 Loss on impairment of fixed assets in subsidiaries whose book values were written down to the recoverable amounts

# Financial Results by Segment

(¥ Billion / In accumulated amount)

	Orders Received			Net Sales			Operating Income/Loss		
	FY2008	FY2009	Change	FY2008	FY2009	Change	FY2008	FY2009	Change
Shipbuilding	71.5	16.1	- 55.3	126.4	151.8	25.4	- 1.0	1.4	2.5
Rolling Stock <sup>※1</sup>	235.0	77.1	- 157.8	154.8	167.1	12.3	12.3	7.7	- 4.6
Aerospace	239.1	171.3	- 67.7	200.4	188.8	- 11.5	- 4.1	1.7	5.9
Gas Turbines & Machinery	355.5	226.2	- 129.2	195.1	191.3	- 3.7	11.0	6.6	- 4.3
Energy & Environmental Engineering	83.6	124.7	41.1	105.1	90.4	- 14.6	8.9	6.2	- 2.6
Consumer Products & Machinery	336.4	216.9	- 119.4	336.4	216.9	- 119.4	- 10.1	- 31.6	- 21.5
Hydraulic Machinery	84.1	71.0	- 13.0	84.9	68.8	- 16.1	8.3	6.9	- 1.4
Others <sup>※2</sup>	135.0	97.5	- 37.4	135.1	97.8	- 37.3	3.2	- 0.4	- 3.6
Eliminations and Corporate	-	-	-	-	-	-	0	- 0.1	- 0.1
Total	1,540.5	1,001.2	- 539.2	1,338.5	1,173.4	- 165.1	28.7	- 1.3	- 30.0

※1 FY2008 figures exclude Construction Machinery business unit  
(Figures incl. Construction Machinery: Orders Received ¥264.6bil., Net Sales ¥186.4bil., Operating Income ¥11.3bil.)

※2 FY2008 figures include Construction Machinery business unit  
(Figures excl. Construction Machinery: Orders Received ¥105.5bil., Net Sales ¥103.5bil., Operating Income ¥ 4.2bil.)

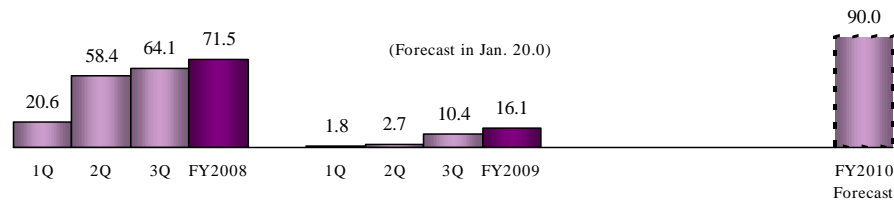
# Shipbuilding

Main Products: LNG Carriers, LPG Carriers, VLCCs, Bulk Carriers, Submarines and others

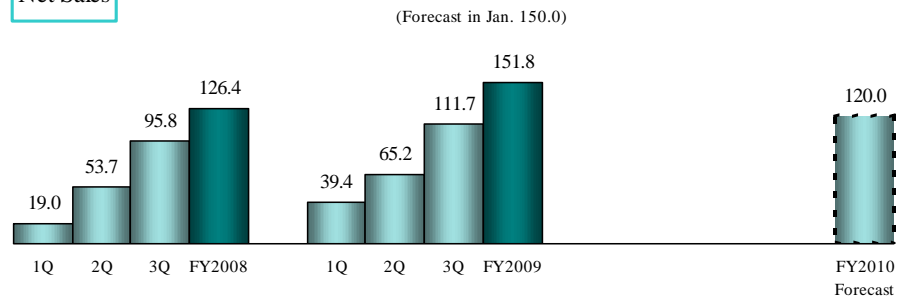
(¥ Billion / In accumulated amount)

※ Boxed figures (“Recalculation”) show the recalculated figures based on the new accounting standard which has been adopted since FY2010 => **Refer to Page 17**

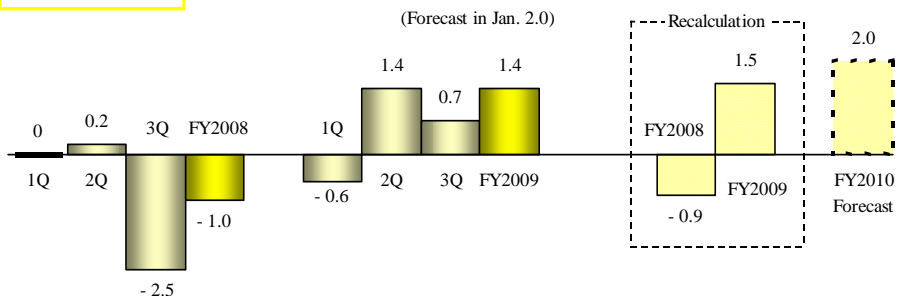
## Orders Received



## Net Sales



## Operating Income



### ◇ **FY2009** ( vs. FY2008)

#### **Orders Received:**

Significant decline in orders received of new building ships due to downturn of shipping market

**Net Sales:** Increase in sales units and sales of large-scale vessels

#### **Operating Income:**

Profitability returned due to sales increase and improvement of profitability by decline of material price, and other factors

<Unit of Orders Received and Sales of New Building Ships>

	Orders Received		Sales	
	FY2008	FY2009	FY2008	FY2009
LNG carriers			6(6)	6(6)
Small-sized LNG carriers		1	2(0)	
LPG carriers	1		3(2)	2(2)
VLCC			1(0)	1(0)
Bulk carriers	5		7(0)	15(10)
Submarines			2(2)	2(2)
Total	6	1	21(10)	26(20)

Note: ( ) = Sales units by percentage-of-completion method

### ◇ **FY2010 Forecast** ( vs. Recalculated FY2009 figures in the box)

**Orders Received:** Increase in orders received of new building ships

#### **Net Sales:**

Net sales are expected to decrease due to sales decrease of large-scale vessels

#### **Operating Income:**

Income is expected to increase due to sales increase in highly profitable vessels

### ◇ **(For Reference) Joint Venture in China**

NACKS was established in Nantong in December 1995, as a joint venture between KHI and China Ocean Shipping(Group) Company, the biggest shipping company in China and its capacity was expanded in 2008. At NACKS, various types of commercial vessels such as very large-size container ships, VLCCs, bulk carriers and car carriers are built by utilizing two large-scale docks for both domestic and overseas customers under the technical support from Kawasaki Shipbuilding Corporation. (NACKS is an equity method affiliate.)



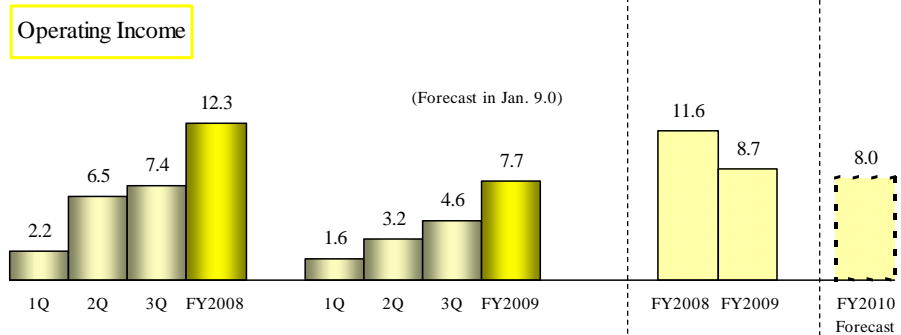
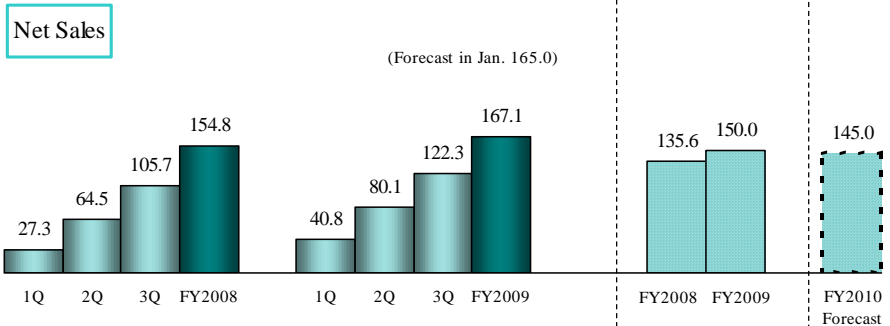
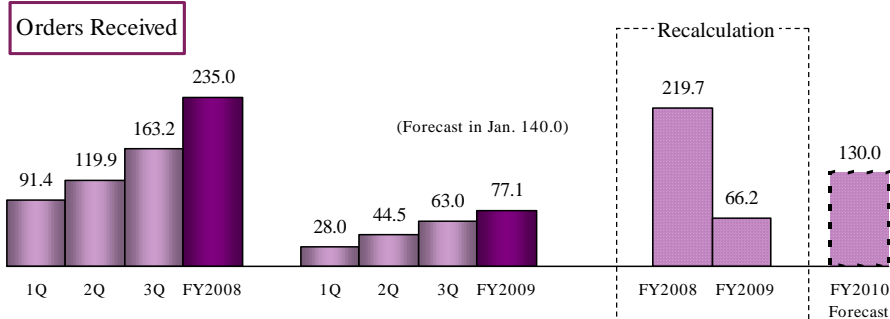
# Rolling Stock

(¥ Billion / In accumulated amount)

※ FY2008 Figures exclude Construction Machinery business unit

※ Boxed figures (“Recalculation”) show the recalculated figures based on the new business segmentation (excl. crushing machine) and the new accounting standard which have been adopted since FY2010 => [Refer to Page 17](#)

Main Products : Electric train cars (incl. Shinkansen), Electric and diesel locomotives, Passenger coaches, Platform screen doors, Gigacell (High-Capacity, Full Sealed Ni-MH Battery)



◇ **FY2009** ( vs. FY2008)

**Orders Received:**

- 132 cars for Singapore Land Transport Authority
- Decrease in large-scale orders received for Japan Railways

**Net Sales:**

Increase in sales for Japan Railways and overseas market

**Operating Income:**

Income decreased due to deterioration in profitability for overseas projects by the appreciation of the yen, and other factors

◇ **FY2010 Forecast** ( vs. Recalculated FY2009 figures in the box)

**Orders Received:** Increase in orders received for Japan Railways and overseas market

**Net sales:** Net sales is expected to be the same level as the previous year despite decrease in small projects such as spare parts

**Operating Income:** Income is expected to be the same level as the previous year despite the adverse impact of the appreciation of the yen, and other factors

◇ **(For Reference) The Present Status of New Overseas Projects**

- North America
  - Working to receive orders mainly for heavy rails and commuter rails
  - Light Rail Vehicles (LRVs) for U.S. market is currently under development
- High-speed railways
  - There are plans in U.S., Vietnam and other countries
- Dedicated Freight Corridor - Western Corridor Phase I (Delhi – Mumbai)
  - Japanese ODA project, working to receive orders for electric locomotives
- E&M system projects in Asian region
  - Working with other companies

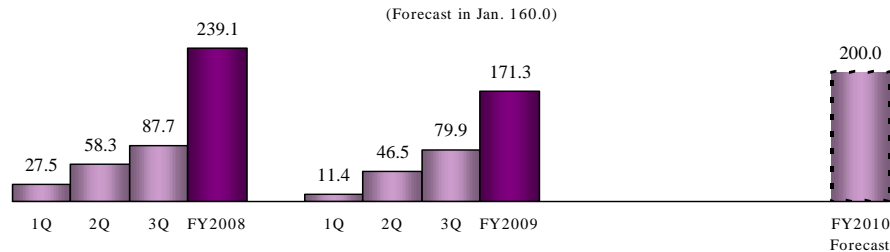
# Aerospace

Main Products : Aircrafts for Japan Ministry of Defense, Component parts for commercial aircrafts (BOEING , Embraer), Missiles

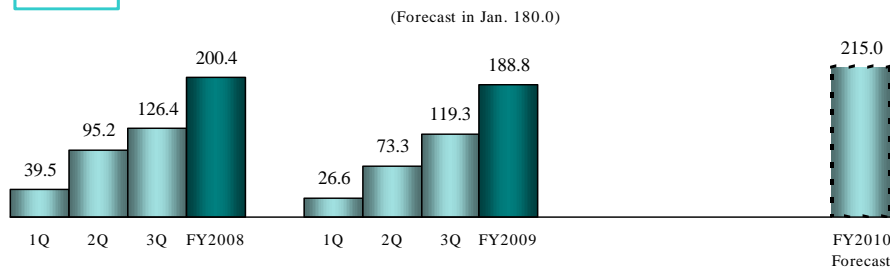
(¥ Billion / In accumulated amount)

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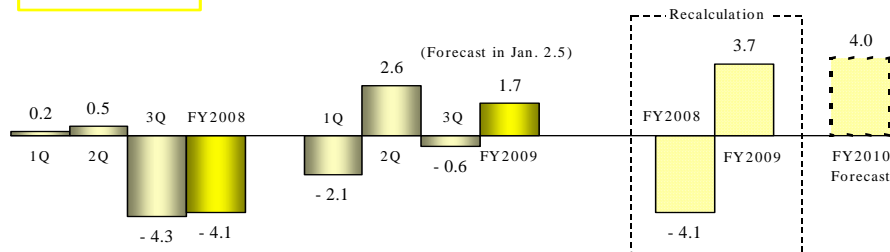
## Orders Received



## Net Sales



## Operating Income



<Sales units of components parts for commercial aircrafts> (unit)

	Sales	
	FY2008	FY2009
B777	73	77
B767	13	10
Embraer170/175	46	16
Embraer190/195	112	50

### ◇ FY2009 ( vs. FY2008)

**Orders Received:** Decrease in orders received for component parts for BOEING including B777

**Net Sales:** Decrease in sales for Japan Ministry of Defense (MOD) because the aircrafts XP-1 & XC-2 for MOD are on the phase between development and mass production

**Operating Income:** Income improved due to expenses deferrals regarding B787 project with the revision of development schedule of the said aircraft, and other factors

### ◇ FY2010 Forecast ( vs. Recalculated FY2009 figures in the box)

**Orders Received:** Increase in orders received of component parts for BOEING including B787 & B777

**Net Sales:** Net sales are expected to increase due to the production increase of XP-1 on the mass production phase and of component parts for BOEING B787

**Operating Income:** Income is expected to increase slightly despite the considerable amortized cost of investment incurred by initiating mass production of component parts for commercial aircraft

### ◇ (For Reference) XC-2 Test Aircraft Delivered to Japan Ministry of Defense

The #1 test XC-2 transport aircraft manufactured at Kawasaki’s Gifu Works completed a successful first flight in Jan. 2010 after a series of in-house testing, and was delivered to Japan Ministry of Defense (MOD) on Mar. 30, 2010 at the Works.

The Ministry of Defense began development of the XC-2 in 2001 as a replacement of the current C-1, and in Nov. 2001, Kawasaki was nominated as a prime-contractor for developing the airplane with aircraft manufacturers and other participating companies.

The XC-2 employs a newly developed flight control system and an enhanced labor-saving loading/unloading system. Powered by GE engines, the XC-2 has a greater flight range capability and superior maximum cruise speed than its predecessor.

The #2 test XC-2 transport aircraft is currently in production and scheduled for delivery to the MOD by the end of Mar. 2011.

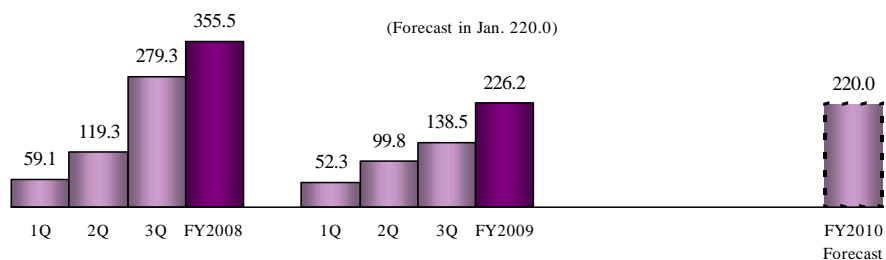
# Gas Turbines & Machinery

Main Products : Jet engines, Gas turbine co-generation system, Gas turbines & Steam turbines for marines & land, Diesel engines, Marine Propulsion System, Aero-Dynamic Machinery

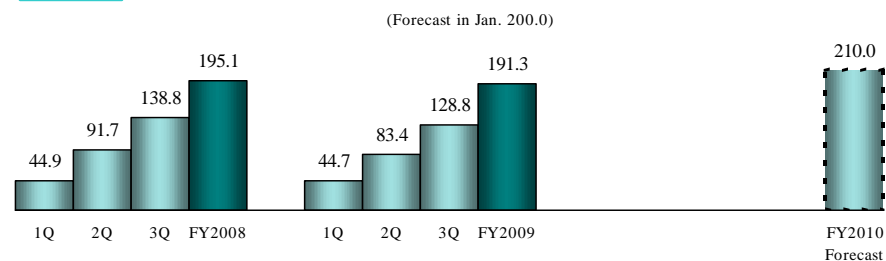
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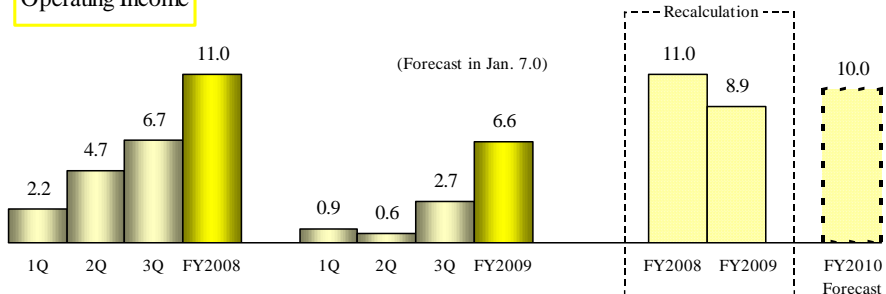
## Orders Received



## Net Sales



## Operating Income



### ◇ **FY2009** ( vs. FY2008)

**Orders Received:** Decrease in orders received for component parts for commercial aircraft jet engines that had a large order received in the previous fiscal year, and for marine propulsion systems

**Net Sales:** Net sales decreased slightly due to sales decline of marine diesel engines

**Operating Income:** Income decreased due to the adverse impact of the appreciation of the yen, and other factors

### ◇ **FY2010 Forecast** ( vs. Recalculated FY2009 figures in the box)

**Orders Received:** Decrease in orders received for component parts for commercial aircraft jet engines

**Net Sales:** Net sales are expected to increase due to sales increase in component parts for commercial aircraft jet engines, marine machinery, and aero-dynamic machinery

**Operating Income:** Income is expected to increase due to the sales increase, despite the initial cost for newly developed commercial aircraft jet engines

<Summary of Major Projects for Commercial Aircraft Jet Engines>

	V2500	Trent1000	TrentXWB
Aircraft	A320 and others	B787	A350
Participation Type	Full Partner	RRSP(※)	RRSP(※)
Share	Approx. 6%	Approx. 8.5%	Approx. 7%
Responsible Components	Fan case, vane, disc, low-pressure compressor blade	Intermediate pressure compressor (IPC) module	Intermediate pressure compressor (IPC) module

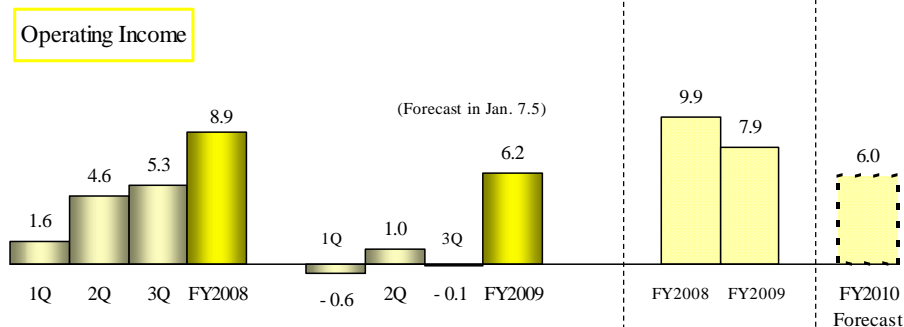
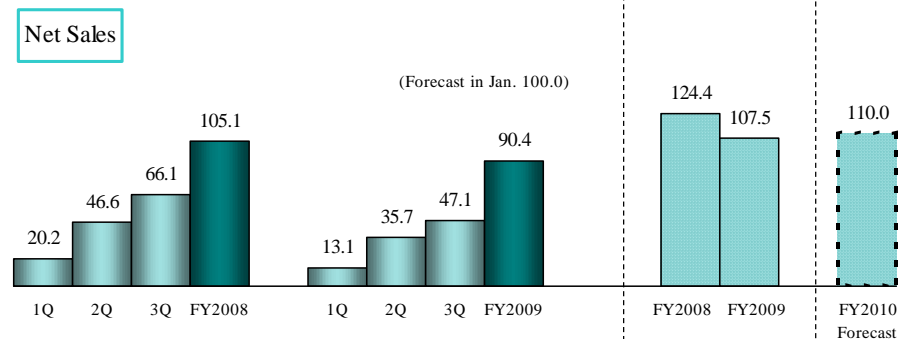
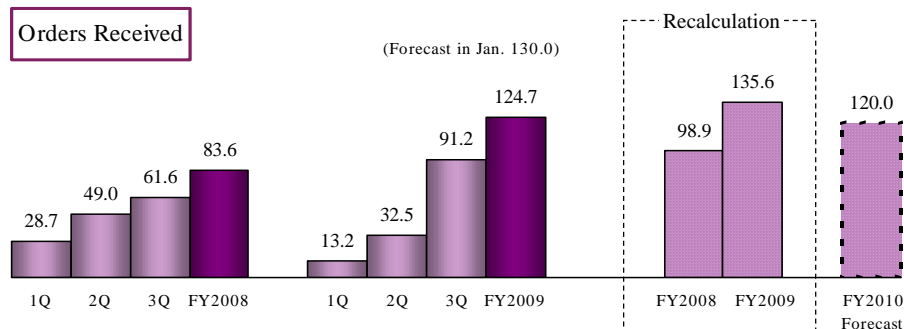
(※) Risk & Revenue Sharing Partner

# Energy & Environmental Engineering

Main Products: Industrial plants (cement, chemical and others), Power plants, LNG & LPG tanks, Municipal refuse incineration plants, Shield machines, Crushing Machine

(¥ Billion / In accumulated amount)

※ Boxed figures (“Recalculation”) show the recalculated figures based on the new business segmentation (incl. crushing machine) and the new accounting standard which have been adopted since FY2010 => **Refer to Page 17**



## ◇ **FY2009** ( vs. FY2008)

**Orders Received:** Orders received increased due to a large-scale order received of fertilizer production facility for Turkmenistan

**Net Sales:** Decrease in large-scale projects for overseas customers

( Overseas large-scale projects in FY2008 )  
 Ferronickel plant / Korea  
 Urea production facility / Pakistan  
 Cement plant / Vietnam

## **Operating Income:**

Income decreased due to the adverse impact of sales decline

## ◇ **FY2010 Forecast** ( vs. Recalculated FY2009 figures in the box)

**Orders Received:** Decrease in large-scale orders received for overseas customers

**Net Sales:** Net sales are expected to increase slightly despite decrease in large-scale projects

**Operating Income:** Income is expected to decrease due to decrease in highly profitable projects

## ◇ **(For Reference) Joint Ventures in China**

In 2006, KHI started a joint venture with Anhui Conch Cement Company Ltd., China's largest cement manufacturer. KHI has established three joint ventures for the time being and set up an integrated system in China encompassing the design, production, sales and after-sale services of waste heat recovery power generation systems for cement plants and cement producing facilities (Pre-heaters, Rotary Kilns and Roller Mills) with sophisticated technologies it has accumulated. KHI will contribute further to bring technologies for environment and energy conservation in China.

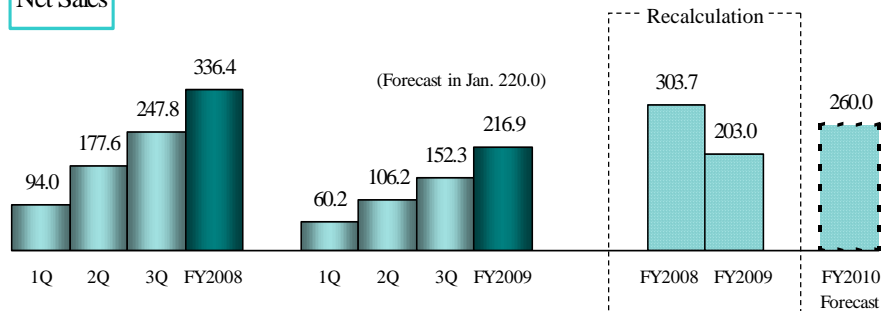
# Motorcycle & Engine

Main Products: Motorcycles, All-Terrain Vehicles(ATVs), Utility Vehicles, Personal Watercraft, General-Purpose Gasoline Engines

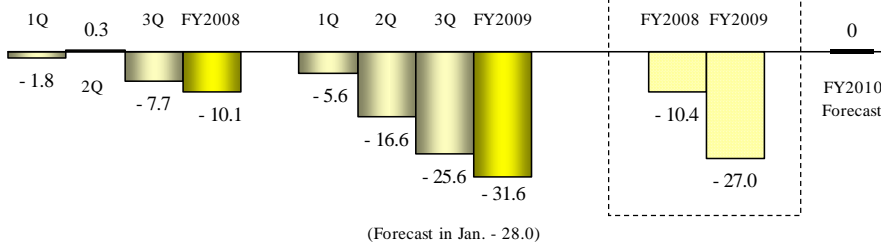
(¥ Billion / In accumulated amount)

※ Boxed figures (“Recalculation”) show the recalculated figures based on the new business segmentation (excl. industrial robots) and the new accounting standard which have been adopted since FY2010 => **Refer to Page 17**

## Net Sales



## Operating Income



<Sales by Geographic Segment for Consumer Products> (Thousands of unit/ ¥ Billion)

	FY2008		FY2009		FY2010 Forecast	
	Unit	Amount	Unit	Amount	Unit	Amount
Domestic	19	14.7	17	12.9	16	12.2
North America	197(118)	134.3	80(49)	56.3	126(66)	87.0
Europe	97	73.2	72	56.2	72	58.8
Other	210	44.9	228	45.1	296	62.3
<b>Total</b>	<b>523</b>	<b>267.1</b>	<b>397</b>	<b>170.5</b>	<b>510</b>	<b>220.3</b>

Note: 1) Sales units and amount include the following products.

Units: Motorcycles, All-Terrain Vehicles(ATV), Utility Vehicles and Personal Water Craft(Jet Ski)

Amount: The products mentioned above and parts for those products.

2) Figures in the Parenthesis ( ) represent motorcycle sales units.

### ◇ **FY2009** ( vs. FY2008)

#### **Net Sales:**

- Decrease in sales of motorcycles due to significant reduction of U.S. and European markets
- Decrease in sales of industrial robots

#### **Operating Income:**

Loss expanded significantly due to the adverse impact of sales decrease and the appreciation of the yen and other factors, while improvement of marginal profitability and fixed cost reduction and other measures were implemented

### ◇ **FY2010 Forecast** ( vs. Recalculated FY2009 figures in the box)

#### **Net Sales:**

Net sales are expected to increase due to the effects of liquidation of the excess inventory implemented in the previous fiscal year and the effects of sales increase in Asian and other emerging markets

#### **Operating Income:**

Income is expected to improve dramatically due to sales increase and the effects of business restructuring measures implemented through the previous fiscal year

### ◇ **For Reference**

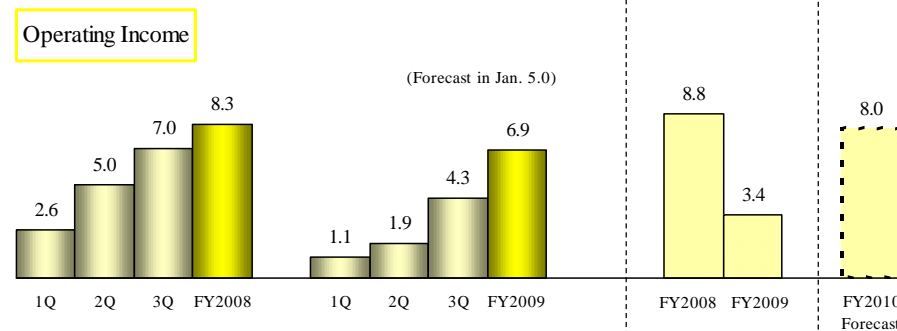
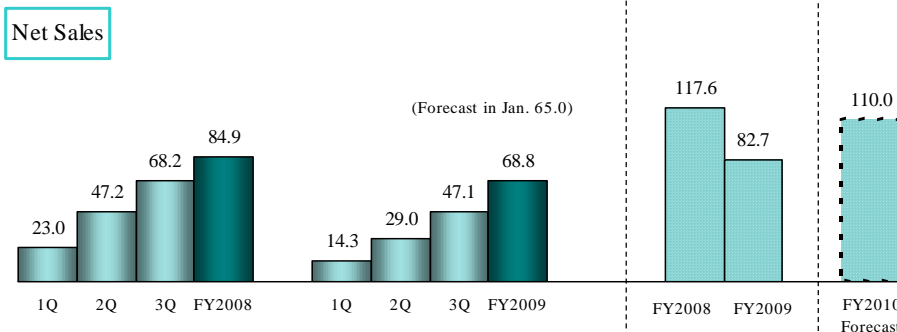
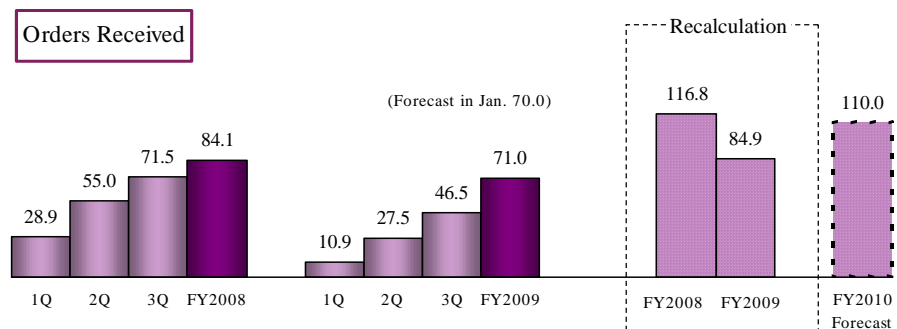
- A joint venture, CK&K, was established in China with Kwang Yang Motor Co., Ltd.(KYMCO) of Taiwan for production and sales of general purpose gasoline engines. Production started in Jan. 2010.
- New motorcycle production plant started up at Kawasaki's Brazilian subsidiary, KMB, in Oct. 2009.
- New subsidiary, IKM, is planned to be established in India in May 2010 to import and sell motorcycles.

# Precision Machinery

Main Products: Hydraulic components (pumps, motors & valves), Hydraulic systems for industrial use, Hydraulic marine machinery, Industrial Robots

(¥ Billion / In accumulated amount)

※ Boxed figures ("Recalculation") show the recalculated figures based on the new business segmentation (incl. industrial robots) and the new accounting standard which have been adopted since FY2010 => **Refer to Page 17**



◇ **FY2009** ( vs. FY2008)

**Orders Received & Net Sales:**

Both orders received and net sales decreased significantly due to demand decline for hydraulic components for construction machinery in Japanese, U.S. & European markets, despite strong demand in Asian and other emerging markets

**Operating Income:**

Income decreased due to the adverse impact of sales decline

◇ **FY2010 Forecast** ( vs. Recalculated FY2009 figures in the box)

**Orders Received & Net Sales:**

Both orders received and net sales are expected to increase due to the recovering demand for hydraulic machinery for construction machinery in Asian and other emerging markets, and industrial robots for manufacturers of semiconductor production equipments

**Operating Income:**

Income is expected to increase due to sales increase

◇ **(For Reference) Businesses Development in China**

In Aug. 2006, production of hydraulic pumps started at Chinese subsidiary in Suzhou to meet the increasing demand in China.

In Sep. 2008, the production facility was expanded, and in Jan. 2009, production of hydraulic marine machinery started at the same facility and a joint venture of hydraulic machinery manufacturing was established in Zhejiang with a Chinese company. In order to provide the products manufactured at the above two manufacturing companies to customers throughout China, a sales subsidiary was established in Shanghai.

# Others

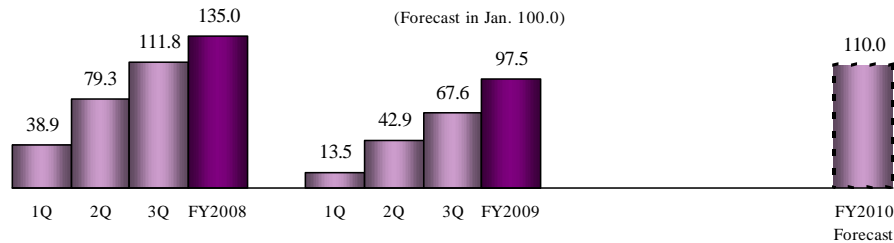
Main Products: Trading, Construction Machinery and others

(¥ Billion / In accumulated amount)

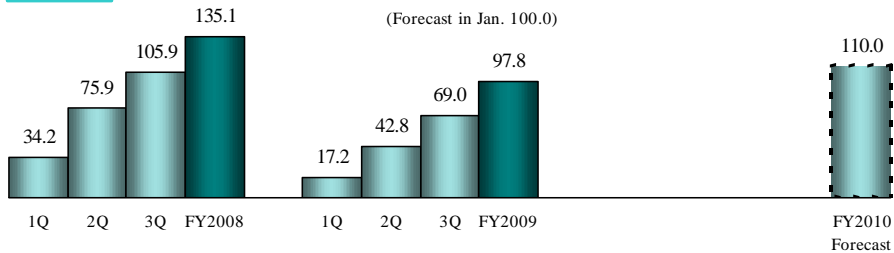
※ FY2008 Figures include Construction Machinery business unit

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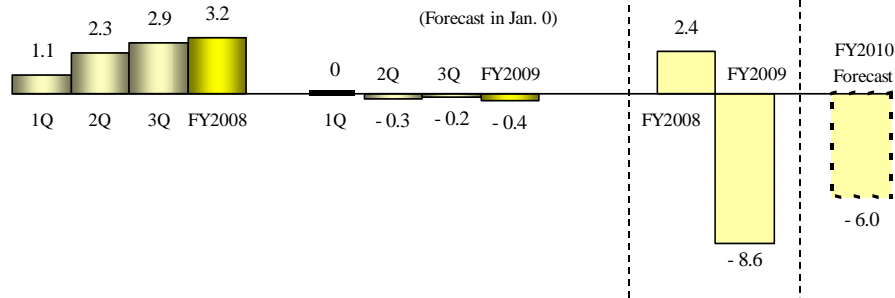
## Orders Received



## Net Sales



## Operating Income



### ◇ For Reference

Adoption of the new accounting standard is the main cause of operating loss for FY2010 forecast

# Financial Condition and Cash Flows

## 【Financial Condition】

(¥ Billion)

	FY2008 End of Mar.2009	FY2009 End of Mar.2010
Total Assets	1,399.7	<b>1,352.4</b>
Shareholders' Equity (Ratio of shareholders' equity to total assets)	290.4 (20.7%)	<b>277.0</b> <b>(20.4%)</b>
Interest-bearing debt (Net Interest-bearing debt)	389.2 (357.3)	<b>428.9</b> <b>(394.1)</b>
Net Debt Equity Ratio	123%	<b>142%</b>

Note) Interest-bearing debt includes lease obligations

## 【Cash Flows】

(¥ Billion / In accumulated amount)

	FY2008	FY2009
Cash flows from operating activities	- 41.2	<b>30.1</b>
Cash flows from investing activities	- 72.2	<b>- 63.2</b>
Free Cash Flows	- 113.5	<b>- 33.0</b>
Cash flows from financing activities	107.6	<b>35.9</b>



## **II. Forecast for FY2010**

# Consolidated Operating Performance

(¥ Billion)

	FY2009 Actual	FY2010 Forecast	Change
Orders Received	1,001.2	<b>1,240.0</b>	+ 238.7
Net Sales	1,173.4	<b>1,280.0</b>	+ 106.5
Operating Income/Loss	- 1.3	<b>32.0</b>	+ 33.3
Recurring Profit	14.2	<b>32.0</b>	+ 17.7
Net Income/Loss	- 10.8	<b>20.0</b>	+ 30.8

## 【Orders Received】

Significant recovery of orders received is expected in Shipbuilding, Rolling Stock and other segments, despite orders received in Energy & Environmental Engineering segment are expected to decrease

## 【Net Sales】

Net sales are expected to increase in mass production businesses such as Motorcycle & Engine and Precision Machinery segments due to gradual recovery of the demand, despite sales decrease is expected in Shipbuilding segment

## 【Profits】

Significant improvement is expected in Motorcycle & Engine segment due to sales increase in motorcycles and the effects of business restructuring measures implemented through the previous fiscal year

Exchange Rates (actual & assumed)

¥/US\$	93	<b>90</b>
¥/EUR	130	<b>125</b>

Note) Assumed rate is applied to the foreign exchange exposure as of April 27, 2010

(For Reference)

Impact on profit by FX fluctuation of 1 yen

(¥ Billion)

	Operating Income	Recurring Profit
US\$	1.9	1.2
EUR	0.3	0.3

# Forecast by Segment

(¥ Billion)

	Orders Received		Net Sales		Operating Income/Loss	
	FY2009 Actual	<b>FY2010 Forecast</b>	FY2009 Actual	<b>FY2010 Forecast</b>	FY2009 Actual	<b>FY2010 Forecast</b>
Shipbuilding	16.1	<b>90.0</b>	151.8	<b>120.0</b>	1.5	<b>2.0</b>
Rolling Stock	66.2	<b>130.0</b>	150.0	<b>145.0</b>	8.7	<b>8.0</b>
Aerospace	171.3	<b>200.0</b>	188.8	<b>215.0</b>	3.7	<b>4.0</b>
Gas Turbines & Machinery	226.2	<b>220.0</b>	191.3	<b>210.0</b>	8.9	<b>10.0</b>
Energy & Environmental Engineering	135.6	<b>120.0</b>	107.5	<b>110.0</b>	7.9	<b>6.0</b>
Motorcycle & Engine	203.0	<b>260.0</b>	203.0	<b>260.0</b>	- 27.0	<b>0</b>
Precision Machinery	84.9	<b>110.0</b>	82.7	<b>110.0</b>	3.4	<b>8.0</b>
Others	97.5	<b>110.0</b>	97.8	<b>110.0</b>	- 8.6	<b>- 6.0</b>
<b>Total</b>	<b>1,001.2</b>	<b>1,240.0</b>	<b>1,173.4</b>	<b>1,280.0</b>	<b>- 1.3</b>	<b>32.0</b>

Crushing  
Machine

Industrial  
Robots

※ FY2009 figures are recalculated based on the new business segmentation and the new accounting standard which have been adopted since FY2010

# R&D/CAPEX/Number of Employees

(¥ Billion / Persons)

	FY2008 Actual	FY2009 Actual	<b>FY2010 Forecast</b>
R&D Expenses	38.2	38.0	<b>40.5</b>
CAPEX (Construction Base)	82.4	59.2	<b>66.0</b>
Depreciation & Amortization	44.3	51.4	<b>54.0</b>
Domestic	24,311	24,396	<b>24,600</b>
Overseas	7,955	7,901	<b>7,800</b>
Number of Employees	32,266	32,297	<b>32,400</b>

# **(Note) Change in Segment Information Disclosure**

## **<Change in Industry Segment and Segment Denomination>**

Industry segment and segment denomination have been changed as stated below, in accordance with the new industry segmentation for internal reporting which has been adopted since April 2010.

### Change in Industry Segment

Crushing Machine business unit :

(Previous) “Rolling Stock segment” => (Current) “Energy & Environmental Engineering segment”

Industrial Robots business unit :

(Previous) “Consumer Products & Machinery segment” => (Current) “Precision Machinery segment”

### Change in Segment Denomination

(Previous) “Consumer Products & Machinery segment” => (Current) “Motorcycle & Engine segment”

(Previous) “Hydraulic Machinery segment” => (Current) “Precision Machinery segment”

## **<Application of New Financial Accounting Standard for Segment Information Disclosure>**

With the previous accounting standard, operating income by industry segment was presented with reflecting re-allocation of some expenses incurred at Head Office which was not allocated to each segment for internal reporting.

However, as a new accounting standard adopting "Management Approach" applies since FY 2010 in Japan, such expenses will not be re-allocated to each segment.

Accordingly, for the readers' convenience, recalculated FY2008 and FY2009 operating income based on the new accounting standard is presented on certain pages of this material to easily compare with the financial results for the previous fiscal year.

# **Kawasaki, Working as One for the Good of the Planet**

## Cautionary Statement

The performance outlook and the forecasts stated in this material were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the release point, and include potential risks and uncertain factors that relate to economic conditions, foreign currency exchange rates, tax rules, regulations and other factors. Accordingly, please note that the actual operating results, financial position, and business deployment of KHI may sometimes differ considerably from the descriptions in the present projections.