Report of Earnings and Financial Statements for the Nine Months Ended December 31, 2009

January 29, 2010

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
Listed on: 1st sections of TSE, OSE, NSE
Stock code: 7012
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Scheduled dates:
Submission of quarterly securities filing: February 10, 2010
Commencement date of dividend payments -

1. Consolidated Financial Results for the Nine Months Ended December 31, 2009 (April 1, 2009 to December 31, 2009)

(Amounts in millions of yen 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	%
Nine months ended December 31, 2009	798,060	(16.4)	(14,046)	-	(5,501)	-	(10,323)	-
Nine months ended December 31, 2008	954,962	-	14,706	-	21,578	-	7,460	-

	Earnings per share	Earnings per share – diluted
	yen	yen
Nine months ended December 31, 2009	(6.18)	-
Nine months ended December 31, 2008	4.47	4.41

(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	million yen	million yen	%	yen
December 31, 2009	1,422,898	283,640	19.5	166.63
March 31, 2009	1,399,770	295,245	20.7	174.10

Note: Shareholders' equity: December 31, 2009: 277,942 million yen
March 31, 2009: 290,440 million yen

2. Dividends

Record date or term	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of financial year	Full year
	yen	yen	yen	yen	yen
Year ended March 31, 2009	-	0.00	-	3.00	3.00
Year ending March 31, 2010	-	0.00	-		
Year ending March 31, 2010 (forecast)				3.00	3.00

Note: Revision of dividend forecast during the nine months ended December 31, 2009: None

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(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
Full year	1,180,000	(11.8)	5,000	(82.5)	10,000	(74.1)	3,000	(74.4)	1.79

Note: Revision of earnings forecast during the nine months ended December 31, 2009: Yes

4. Other Information

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

2) Use of simplified accounting methods and/or accounting methods specific to the preparation of quarterly consolidated financial statements: Yes
Note: For details, see “4. Other Information” on page 7 in the “Qualitative Information and Financial Statements” section.

3) Changes in accounting principles, procedures, and methods of presentation used in the preparation of quarterly consolidated financial statements:
(1) Changes in accord with revisions to accounting standards: Yes
(2) Changes other than (1) above: None
Note: For details, see “4. Other Information” on page 8 in the “Qualitative Information and Financial Statements” section.

4) Number of shares issued (common stock)
(1) Number of shares issued at end of period (treasury stock included):
December 31, 2009: 1,669,629,122 shares
March 31, 2009: 1,669,629,122 shares
(2) Number of shares held in treasury at end of period:
December 31, 2009: 1,610,758 shares
March 31, 2009: 1,394,288 shares
(3) Average number of outstanding shares:
Nine months ended December 31, 2009: 1,668,191,279 shares
Nine months ended December 31, 2008: 1,668,279,917 shares

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

Forward-Looking Statements

1. The Company has revised the consolidated earnings forecasts issued on November 2, 2009. For details, see "3. Consolidated Earnings Outlook" on page 7 in the "Qualitative Information and Financial Statements" section.

2. 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 "3. Consolidated Earnings Outlook" on page 7 in the "Qualitative Information and Financial Statements" section.

Qualitative Information and Financial Statements

1. Consolidated Operating Results

In the nine months ended December 31, 2009 (first three quarters of fiscal 2010, ending March 31, 2010), some Japanese economic indicators began to show signs of bottoming out, but overall the economy continued to languish as the slump in both capital spending and exports continued amid persistent yen appreciation against the dollar, a deteriorating employment environment, a downturn in consumer spending, and mounting concern about deflation.

The global economy, particularly Europe and the Americas, likewise continued to languish, although some emerging economies showed signs of recovery.

This adverse operating environment continued to weigh heavily on KHI Group businesses. Order bookings declined throughout the first three fiscal quarters in all but the Plant & Infrastructure Engineering segment. Although the Shipbuilding segment managed to achieve sales growth, overall sales declined. Profits declined across all business segments, with the exception of the Aerospace and Shipbuilding segments, under the weight of yen appreciation and downturns in European and American markets.

Relative to the first three quarters of fiscal 2009, the Group's consolidated order bookings declined ¥437.3 billion to ¥649.9 billion, while consolidated net sales decreased ¥156.9 billion to ¥798.0 billion. The Group consequently incurred a consolidated operating loss of ¥14.0 billion, recurring loss of ¥5.5 billion, and a net loss of ¥10.3 billion. These losses respectively represent decreases of ¥28.7 billion, ¥27.0 billion, and ¥17.7 billion from operating, recurring, and net incomes for the first three quarters of fiscal 2009.

Consolidated operating performance in the first three quarters of fiscal 2010, is summarized by segment below.

Effective from the first quarter of fiscal 2010, the Construction Machinery business, previously part of the Rolling Stock segment (formerly the Rolling Stock & Construction Machinery segment), is included in the Other segment, as disclosed below under the heading "Information by industry segment" on page 12 (subsection (5) 1) of "5. Consolidated Financial Statements").

Shipbuilding

With a significant decline in new shipbuilding orders received, consolidated order bookings decreased ¥53.6 billion year on year to ¥10.4 billion.

Consolidated net sales increased ¥15.9 billion year on year to ¥111.7 billion, boosted by a spate of sales of large vessels.

Operating income increased ¥3.3 billion year on year to ¥700 million on increased sales and improved margins reflecting a decline in materials costs and other factors.

Rolling Stock

Consolidated order bookings included orders from Singapore for subway cars but declined to ¥63.0 billion, down ¥123.4 billion from the first three quarters of fiscal 2009, which were marked by an influx of large orders.

Consolidated net sales fell ¥9.4 billion year on year to ¥122.3 billion due mainly to the resegmentation of the Construction Machinery business, despite growth in sales of rolling stock to the JR Group and overseas sales of rolling stock.

Consolidated operating income decreased ¥3.0 billion year on year to ¥4.6 billion due to lower margins on export deals as a result of yen appreciation.

The above year-on-year changes reflect the impact of the resegmentation involving the Construction Machinery business. Retroactively adjusted to reflect the resegmentation, the Rolling Stock segment had consolidated order bookings of ¥163.2 billion, consolidated net sales of ¥105.7 billion, and operating income of ¥7.4 billion in the first three quarters of fiscal 2009.

Aerospace

Consolidated order bookings decreased ¥7.7 billion year on year to ¥79.9 billion as a result of decreased orders for component parts for the Boeing 777 and other aircraft.

Consolidated net sales were down ¥7.1 billion year on year to ¥119.3 billion, largely due to decreased sales to Japan’s Ministry of Defense.

Despite the decline in sales, the segment reduced its operating loss by ¥3.7 billion year on year to an operating loss of ¥600 million, due in part to adjustments to expense recognition timing resulting from changes to the Boeing 787’s development schedule.

Gas Turbines & Machinery

Consolidated order bookings decreased ¥140.7 billion year on year to ¥138.5 billion as a result of decreased orders for aircraft engine components, marine diesel engines, marine propulsion systems, and other items.

Consolidated net sales declined ¥9.9 billion year on year to ¥128.8 billion, due to reduced sales of aircraft engine components and marine diesel engines.

Consolidated operating income decreased ¥3.9 billion year on year to ¥2.7 billion, largely as a result of yen appreciation and the sales decline.

Plant & Infrastructure Engineering

Consolidated order bookings increased ¥29.6 billion year on year to ¥91.2 billion due to an influx of overseas orders for fertilizer plants, shield machines, and other items.

Consolidated net sales decreased ¥18.9 billion year on year to ¥47.1 billion, largely reflecting a falloff in overseas sales of large plant installations.

The segment incurred a consolidated operating loss of ¥100 million, down ¥5.4 billion year on year from year-earlier operating income, largely as a result of the sales decline.

Consumer Products & Machinery

Consolidated net sales fell ¥95.4 billion year on year to ¥152.3 billion amid a decline in European and North American motorcycle sales coupled with a falloff in industrial robots sales.

The sales decline, compounded by yen appreciation, led to a consolidated operating loss of ¥25.6 billion, ¥17.9 billion worse than the year-earlier period, despite progress made in boosting contribution margins and cutting fixed costs and expenses.

Hydraulic Machinery

Consolidated order bookings fell ¥25.0 billion year on year to ¥46.5 billion, mainly as a result of diminished demand from construction machinery makers.

Consolidated net sales were down ¥21.0 billion year on year to ¥47.1 billion, largely due to decreased sales to construction machinery makers.

Operating income decreased in tandem with sales, down ¥2.6 billion year on year to ¥4.3 billion.

Other Operations

Consolidated net sales declined ¥10.8 billion year on year to ¥69.0 billion.

The Other segment booked a consolidated operating loss of ¥200 million, down ¥2.8 billion from operating income for the year-earlier period, largely due to the Construction Machinery business's resegmentation.

The above year-on-year changes reflect the impact of the resegmentation involving the Construction Machinery business. Retroactively adjusted to reflect the resegmentation, the Other segment had consolidated net sales of ¥105.9 billion and operating income of ¥2.9 billion in the nine months to December 31, 2008.

2. Consolidated Financial Position

At December 31, 2009, consolidated assets totaled ¥1,422.8 billion, an increase of ¥23.1 billion from March 31, 2009. The increase was attributable to growth in work-in-process stemming from progress toward completion of existing contracts and an increase in property, plant and equipment due to capital investment. The increase was partly offset by a reduction in trade receivables resulting from the collection of receivables and reduced sales.

Consolidated liabilities totaled ¥1,139.2 billion at December 31, 2009, an increase of ¥34.7 billion from March 31, 2009. The increase was attributable to a rise in borrowings and other items, partly offset by a reduction in trade payables.

Consolidated net assets were ¥283.6 billion at December 31, 2009, a decrease of ¥11.6 billion from March 31, 2009, largely due to the net loss for the first three fiscal quarters and payment of dividends.

3. Consolidated Earnings Outlook

Signs of economic recovery have appeared in some emerging economies but have yet to spark a concerted recovery in Japan, Europe, and the Americas. The Company continues to face an uncertain outlook, particularly in mass-production businesses, but will forge ahead with the rebuilding of its earnings base with a view to returning to a sustained-growth trajectory.

The Company now forecasts consolidated net sales of ¥1,180 billion for the full fiscal year, down ¥20 billion relative to the previous forecast, due to lower sales in the Consumer Products & Machinery segment in Europe and the Americas.

Although the Company expects the decline in net sales to impact on profits, it will continue actively expanding its businesses in Asia and other emerging economies and follow through with efforts to improve profitability throughout its operations by cutting fixed costs and expenses and increasing productivity. Profit forecasts for the full fiscal year ending March 31, 2010, have accordingly been left unchanged.

4. Other Information

1) Changes affecting the status of material subsidiaries (scope of consolidation) during the period
Not applicable

2) Use of simplified accounting and/or accounting procedures specific to preparation of quarterly consolidated financial statements

Simplified accounting

(1) Bad debt estimation method for general claims
The Company estimates the value of uncollectible general claims based on the preceding fiscal year's actual credit loss rate, unless the credit loss rate is deemed to have substantially changed relative to the historical rate calculated at the end of the preceding fiscal year.

(2) Inventory valuation method
The Company estimates quarter-end inventories by a rational method based on the preceding fiscal year's physical inventory count, without conducting a physical inventory count.

The Company writes down inventory from book value to estimated net realizable value only when its utility has clearly diminished. In the case of inventory expected to be disposed of and slow-moving inventory with a turnover period that extends beyond the Company’s operating cycle, the Company writes the inventory down to its estimated liquidation value. Such inventories are carried at their written-down book value, unless their value was deemed to have substantially changed during the first three quarters of the fiscal year under review.

(3) Fixed-asset depreciation method
For fixed asset depreciated by the declining-balance method, the Company calculates quarterly depreciation expense by prorating annual depreciation expense. For certain consolidated subsidiaries,

quarterly depreciation expense is calculated by prorating annual depreciation expense based on a budget that factors in expected acquisitions, sales, and disposals of fixed assets during the fiscal year.

(4) Deferred-tax asset and liability calculation method

To assess deferred assets' collectability, the Company uses tax planning and earnings forecasts used in the preceding fiscal year if it deems that the operating environment and status of temporary differences have not changed substantially since the preceding fiscal year-end.

If the operating environment or status of temporary differences is deemed to have changed substantially since the preceding fiscal year-end, the Company uses said tax planning and earnings forecasts adjusted to reflect the changes' impact.

(5) Elimination of unrealized gains/losses on inventories

For some products, the Company calculates unrealized gains/losses on inventories using the gain/loss rate used in the preceding fiscal year or quarter or a gain/loss rate based on rational budgeting, unless business conditions are deemed to have changed substantially from the preceding fiscal year or quarter.

Accounting procedures specific to preparation of quarterly consolidated financial statements

The Company calculates tax expense by rationally estimating its effective tax rate after application of deferred-tax accounting to pretax net income for the fiscal year that includes the second quarter under review and multiplying quarterly pretax net income by said estimated effective tax rate. If unable to use the estimated effective tax rate, the Company calculates tax expense by multiplying the statutory effective tax rate by quarterly pretax net income adjusted to reflect material differences other than temporary differences.

Income taxes are reported inclusive of income tax adjustments.

3) Changes in accounting principles, procedures, or presentation methods applicable to preparation of quarterly consolidated financial statements

Changes related to accounting standards

Change in accounting standard for construction revenue and cost

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 ending 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 December 31, 2009. The percentage of completion is estimated 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 first three quarters of fiscal 2010 was 23,763 million yen higher, and operating loss, recurring loss, loss before income taxes and minority interests were each 1,301 million yen lower.

The change's impact by segment is detailed below under “Segment Information” in the “Consolidated Financial Statements” section.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of December 31, 2009	As of March 31, 2009
Assets		
Current assets		
Cash on hand and in banks	32,995	31,955
Trade receivables	392,826	402,341
Merchandise and finished products	61,644	69,609
Work in process	335,497	325,578
Raw materials and supplies	80,606	81,253
Other current assets	97,173	88,169
Allowance for doubtful receivables	(2,591)	(3,111)
Total current assets	998,152	995,796
Fixed assets		
Net property, plant and equipment	289,967	284,117
Intangible assets		
Goodwill	926	1,106
Other	19,319	18,466
Total intangible assets	20,670	19,573
Investments and other assets		
Other	115,728	101,470
Allowance for doubtful receivables	(1,195)	(1,187)
Total investments and other assets	114,533	100,283
Total fixed assets	424,746	403,974
Total assets	1,422,898	1,399,770
Liabilities		
Current liabilities		
Trade payables	264,353	358,478
Short-term borrowings	155,244	157,082
Income taxes payable	3,260	8,710
Accrued bonuses	8,628	14,241
Provision for losses on construction contracts	20,055	20,930
Other provisions	11,731	15,049
Advances from customers	116,258	125,762
Other	185,708	129,751
Total current liabilities	765,240	830,006
Long-term liabilities		
Bonds payable	60,513	40,990
Long-term debt	207,278	140,715
Employees’ retirement and severance benefits	86,768	79,969
Other provisions	10,991	3,980
Other	8,465	8,862
Total long-term liabilities	374,016	274,518
Total liabilities	1,139,257	1,104,525
Net assets		
Shareholders’ equity		
Common stock	104,328	104,328
Capital surplus	54,278	54,281
Retained earnings	138,566	154,272
Treasury stock	(514)	(467)
Total shareholders’ equity	296,659	312,415
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	5,426	3,139
Gains (losses) on hedging items	655	(263)
Foreign currency translation adjustments	(24,798)	(24,850)
Total valuation and translation adjustments	(18,716)	(21,974)
Minority interests	5,697	4,804
Total net assets	283,640	295,245
Total net assets and liabilities	1,422,898	1,399,770

(2) Consolidated Statements of Income

	Millions of yen	
	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net sales	954,962	798,060
Cost of sales	819,888	702,312
Gross profit	135,074	95,747
Selling, general and administrative expenses		
Salaries and benefits	31,018	30,024
R&D expenses	26,465	25,872
Other	62,882	53,898
Total selling, general and administrative expenses	120,367	109,794
Operating income (loss)	14,706	(14,046)
Non-operating income		
Interest income	2,360	2,398
Dividend income	1,200	538
Gain on sale of marketable and investment securities	642	70
Equity income of non-consolidated subsidiaries and affiliates	6,512	4,363
Foreign exchange gain, net	2,629	6,736
Other	3,187	3,969
Total non-operating income	16,533	18,077
Non-operating expenses		
Interest expense	4,695	4,184
Other	4,695	5,347
Total non-operating expenses	9,660	9,532
Recurring profit (loss)	21,578	(5,501)
Extraordinary income		
Reversal of provision for environmental measures	-	1,212
Gain on sale of business	594	-
Total extraordinary income	594	1,212
Extraordinary losses		
Provision for losses on damages suit	5,165	6,983
Provision for environmental measures	-	1,085
Loss on liquidation of affiliate	-	331
Total extraordinary losses	5,165	8,399
Income (loss) before income taxes and minority interests	17,007	(12,689)
Income taxes	8,389	(3,078)
Minority interests in net income of consolidated subsidiaries	1,158	712
Net income (loss)	7,460	(10,323)

(3) Consolidated Cash Flow Statement

	Millions of yen	
	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Cash flow from operating activities		
Income (loss) before income taxes and minority interests	17,007	(12,689)
Depreciation and amortization	31,472	36,986
Increase (decrease) in provisions	5,052	3,653
Interest and dividend income	(3,560)	(2,937)
Interest expense	4,965	4,184
Investment (gain) loss on equity method	(6,512)	(4,363)
(Gain) loss on sale and disposal of property, plant, and equipment	(648)	502
(Increase) decrease in trade receivables	76,647	7,379
(Increase) decrease in inventories	(99,794)	(1,724)
Increase (decrease) in trade payables	(73,204)	(95,025)
Increase (decrease) in advances from customers	19,247	(10,357)
Other	(17,033)	(12,663)
Subtotal	(46,361)	(87,054)
Cash received for interest and dividends	3,690	3,190
Cash paid for interest	(4,955)	(4,258)
Cash paid for income taxes	(25,588)	(10,591)
Net cash provided by (used for) operating activities	(73,215)	(98,714)
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(48,674)	(52,085)
Proceeds from sale of property, plant and equipment and intangible assets	2,580	635
Acquisition of investments in securities	(3,033)	(110)
Proceeds from sale of investments in securities	1,635	89
Acquisition of equity interest in subsidiaries resulting in change in scope of consolidation	(943)	-
Acquisition of affiliates' shares	-	(1,331)
(Increase) decrease in short-term loans receivable	(131)	(337)
Additions to long-term loans receivable	(31)	(61)
Proceeds from collection of long-term loans receivable	1,453	88
Other	(260)	469
Net cash used for investing activities	(46,885)	(52,643)
Cash flow from financing activities		
Increase (decrease) in short-term borrowings	104,030	91,459
Proceeds from long-term debt	61,508	70,580
Repayment of long-term debt	(3,973)	(5,082)
Proceeds from issuance of bonds	-	20,000
Redemption of bonds payable	(17,518)	(20,000)
Proceeds from minority interests	-	230
Acquisition of treasury stock	(13)	(49)
Cash dividends paid	(8,308)	(4,996)
Cash dividends paid to minority interests	(340)	(438)
Other	-	(34)
Net cash provided by financing activities	135,384	151,667
Effect of exchange rate changes	(1,866)	884
Increase (decrease) in cash and cash equivalents	13,416	1,193
Cash and cash equivalents at beginning of period	38,169	31,413
Cash and cash equivalents at end of period	51,586	32,607

(4) Notes on the going-concern assumption

Not applicable

(5) Segment Information

1) Information by industry segment

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Shipbuilding	95,805	1,064	96,869	(2,577)
Rolling Stock & Construction Machinery	131,801	1,049	132,851	7,707
Aerospace	126,484	1,294	127,778	(4,333)
Gas Turbines & Machinery	138,835	13,208	152,044	6,740
Plant & Infrastructure Engineering	66,122	8,610	74,732	5,328
Consumer Products & Machinery	247,844	5,232	253,077	(7,752)
Hydraulic Machinery	68,216	6,384	74,600	7,000
Other	79,852	30,420	110,272	2,682
Total	954,962	67,265	1,022,228	14,796
Eliminations/corporation	-	(67,265)	(67,265)	(89)
Consolidated total	954,962	-	954,962	14,706

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, snowplows, crushers
Aerospace	Aircrafts
Gas Turbines & Machinery	Jet engines, general-purpose gas turbine generators, 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, management of welfare facilities

3. 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 first quarter of the fiscal year ending 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 first three quarters of fiscal 2009, in the Rolling Stock & Construction Machinery segment was 383 million yen lower; in the Aerospace segment, 2,881million yen lower; in the Gas Turbines & Machinery segment, 757million yen lower; in the Plant & Infrastructure Engineering segment, 26 million yen lower; in the Consumer Products & Machinery segment, 393million yen lower; in the Hydraulic Machinery segment, 127million yen lower, in the Other segment, 7million yen lower.

4. 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 first three quarters of fiscal 2009, in the Shipbuilding business was 399million yen lower; in the Rolling Stock & Construction Machinery segment, 307million yen lower; in the Aerospace segment, 180million yen lower; in the Gas Turbines & Machinery segment, 168million yen lower; in the Plant & Infrastructure Engineering segment, 39million yen lower; in the Consumer Products & Machinery segment, 123million yen lower; and in the Other segment, 31million yen lower; while in the Hydraulic Machinery segment, it was 109million yen higher.

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Shipbuilding	111,725	1,116	112,841	779
Rolling Stock	122,339	1,814	124,153	4,654
Aerospace	119,368	1,512	120,881	(617)
Gas Turbines & Machinery	128,858	16,100	144,958	2,797
Plant & Infrastructure Engineering	47,195	6,667	53,862	(158)
Consumer Products & Machinery	152,380	1,894	154,275	(25,653)
Hydraulic Machinery	47,187	5,336	52,523	4,339
Other	69,006	22,846	91,852	(208)
Total	798,060	57,288	855,348	(14,067)
Eliminations/corporation	-	(57,288)	(57,288)	20
Consolidated total	798,060	-	798,060	(14,046)

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, snowplows, crushers
Aerospace	Aircrafts
Gas Turbines & Machinery	Jet engines, general-purpose gas turbine generators, 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	Construction machinery, commercial activities, sales/order agency and intermediary activities, management of welfare facilities

3. 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 ending 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 first three quarters of fiscal 2010, in the Rolling Stock segment was 13,546million yen lower (including 14,823million yen of external sales) and in the Other segment, 14,430million yen higher (including 14,823million yen of external sales). By the same comparison, operating income in the Rolling Stock segment was 2,006million yen higher, while operating loss in the Other segment was 2,009million yen higher.

4. Change in accounting standard for construction revenue and cost

As stated under the heading "Changes related to accounting standards" in part 4., 3) 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 ending 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 December 31, 2009. The percentage of completion is estimated 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 first three quarters of fiscal 2010, in the Shipbuilding segment was 18,007million yen higher; in the Aerospace segment was 768million yen higher; in the Gas Turbines & Machinery segment, 4,184million yen higher; and in the Plant & Infrastructure Engineering segment, 802million yen higher. Also due to the change, operating income in Shipbuilding segment was 555million yen higher; in the Aerospace segment was 56million yen higher; in the Gas Turbines & Machinery segment was 468million yen higher; and in the Plant & Infrastructure Engineering segment was 221million yen higher.

2) Information by geographic area

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Japan	686,945	188,150	875,095	7,993
North America	160,015	19,067	179,083	(1,187)
Europe	68,830	3,491	72,321	(16)
Asia	32,179	29,061	61,241	3,553
Other areas	6,991	187	7,179	373
Total	954,962	239,958	1,194,921	10,718
Eliminations/corporate	-	(239,958)	(239,958)	954,962
Consolidated total	954,962	-	954,962	14,706

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. 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 first quarter of the fiscal year ending 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 first three quarters of fiscal 2009, in Japan was 4,577million yen lower.

4. 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 first three quarters of fiscal 2009, in Japan was 1,140million yen lower.

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Japan	617,451	108,674	726,126	(13,302)
North America	96,910	11,592	108,503	(4,850)
Europe	46,085	1,325	47,411	476
Asia	30,816	30,056	60,873	4,674
Other areas	6,795	133	6,928	494
Total	798,060	151,782	949,842	(12,508)
Eliminations/corporate	-	(151,782)	(151,782)	(1,538)
Consolidated total	798,060	-	798,060	(14,046)

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. Change in accounting standard for construction revenue and cost

As stated under the heading “Changes related to accounting standards” in part 4., 3) of the “Qualitative Information and Financial Statements” section, 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 ending 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 which were started during the first quarter ended June 30, 2009, for which certain elements were determinable with certainty as of December 31, 2009. The percentage of completion is estimated 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 first three quarters of fiscal 2010, in Japan was 23,763million yen higher, while operating loss in Japan was 1,301million yen lower.

2. Overseas sales

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

Millions of yen

	Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated sales (%)
North America	215,893	-	22.6
Europe	88,772	-	9.2
Asia	108,776	-	11.3
Other areas	112,806	-	11.8
Total	526,248	954,962	55.1

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, the Netherlands, and Spain
Asia	China, Korea, Taiwan and the Philippines
Other areas	Panama, The Bahamas, Brazil and Australia

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

Millions of yen

	Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated sales (%)
North America	158,250	-	19.8
Europe	60,582	-	7.5
Asia	118,267	-	14.8
Other areas	77,658	-	9.7
Total	414,758	798,060	51.9

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, Australia and Brazil

(6) Note on Significant Changes in the Amount of Shareholders' Equity

Not applicable

6. Other

Orders and sales (consolidated)

Effective the first quarter of the fiscal year ending March 31, 2010, the Construction Machinery business was reclassified from the Rolling Stock & Construction Machinery segment into the Other segment.

Due to this change, compared with what they would have been under the previous method in the nine months ended December 31, 2009, orders received in the Rolling Stock segment were 15,619 million yen lower, and in the Other segment, higher by the same amount. Also due to the change, net sales in the Rolling Stock segment were 14,823million yen lower, and in the Other segment, higher by the same amount. Order backlog in the Rolling Stock segment was 4,538million yen lower, and in the Other segment, higher by the same amount.

1) Orders received

	Nine months ended December 31, 2008		Nine months ended December 31, 2009		Year ended March 31, 2009	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	64,117	5.8	10,484	1.6	71,512	4.6
Rolling Stock	186,497	17.1	63,065	9.7	264,603	17.1
Aerospace	87,737	8.0	79,950	12.3	239,176	15.5
Gas Turbines & Machinery	279,316	25.6	138,589	21.3	355,517	23.0
Plant & Infrastructure Engineering	61,629	5.6	91,231	14.0	83,648	5.4
Consumer Products & Machinery	247,844	22.7	152,380	23.4	336,459	21.8
Hydraulic Machinery	71,520	6.5	46,509	7.1	84,142	5.4
Other	88,629	8.1	67,688	10.4	105,528	6.8
Total	1,087,292	100.0	649,900	100.0	1,540,589	100.0

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

2) Net sales

	Nine months ended December 31, 2008		Nine months ended December 31, 2009		Year ended March 31, 2009	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	95,805	10.0	111,725	14.0	126,426	9.4
Rolling Stock	131,801	13.8	122,339	15.3	186,454	13.9
Aerospace	126,484	13.2	119,368	14.9	200,424	14.9
Gas Turbines & Machinery	138,835	14.5	128,858	16.1	195,156	14.5
Plant & Infrastructure Engineering	66,122	6.9	47,195	5.9	105,178	7.8
Consumer Products & Machinery	247,844	25.9	152,380	19.0	336,459	25.1
Hydraulic Machinery	68,216	7.1	47,187	5.9	84,919	6.3
Other	79,852	8.3	69,006	8.6	103,579	7.7
Total	954,962	100.0	798,060	100.0	1,338,597	100.0

3) Order backlog

	End-Fiscal 2009 (March 31, 2009)		End-3Q Fiscal 2010 (December 31, 2009)		End-3Q Fiscal 2009 (December 31, 2008)	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	356,937	21.0	252,959	16.5	376,865	23.0
Rolling Stock	478,565	28.1	413,408	27.0	474,205	28.9
Aerospace	286,600	16.8	242,163	15.8	206,017	12.5
Gas Turbines & Machinery	405,196	23.8	399,429	26.1	380,330	23.2
Plant & Infrastructure Engineering	112,162	6.6	156,257	10.2	128,972	7.8
Consumer Products & Machinery	-	-	-	-	-	-
Hydraulic Machinery	28,539	1.6	27,861	1.8	32,620	1.9
Other	31,160	1.8	33,586	2.2	37,988	2.3
Total	1,699,162	100.0	1,525,665	100.0	1,636,999	100.0

Supplementary information on earnings forecasts for the fiscal year ending March 31, 2010

(1) Consolidated earnings outlook

Billions of yen

	Outlook for the year ending March 31, 2010 (fiscal 2010)			Fiscal 2009 (ended March 31, 2009) (actual)
	Revised forecast (A)	Forecast issued November 2, 2009 (B)	Change (A – B)	
Net sales	1,180.0	1,200.0	(20.0)	1,338.5
Operating income	5.0	5.0	-	28.7
Recurring profit	10.0	10.0	-	38.7
Net income	3.0	3.0	-	11.7

Orders received	1,060.0	1,080.0	(20.0)	1,540.5
Before-tax ROIC (%)	1.3%	1.5%	(0.2)%	4.5%

Notes: 1. The expected foreign exchange rate used for the outlook: ¥90=US$1, ¥130=1 Euro

2. Before-tax ROIC = (income before income taxes + interest expense) / invested capital

(2) Outlook by industry segment

1) Net sales and operating income (loss)

Billions of yen

	Outlook for the year ending March 31, 2010 (fiscal 2010)						Fiscal 2009 (ended March 31, 2009) (actual)	
	Revised forecast (A)		Forecast issued November 2, 2009 (B)		Change (A – B)			
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Shipbuilding	150.0	2.0	150.0	3.5	-	(1.5)	126.4	(1.0)
Rolling Stock	165.0	9.0	165.0	9.0	-	-	150.3	12.3
Aerospace	180.0	2.5	180.0	2.5	-	-	200.4	(4.1)
Gas Turbines & Machinery	200.0	7.0	200.0	7.0	-	-	195.1	11.0
Plant & Infrastructure Engineering	100.0	7.5	100.0	6.0	-	1.5	105.1	8.9
Consumer Products & Machinery	220.0	(28.0)	240.0	(26.0)	(20.0)	(2.0)	336.4	(10.1)
Hydraulic Machinery	65.0	5.0	65.0	3.0	-	2.0	84.9	8.3
Other	100.0	0.0	100.0	0.0	-	-	139.6	3.3
Total	1,180.0	5.0	1,200.0	5.0	(20.0)	-	1,338.5	28.7

2) Orders received

Billions of yen

	Outlook for the year ending March 31, 2010 (fiscal 2010)			Fiscal 2009 (ended March 31, 2009) (actual)
	Revised forecast (A)	Forecast issued November 2, 2009 (B)	Change (A – B)	
Shipbuilding	20.0	50.0	(30.0)	71.5
Rolling Stock	140.0	140.0	-	235.0
Aerospace	160.0	160.0	-	239.1
Gas Turbines & Machinery	220.0	220.0	-	355.5
Plant & Infrastructure Engineering	130.0	90.0	40.0	83.6
Consumer Products & Machinery	220.0	240.0	(20.0)	336.4
Hydraulic Machinery	70.0	70.0	-	84.1
Other	100.0	110.0	(10.0)	135.0
Total	1,060.0	1,080.0	(20.0)	1,540.5

Note: The construction machinery business, which was previously included in the Rolling Stock & Construction Machinery segment, was spun-off in April 2009 to become KCM Corporation. Hitachi Construction Machinery Co., Ltd., subsequently invested capital in, entered into business alliance with, KCM Corporation. As a result, said business's relationship with the Rolling Stock & Construction Machinery segment was weakened, and effective the fiscal year ending March 31, 2010, it was therefore included in the "Other" segment in the above segment outlook.

For reference, the construction machinery business's sales, income (loss), and orders received for the year ended March 31, 2009, were included in "Other" above.