

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES FLASH CONSOLIDATED FINANCIAL RESULTS

For six months ended September 30, 2009 and 2008 and one year ended March 31, 2009

Operating results

	Millions of yen		Thousands of
	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2008	U.S. dollars
Net sales	¥ 516,053	¥ 652,923	\$ 5,720,574
Operating income	(6,167)	24,353	(68,362)
Net income	(6,294)	12,335	(69,770)
Earnings per share (Yen)	(3.7)	7.3	

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
As of September 30, 2009	¥ 1,368,010	¥ 289,607	20%
As of March 31, 2009	1,399,770	295,245	20%
As of September 30, 2009	\$ 15,164,726	\$ 3,210,364	—

	Yen / U.S. dollars	Thousand shares
	Net assets per share	Number of shares issued and outstanding
As of September 30, 2009	¥ 170.6	1,668,204
As of March 31, 2009	174.1	1,668,235
As of September 30, 2009	\$ 1.89	—

Cash flows

	Millions of yen		Thousands of
	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2008	U.S. dollars
Operating activities	¥ (25,226)	¥ 8,547	\$ (279,636)
Investing activities	(36,470)	(29,583)	(404,278)
Financing activities	56,564	11,843	627,025
Cash and cash equivalents at end of term	24,651	28,616	273,262

Fiscal year forecast

	Millions of yen		
	Net sales	Operating income	Net income
One year ending March 31, 2010	¥ 1,200,000	¥ 5,000	¥ 3,000

- Notes : 1. This "FLASH CONSOLIDATED FINANCIAL RESULTS" and following financial statements have been prepared in conformity with generally accepted accounting principles and practices in Japan.
2. All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥90.21=\$1, the rate prevailing as of September 30, 2009, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of September 30 and March 31, 2009

	Millions of yen		Thousands of U.S. dollars
	As of Sep. 30, 2009	As of Mar. 31, 2009	As of Sep. 30, 2009
Assets :			
Current assets :			
Cash on hand and in banks	¥ 24,875	¥ 31,955	\$ 275,745
Receivables, less allowance	344,054	418,636	3,813,923
Inventories	484,961	476,441	5,375,912
Other current assets	85,222	68,764	944,707
Total current assets	939,112	995,796	10,410,287
Investments and long-term loans less allowance	60,418	54,290	669,749
Net property, plant and equipment	294,075	284,117	3,259,893
Intangible and other assets	74,405	65,567	824,797
Total assets	¥ 1,368,010	¥ 1,399,770	\$ 15,164,726
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 201,491	¥ 207,082	\$ 2,233,577
Payables	279,592	358,478	3,099,345
Advances from customers	129,478	125,762	1,435,296
Other current liabilities	117,723	138,684	1,304,989
Total current liabilities	728,284	830,006	8,073,207
Long-term liabilities :			
Long-term debt, less current portion	247,492	181,705	2,743,509
Others	102,627	92,814	1,137,646
Total long-term liabilities	350,119	274,519	3,881,155
Net assets :			
Common stock	104,328	104,328	1,156,501
Capital surplus	54,281	54,281	601,718
Retained earnings	142,594	154,272	1,580,689
Treasury stock	(474)	(467)	(5,254)
Net unrealized gains on securities	4,457	3,140	49,407
Gains (losses) on hedging items	2,051	(263)	22,735
Foreign currency translation adjustments	(22,639)	(24,850)	(250,958)
Minority interests	5,009	4,804	55,526
Total net assets	289,607	295,245	3,210,364
Total liabilities and net assets	¥ 1,368,010	¥ 1,399,770	\$ 15,164,726

Condensed Consolidated Statements of Income

For six months ended September 30, 2009 and 2008

	Millions of yen		%	Thousands of
	Six months ended Sep.30, 2009	Six months ended Sep.30, 2008		U.S. dollars
				Six months ended Sep.30, 2009
Net sales	¥ 516,053	¥ 652,923	-21%	\$ 5,720,574
Cost of sales	448,226	547,663		4,968,696
Gross profit	67,827	105,260		751,878
Selling, general and administrative expenses	73,994	80,907		820,240
Operating income (loss)	(6,167)	24,353	-125%	(68,362)
Other income (expenses) :				
Interest and dividend income	2,086	2,501		23,123
Equity in income of unconsolidated subsidiaries and affiliates	2,582	3,310		28,622
Interest expense	(2,848)	(3,428)		(31,570)
Other, net	(2,647)	(1,184)		(29,343)
Income (loss) before income taxes and minority interests	(6,994)	25,552	-127%	(77,530)
Income taxes	1,043	(12,588)		11,561
Minority interests in net income of consolidated subsidiaries	(343)	(629)		(3,801)
Net income (loss)	¥ (6,294)	¥ 12,335	-151%	\$ (69,770)

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2009 and 2008

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2008	Six months ended Sep. 30, 2009
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (6,994)	¥ 25,552	\$ (77,530)
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	23,556	20,024	261,124
Decrease in assets	47,582	22,602	527,458
Decrease in liabilities	(79,218)	(41,356)	(878,150)
Other	(10,152)	(18,275)	(112,538)
Net cash provided by operating activities	¥ (25,226)	¥ 8,547	\$ (279,636)
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(36,141)	(30,787)	(400,631)
Acquisition of investments in securities	(102)	(24)	(1,130)
Other	(227)	1,228	(2,517)
Net cash used for investing activities	¥ (36,470)	¥ (29,583)	\$ (404,278)
Cash flows from financing activities:			
Increase in short-term borrowings	6,921	20,381	76,720
Proceeds from long-term debt	69,500	21,008	770,424
Repayment of long-term debt	(14,418)	(20,910)	(159,827)
Other	(5,439)	(8,636)	(60,292)
Net cash provided by financing activities	¥ 56,564	¥ 11,843	\$ 627,025
Effect of exchange rate changes	(1,630)	(360)	(18,069)
Net decrease in cash and cash equivalents	(6,762)	(9,553)	(74,958)
Cash and cash equivalents at beginning of term	31,413	38,169	348,220
Cash and cash equivalents at end of term	¥ 24,651	¥ 28,616	\$ 273,262

Segment information
(a) Information by industry segment

(Consolidated)

	Millions of yen				
	Six months ended				
	Sep.30,2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 65,261	¥ 857	¥ 66,118	¥ 64,685	¥ 1,433
Rolling Stock	80,142	578	80,720	77,447	3,273
Aerospace	73,322	1,097	74,419	71,773	2,646
Gas Turbines & Machinery	83,446	9,801	93,247	92,609	638
Plant & Infrastructure Engineering	35,745	3,991	39,736	38,638	1,098
Consumer Products & Machinery	106,252	1,180	107,432	124,041	(16,609)
Hydraulic Machinery	29,006	3,620	32,626	30,635	1,991
Other	42,879	15,352	58,231	58,540	(309)
Total	516,053	36,476	552,529	558,368	(5,839)
Eliminations and corporate	-	(36,476)	(36,476)	(36,148)	(328)
Consolidated total	¥ 516,053	¥ -	¥ 516,053	¥ 522,220	¥ (6,167)

Since Kawasaki Heavy Industries, Ltd. (KHI) separated its construction machinery business as of April 1, 2009, the relation between the Rolling Stock business and construction machinery business were reduced. Therefore while the construction machinery business was included in the Rolling Stock & Construction Machinery segment, this business is included in the other segment and we change the industry segment name from Rolling Stock & Construction Machinery to Rolling Stock from this fiscal year.

	Millions of yen				
	Six months ended				
	Sep.30,2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 53,734	¥ 906	¥ 54,640	¥ 54,383	¥ 257
Rolling Stock					
& Construction Machinery	83,678	731	84,409	77,345	7,064
Aerospace	95,290	810	96,100	95,541	559
Gas Turbines & Machinery	91,790	8,484	100,274	95,489	4,785
Plant & Infrastructure Engineering	46,692	5,170	51,862	47,169	4,693
Consumer Products & Machinery	177,621	3,661	181,282	180,981	301
Hydraulic Machinery	47,296	4,356	51,652	46,608	5,044
Other	56,822	19,488	76,310	74,488	1,822
Total	652,923	43,606	696,529	672,004	24,525
Eliminations and corporate	-	(43,606)	(43,606)	(43,434)	(172)
Consolidated total	¥ 652,923	¥ -	¥ 652,923	¥ 628,570	¥ 24,353

	Thousands of U.S. dollars				
	Six months ended				
	Sep.30,2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 723,434	\$ 9,500	\$ 732,934	\$ 717,049	\$ 15,885
Rolling Stock	888,393	6,408	894,801	858,519	36,282
Aerospace	812,792	12,160	824,952	795,621	29,331
Gas Turbines & Machinery	925,019	108,646	1,033,665	1,026,593	7,072
Plant & Infrastructure Engineering	396,242	44,241	440,483	428,311	12,172
Consumer Products & Machinery	1,177,829	13,081	1,190,910	1,375,024	(184,114)
Hydraulic Machinery	321,538	40,129	361,667	339,596	22,071
Other	475,327	170,180	645,507	648,932	(3,425)
Total	5,720,574	404,345	6,124,919	6,189,645	(64,726)
Eliminations and corporate	-	(404,345)	(404,345)	(400,709)	(3,636)
Consolidated total	\$ 5,720,574	\$ -	\$ 5,720,574	\$ 5,788,936	\$ (68,362)

(b) Information by geographic area

	Millions of yen				
	Six months ended				
	Sep.30, 2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 392,484	¥ 67,195	¥ 459,679	¥ 466,226	¥ (6,547)
North America	66,935	8,532	75,467	77,638	(2,171)
Europe	33,700	888	34,588	33,659	929
Asia	19,299	22,846	42,145	38,808	3,337
Other Areas	3,635	85	3,720	3,670	50
Total	516,053	99,546	615,599	620,001	(4,402)
Eliminations and corporate	-	(99,546)	(99,546)	(97,781)	(1,765)
Consolidated total	¥ 516,053	¥ -	¥ 516,053	¥ 522,220	¥ (6,167)

	Millions of yen				
	Six months ended				
	Sep.30, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 465,767	¥ 119,155	¥ 584,922	¥ 567,873	¥ 17,049
North America	106,347	12,944	119,291	120,528	(1,237)
Europe	56,119	2,539	58,658	57,558	1,100
Asia	19,856	19,299	39,155	37,239	1,916
Other Areas	4,834	124	4,958	4,652	306
Total	652,923	154,061	806,984	787,850	19,134
Eliminations and corporate	-	(154,061)	(154,061)	(159,280)	5,219
Consolidated total	¥ 652,923	¥ -	¥ 652,923	¥ 628,570	¥ 24,353

	Thousands of U.S. dollars				
	Six months ended				
	Sep.30, 2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 4,350,781	\$ 744,873	\$ 5,095,654	\$ 5,168,229	\$ (72,575)
North America	741,990	94,580	836,570	860,636	(24,066)
Europe	373,572	9,844	383,416	373,118	10,298
Asia	213,934	253,253	467,187	430,196	36,991
Other Areas	40,297	942	41,239	40,684	555
Total	5,720,574	1,103,492	6,824,066	6,872,863	(48,797)
Eliminations and corporate	-	(1,103,492)	(1,103,492)	(1,083,927)	(19,565)
Consolidated total	\$ 5,720,574	\$ -	\$ 5,720,574	\$ 5,788,936	\$ (68,362)

(c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	Six months ended		Six months ended		Six months ended
	Sep.30, 2009		Sep.30, 2008		Sep.30, 2009
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 108,843	21.0%	¥ 148,385	22.7%	\$ 1,206,551
Europe	43,738	8.4%	68,378	10.4%	484,846
Asia	74,718	14.4%	74,081	11.3%	828,267
Other Areas	45,447	9.0%	71,595	11.1%	503,792
Total	¥ 272,746	52.8%	¥ 362,439	55.5%	\$ 3,023,456

(Consolidated)

Net sales, orders and order backlog by industry segment

For six months ended September 30, 2009 and 2008 and as of September 30 and March 31, 2009

Since Kawasaki Heavy Industries, Ltd. (KHI) separated its construction machinery business as of April 1, 2009, the relation between the Rolling Stock business and construction machinery business were reduced. Therefore while the construction machinery business was included in the Rolling Stock & Construction Machinery segment, this business is included in the other segment and we change the industry segment name from Rolling Stock & Construction Machinery to Rolling Stock from this fiscal year.

	Millions of yen			Thousands of U.S. dollars		
	Six months ended		Six months ended	%	Six months ended	
	Sep. 30, 2009					Sep. 30, 2008
Net sales :						
Shipbuilding	¥ 65,261	(12%)	¥ 53,734	(8%)	+21%	\$ 723,434
Rolling Stock	80,142	(16%)	83,678	(13%)	-4%	888,393
Aerospace	73,322	(14%)	95,290	(15%)	-23%	812,792
Gas Turbines & Machinery	83,446	(16%)	91,790	(14%)	-9%	925,019
Plant & Infrastructure Engineering	35,745	(6%)	46,692	(7%)	-23%	396,242
Consumer products & Machinery	106,252	(21%)	177,621	(27%)	-40%	1,177,829
Hydraulic Machinery	29,006	(6%)	47,296	(7%)	-38%	321,538
Other	42,879	(9%)	56,822	(9%)	-24%	475,327
Total	¥ 516,053	(100%)	¥ 652,923	(100%)	-20%	\$ 5,720,574

Orders :						
Shipbuilding	¥ 2,728	(1%)	¥ 58,443	(8%)	-95%	\$ 30,240
Rolling Stock	44,584	(11%)	136,098	(19%)	-67%	494,224
Aerospace	46,545	(12%)	58,366	(8%)	-20%	515,962
Gas Turbines & Machinery	99,897	(25%)	119,369	(17%)	-16%	1,107,382
Plant & Infrastructure Engineering	32,532	(8%)	49,032	(7%)	-33%	360,625
Consumer products & Machinery	106,252	(26%)	177,621	(25%)	-40%	1,177,829
Hydraulic Machinery	27,536	(7%)	55,097	(7%)	-50%	305,243
Other	42,955	(10%)	63,240	(9%)	-32%	476,170
Total	¥ 403,029	(100%)	¥ 717,266	(100%)	-43%	\$ 4,467,675

	Millions of yen			Thousands of U.S. dollars		
	As of		As of	%	As of	
	Sep. 30, 2009					Mar. 31, 2009
Order backlog :						
Shipbuilding	¥ 291,772	(18%)	¥ 356,937	(21%)	-18%	\$ 3,234,364
Rolling Stock	445,329	(28%)	478,565	(28%)	-6%	4,936,581
Aerospace	254,072	(16%)	286,600	(17%)	-11%	2,816,450
Gas Turbines & Machinery	401,857	(26%)	405,196	(24%)	-0%	4,454,683
Plant & Infrastructure Engineering	108,918	(7%)	112,162	(6%)	-2%	1,207,382
Consumer products & Machinery	-	(- %)	-	(- %)	0%	-
Hydraulic Machinery	27,069	(2%)	28,539	(2%)	-5%	300,066
Other	34,984	(3%)	31,163	(2%)	12%	387,809
Total	¥ 1,564,001	(100%)	¥ 1,699,162	(100%)	-7%	\$ 17,337,335