

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

For nine months ended December 31, 2009 and 2008 and one year ended March 31, 2009

### Operating results

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2009	Nine months ended Dec. 31, 2008	Nine months ended Dec. 31, 2009
Net sales	¥ 798,060	¥ 954,962	\$ 8,667,970
Operating income	(14,046)	14,706	(152,557)
Net income	(10,323)	7,460	(112,121)
Earnings per share (Yen)	(6.1)	4.4	

### Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
<b>As of December 31, 2009</b>	¥ 1,422,898	¥ 283,640	19%
As of March 31, 2009	1,399,770	295,245	20%
As of December 31, 2009	\$ 15,454,523	\$ 3,080,699	—
	Yen / U.S. dollars	Thousand shares	
	Net assets per share	Number of shares issued and outstanding	
<b>As of December 31, 2009</b>	¥ 166.6	1,668,018	
As of March 31, 2009	174.1	1,668,234	
As of December 31, 2009	\$ 1.80	—	

### Cash flows

	Millions of yen		Thousands of U.S. dollars
	Nine months ended Dec. 31, 2009	Nine months ended Dec. 31, 2008	Nine months ended Dec. 31, 2009
Operating activities	¥ (98,714)	¥ (73,215)	\$ (1,072,162)
Investing activities	(52,643)	(46,885)	(571,771)
Financing activities	151,667	135,384	1,647,300
Cash and cash equivalents at end of term	32,607	51,586	354,154

### Fiscal year forecast

	Millions of yen		
	Net sales	Operating income	Net income
One year ending March 31, 2010	¥ 1,180,000	¥ 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 ¥92.07=\$1, the rate prevailing as of December 31, 2009, solely for the convenience of the readers.

## Condensed Consolidated Balance Sheets

As of December 31 and March 31, 2009

	Millions of yen		Thousands of U.S. dollars
	As of Dec. 31, 2009	As of Mar. 31, 2009	As of Dec. 31, 2009
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	¥ 32,995	¥ 31,955	\$ 358,368
Receivables, less allowance	403,316	418,636	4,380,536
Inventories	477,748	476,441	5,188,964
Other current assets	84,093	68,764	913,361
Total current assets	<u>998,152</u>	<u>995,796</u>	<u>10,841,229</u>
Investments and long-term loans less allowance	62,567	54,290	679,559
Net property, plant and equipment	289,967	284,117	3,149,418
Intangible and other assets	72,212	65,567	784,317
Total assets	<u>¥ 1,422,898</u>	<u>¥ 1,399,770</u>	<u>\$ 15,454,523</u>
<b>Liabilities and net assets :</b>			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 276,208	¥ 207,082	\$ 2,999,978
Payables	264,353	358,478	2,871,217
Advances from customers	116,258	125,762	1,262,714
Other current liabilities	108,422	138,684	1,177,604
Total current liabilities	<u>765,241</u>	<u>830,006</u>	<u>8,311,513</u>
Long-term liabilities :			
Long-term debt, less current portion	268,017	181,705	2,911,013
Others	106,000	92,814	1,151,298
Total long-term liabilities	<u>374,017</u>	<u>274,519</u>	<u>4,062,311</u>
Net assets :			
Common stock	104,328	104,328	1,133,137
Capital surplus	54,278	54,281	589,529
Retained earnings	138,566	154,272	1,505,007
Treasury stock	(514)	(467)	(5,582)
Net unrealized gains on securities	5,427	3,140	58,945
Gains (losses) on hedging items	656	(263)	7,125
Foreign currency translation adjustments	(24,798)	(24,850)	(269,338)
Minority interests	5,697	4,804	61,876
Total net assets	<u>283,640</u>	<u>295,245</u>	<u>3,080,699</u>
Total liabilities and net assets	<u>¥ 1,422,898</u>	<u>¥ 1,399,770</u>	<u>\$ 15,454,523</u>

## Condensed Consolidated Statements of Income

For nine months ended December 31, 2009 and 2008

	Millions of yen		%	Thousands of
	<b>Nine months ended Dec.31, 2009</b>	Nine months ended Dec.31, 2008		U.S. dollars
				<i>Nine months ended Dec.31, 2009</i>
Net sales	¥ <b>798,060</b>	¥ 954,962	<b>-16%</b>	\$ 8,667,970
Cost of sales	<b>702,313</b>	819,888		<b>7,628,033</b>
Gross profit	<b>95,747</b>	135,074		<b>1,039,937</b>
Selling, general and administrative expenses	<b>109,793</b>	120,368		<b>1,192,494</b>
Operating income (loss)	<b>(14,046)</b>	14,706	<b>-196%</b>	<b>(152,557)</b>
Other income (expenses) :				
Interest and dividend income	<b>2,937</b>	3,561		<b>31,899</b>
Equity in income of unconsolidated subsidiaries and affiliates	<b>4,363</b>	6,512		<b>47,387</b>
Interest expense	<b>(4,184)</b>	(4,965)		<b>(45,443)</b>
Other, net	<b>(1,759)</b>	(2,807)		<b>(19,105)</b>
Income (loss) before income taxes and minority interests	<b>(12,689)</b>	17,007	<b>-175%</b>	<b>(137,819)</b>
Income taxes	<b>3,078</b>	(8,389)		<b>33,431</b>
Minority interests in net income of consolidated subsidiaries	<b>(712)</b>	(1,158)		<b>(7,733)</b>
Net income (loss)	¥ <b>(10,323)</b>	¥ 7,460	<b>-238%</b>	\$ <b>(112,121)</b>

## Condensed Consolidated Statements of Cash Flows

For nine months ended December 31, 2009 and 2008

(Consolidated)

	Millions of yen		Thousands of
	Nine months ended	Nine months ended	U.S. dollars
	Dec. 31, 2009	Dec. 31, 2008	Nine months ended Dec. 31, 2009
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥ (12,689)	¥ 17,007	\$ (137,819)
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	36,986	31,472	401,716
Increase in assets	(3,101)	(30,054)	(33,680)
Decrease in liabilities	(108,462)	(68,280)	(1,178,038)
Other	(11,448)	(23,360)	(124,341)
<b>Net cash provided by operating activities</b>	<b>¥ (98,714)</b>	<b>¥ (73,215)</b>	<b>\$ (1,072,162)</b>
<b>Cash flows from investing activities:</b>			
Acquisition of tangible and intangible assets	(52,085)	(48,674)	(565,710)
Acquisition of investments in securities	(110)	(3,033)	(1,195)
Other	(448)	4,822	(4,866)
<b>Net cash used for investing activities</b>	<b>¥ (52,643)</b>	<b>¥ (46,885)</b>	<b>\$ (571,771)</b>
<b>Cash flows from financing activities:</b>			
Increase in short-term borrowings	91,459	104,030	993,363
Proceeds from long-term debt	90,580	61,508	983,816
Repayment of long-term debt	(25,082)	(21,491)	(272,423)
Other	(5,290)	(8,663)	(57,456)
<b>Net cash provided by financing activities</b>	<b>¥ 151,667</b>	<b>¥ 135,384</b>	<b>\$ 1,647,300</b>
Effect of exchange rate changes	884	(1,867)	9,601
<b>Net decrease in cash and cash equivalents</b>	<b>1,194</b>	<b>13,417</b>	<b>12,968</b>
<b>Cash and cash equivalents at beginning of term</b>	<b>31,413</b>	<b>38,169</b>	<b>341,186</b>
<b>Cash and cash equivalents at end of term</b>	<b>¥ 32,607</b>	<b>¥ 51,586</b>	<b>\$ 354,154</b>

Segment information  
(a) Information by industry segment

(Consolidated)

	Millions of yen				
	Nine months ended				
	Dec.31,2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 111,725	¥ 1,116	¥ 112,841	¥ 112,062	¥ 779
Rolling Stock	122,339	1,814	124,153	119,499	4,654
Aerospace	119,368	1,513	120,881	121,498	(617)
Gas Turbines & Machinery	128,858	16,100	144,958	142,161	2,797
Plant & Infrastructure Engineering	47,195	6,667	53,862	54,020	(158)
Consumer Products & Machinery	152,380	1,895	154,275	179,928	(25,653)
Hydraulic Machinery	47,187	5,336	52,523	48,184	4,339
Other	69,008	22,847	91,855	92,063	(208)
Total	798,060	57,288	855,348	869,415	(14,067)
Eliminations and corporate	-	(57,288)	(57,288)	(57,309)	21
Consolidated total	¥ 798,060	¥ -	¥ 798,060	¥ 812,106	¥ (14,046)

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				
	Nine months ended				
	Dec.31,2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 95,805	¥ 1,064	¥ 96,869	¥ 99,446	¥ (2,577)
Rolling Stock					
& Construction Machinery	131,801	1,050	132,851	125,144	7,707
Aerospace	126,484	1,294	127,778	132,111	(4,333)
Gas Turbines & Machinery	138,835	13,209	152,044	145,304	6,740
Plant & Infrastructure Engineering	66,122	8,610	74,732	69,404	5,328
Consumer Products & Machinery	247,844	5,233	253,077	260,829	(7,752)
Hydraulic Machinery	68,216	6,384	74,600	67,600	7,000
Other	79,855	30,422	110,277	107,594	2,683
Total	954,962	67,266	1,022,228	1,007,432	14,796
Eliminations and corporate	-	(67,266)	(67,266)	(67,176)	(90)
Consolidated total	¥ 954,962	¥ -	¥ 954,962	¥ 940,256	¥ 14,706

	Thousands of U.S. dollars				
	Nine months ended				
	Dec.31,2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 1,213,479	\$ 12,122	\$ 1,225,601	\$ 1,217,140	\$ 8,461
Rolling Stock	1,328,761	19,703	1,348,464	1,297,915	50,549
Aerospace	1,296,491	16,433	1,312,924	1,319,625	(6,701)
Gas Turbines & Machinery	1,399,565	174,867	1,574,432	1,544,053	30,379
Plant & Infrastructure Engineering	512,599	72,412	585,011	586,727	(1,716)
Consumer Products & Machinery	1,655,045	20,582	1,675,627	1,954,251	(278,624)
Hydraulic Machinery	512,512	57,956	570,468	523,341	47,127
Other	749,518	248,147	997,665	999,926	(2,261)
Total	8,667,970	622,222	9,290,192	9,442,978	(152,786)
Eliminations and corporate	-	(622,222)	(622,222)	(622,451)	229
Consolidated total	\$ 8,667,970	\$ -	\$ 8,667,970	\$ 8,820,527	\$ (152,557)

## (b) Information by geographic area

	Millions of yen				
	Nine months ended				
	Dec.31, 2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 617,451	¥ 108,675	¥ 726,126	¥ 739,428	¥ (13,302)
North America	96,910	11,593	108,503	113,353	(4,850)
Europe	46,085	1,326	47,411	46,935	476
Asia	30,816	30,057	60,873	56,199	4,674
Other Areas	6,798	131	6,929	6,435	494
<b>Total</b>	<b>798,060</b>	<b>151,782</b>	<b>949,842</b>	<b>962,350</b>	<b>(12,508)</b>
Eliminations and corporate	-	(151,782)	(151,782)	(150,244)	(1,538)
<b>Consolidated total</b>	<b>¥ 798,060</b>	<b>¥ -</b>	<b>¥ 798,060</b>	<b>¥ 812,106</b>	<b>¥ (14,046)</b>

	Millions of yen				
	Nine months ended				
	Dec.31, 2008				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 686,945	¥ 188,150	¥ 875,095	¥ 867,102	¥ 7,993
North America	160,015	19,068	179,083	180,270	(1,187)
Europe	68,830	3,491	72,321	72,337	(16)
Asia	32,179	29,062	61,241	57,688	3,553
Other Areas	6,993	188	7,181	6,806	375
<b>Total</b>	<b>954,962</b>	<b>239,959</b>	<b>1,194,921</b>	<b>1,184,203</b>	<b>10,718</b>
Eliminations and corporate	-	(239,959)	(239,959)	(243,947)	3,988
<b>Consolidated total</b>	<b>¥ 954,962</b>	<b>¥ -</b>	<b>¥ 954,962</b>	<b>¥ 940,256</b>	<b>¥ 14,706</b>

	Thousands of U.S. dollars				
	Nine months ended				
	Dec.31, 2009				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 6,706,321	\$ 1,180,352	\$ 7,886,673	\$ 8,031,150	\$ (144,477)
North America	1,052,568	125,915	1,178,483	1,231,160	(52,677)
Europe	500,543	14,402	514,945	509,776	5,169
Asia	334,701	326,458	661,159	610,394	50,765
Other Areas	73,837	1,423	75,260	69,893	5,367
<b>Total</b>	<b>8,667,970</b>	<b>1,648,550</b>	<b>10,316,520</b>	<b>10,452,373</b>	<b>(135,853)</b>
Eliminations and corporate	-	(1,648,550)	(1,648,550)	(1,631,846)	(16,704)
<b>Consolidated total</b>	<b>\$ 8,667,970</b>	<b>\$ -</b>	<b>\$ 8,667,970</b>	<b>\$ 8,820,527</b>	<b>\$ (152,557)</b>

## (c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	Nine months ended		Nine months ended		Nine months ended
	Dec.31, 2009		Dec.31, 2008		Dec.31, 2009
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 158,250	19.8%	¥ 215,893	22.6%	\$ 1,718,801
Europe	60,582	7.5%	88,772	9.3%	657,999
Asia	118,267	14.8%	108,776	11.3%	1,284,533
Other Areas	77,659	9.8%	112,807	11.9%	843,478
<b>Total</b>	<b>¥ 414,758</b>	<b>51.9%</b>	<b>¥ 526,248</b>	<b>55.1%</b>	<b>\$ 4,504,811</b>

