

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

For the years ended March 31, 2010 and 2009

Operating results

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net sales	¥ 1,173,473	¥ 1,338,597	\$ 12,612,564
Operating income	(1,316)	28,713	(14,144)
Net income	(10,860)	11,727	(116,723)
Earnings per share (Yen)	(6.5)	7.0	

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of net assets to total assets
	Total assets	Net assets	
As of March 31, 2010	¥ 1,352,439	¥ 283,053	20%
As of March 31, 2009	1,399,770	295,245	20%
As of March 31, 2010	\$ 14,536,102	\$ 3,042,272	—

	Yen / U.S. dollars	Thousand shares
	Net assets per share	Number of shares issued and outstanding
As of March 31, 2010	¥ 166.1	1,667,848
As of March 31, 2009	174.1	1,668,234
As of March 31, 2010	\$ 1.78	—

Cash flows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Operating activities	¥ 30,178	¥ (41,256)	\$ 324,355
Investing activities	(63,277)	(72,283)	(680,105)
Financing activities	35,911	107,692	385,973
Cash and cash equivalents at end of term	34,137	31,413	366,906

Fiscal year forecast

	Millions of yen		
	Net sales	Operating income	Net income
One year ending March 31, 2011	¥ 1,280,000	¥ 32,000	¥ 20,000

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 $\text{¥}93.04=\text{\$}1$, the rate prevailing as of March 31, 2010, solely for the convenience of the readers.

Condensed Consolidated Balance Sheets

As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Assets :			
Current assets :			
Cash on hand and in banks	¥ 34,745	¥ 31,955	\$ 373,441
Receivables, less allowance	417,999	418,636	4,492,680
Inventories	418,224	476,441	4,495,098
Other current assets	60,710	68,764	652,517
Total current assets	931,678	995,796	10,013,736
Investments and long-term loans less allowance	60,628	54,289	651,633
Net property, plant and equipment	284,408	284,117	3,056,835
Intangible and other assets	75,725	65,568	813,898
Total assets	¥ 1,352,439	¥ 1,399,770	\$ 14,536,102
Liabilities and net assets :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 158,799	¥ 207,082	\$ 1,706,782
Payables	302,739	358,478	3,253,858
Advances from customers	99,532	125,762	1,069,776
Other current liabilities	131,853	138,684	1,417,165
Total current liabilities	692,923	830,006	7,447,581
Long-term liabilities :			
Long-term debt, less current portion	270,110	181,705	2,903,160
Others	106,353	92,814	1,143,089
Total long-term liabilities	376,463	274,519	4,046,249
Net assets :			
Common stock	104,328	104,328	1,121,324
Capital surplus	54,275	54,281	583,351
Retained earnings	137,689	154,272	1,479,890
Treasury stock	(552)	(467)	(5,932)
Net unrealized gains on securities	5,305	3,140	57,018
Gains (losses) on hedging items	(162)	(263)	(1,741)
Foreign currency translation adjustments	(23,803)	(24,850)	(255,836)
Minority interests	5,973	4,804	64,198
Total net assets	283,053	295,245	3,042,272
Total liabilities and net assets	¥ 1,352,439	¥ 1,399,770	\$ 14,536,102

Condensed Consolidated Statements of Income

For the years ended March 31, 2010 and 2009

	Millions of yen		%	Thousands of
	2010	2009		U.S. dollars
Net sales	¥ 1,173,473	¥ 1,338,597	-12%	\$ 12,612,564
Cost of sales	1,023,610	1,146,945		11,001,827
Gross profit	149,863	191,652		1,610,737
Selling, general and administrative expenses	151,179	162,939		1,624,881
Operating income (loss)	(1,316)	28,713	-105%	(14,144)
Other income (expenses) :				
Interest and dividend income	3,615	4,351		38,854
Equity in income of unconsolidated subsidiaries and affiliates	6,522	8,709		70,098
Interest expense	(5,399)	(6,658)		(58,028)
Other, net	(7,243)	(11,490)		(77,848)
Income (loss) before income taxes and minority interests	(3,821)	23,625	-116%	(41,068)
Income taxes	(5,983)	(10,762)		(64,305)
Minority interests in net income of consolidated subsidiaries	(1,056)	(1,136)		(11,350)
Net income (loss)	¥ (10,860)	¥ 11,727	-193%	\$ (116,723)

Condensed Consolidated Statements of Cash Flows

For the year ended March 31, 2010 and 2009

(Consolidated)

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (3,821)	¥ 23,625	\$ (41,068)
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	51,423	44,334	552,697
Decrease (Increase) in assets	49,184	(56,094)	528,632
Decrease in liabilities	(71,410)	(55,670)	(767,519)
Other	4,802	2,549	51,613
Net cash provided by operating activities	¥ 30,178	¥ (41,256)	\$ 324,355
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(65,962)	(74,459)	(708,963)
Acquisition of investments in securities	(123)	(3,043)	(1,322)
Other	2,808	5,219	30,180
Net cash used for investing activities	¥ (63,277)	¥ (72,283)	\$ (680,105)
Cash flows from financing activities:			
Increase in short-term borrowings	(21,463)	67,880	(230,685)
Proceeds from long-term debt	94,793	73,551	1,018,841
Repayment of long-term debt	(31,518)	(25,017)	(338,757)
Other	(5,901)	(8,722)	(63,426)
Net cash provided by financing activities	¥ 35,911	¥ 107,692	\$ 385,973
Effect of exchange rate changes	(88)	(909)	(945)
Net decrease in cash and cash equivalents	2,724	(6,756)	29,278
Cash and cash equivalents at beginning of term	31,413	38,169	337,628
Cash and cash equivalents at end of term	¥ 34,137	¥ 31,413	\$ 366,906

Segment information
(a) Information by industry segment

(Consolidated)

Millions of yen
2010

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 151,893	¥ 1,565	¥ 153,458	¥ 151,968	¥ 1,490	¥ 128,948	¥ 4,350	¥ 6,693
Rolling Stock	167,156	2,414	169,570	161,811	7,759	172,420	3,668	5,264
Aerospace	188,892	2,005	190,897	189,148	1,749	304,371	8,192	9,142
Gas Turbines & Machinery	191,379	22,765	214,144	207,450	6,694	215,874	6,222	10,278
Plant & Infrastructure Engineering	90,495	11,076	101,571	95,294	6,277	104,851	975	1,111
Consumer Products & Machinery	216,990	3,974	220,964	252,613	(31,649)	236,306	19,283	17,105
Hydraulic Machinery	68,809	7,320	76,129	69,168	6,961	57,901	3,883	2,282
Other	97,859	32,550	130,409	130,824	(415)	154,655	3,066	5,554
Total	1,173,473	83,669	1,257,142	1,258,276	(1,134)	1,375,326	49,639	57,429
Eliminations and corporate	-	(83,669)	(83,669)	(83,487)	(182)	(22,887)	1,784	1,843
Consolidated total	¥ 1,173,473	¥ -	¥ 1,173,473	¥ 1,174,789	¥ (1,316)	¥ 1,352,439	¥ 51,423	¥ 59,272

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
2009

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 126,426	¥ 1,762	¥ 128,188	¥ 129,206	¥ (1,018)	¥ 139,016	¥ 3,986	¥ 7,115
Rolling Stock & Construction Machinery	186,454	1,368	187,822	176,453	11,369	200,481	5,139	6,147
Aerospace	200,424	1,874	202,298	206,475	(4,177)	331,670	6,659	20,380
Gas Turbines & Machinery	195,156	18,315	213,471	202,446	11,025	203,902	4,606	10,176
Plant & Infrastructure Engineering	105,178	13,852	119,030	110,059	8,971	113,157	1,716	1,270
Consumer Products & Machinery	336,459	4,038	340,497	350,639	(10,142)	268,013	14,957	24,297
Hydraulic Machinery	84,919	8,524	93,443	85,054	8,389	60,429	3,729	10,539
Other	103,581	42,143	145,724	141,470	4,254	149,483	1,850	1,175
Total	1,338,597	91,876	1,430,473	1,401,802	28,671	1,466,151	42,642	81,099
Eliminations and corporate	-	(91,876)	(91,876)	(91,918)	42	(66,381)	1,692	1,351
Consolidated total	¥ 1,338,597	¥ -	¥ 1,338,597	¥ 1,309,884	¥ 28,713	¥ 1,399,770	¥ 44,334	¥ 82,450

Thousands of U.S. dollars
2010

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	\$ 1,632,556	\$ 16,821	\$ 1,649,377	\$ 1,633,363	\$ 16,014	\$ 1,385,941	\$ 46,754	\$ 71,936
Rolling Stock & Construction Machinery	1,796,604	25,945	1,822,549	1,739,155	83,394	1,853,181	39,423	56,577
Aerospace	2,030,223	21,550	2,051,773	2,032,975	18,798	3,271,399	88,048	98,258
Gas Turbines & Machinery	2,056,953	244,680	2,301,633	2,229,686	71,947	2,320,227	66,874	110,468
Plant & Infrastructure Engineering	972,646	119,045	1,091,691	1,024,226	67,465	1,126,945	10,479	11,941
Consumer Products & Machinery	2,332,222	42,713	2,374,935	2,715,100	(340,165)	2,539,832	207,254	183,845
Hydraulic Machinery	739,564	78,676	818,240	743,423	74,817	622,323	41,734	24,527
Other	1,051,796	349,850	1,401,646	1,406,104	(4,458)	1,662,245	32,957	59,698
Total	12,612,564	899,280	13,511,844	13,524,032	(12,188)	14,782,093	533,523	617,250
Eliminations and corporate	-	(899,280)	(899,280)	(897,324)	(1,956)	(245,991)	19,174	19,809
Consolidated total	\$ 12,612,564	\$ -	\$ 12,612,564	\$ 12,626,708	\$ (14,144)	\$ 14,536,102	\$ 552,697	\$ 637,059

(b) Information by geographic area

Millions of yen

2010

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	¥ 917,366	¥ 154,200	¥ 1,071,566	¥ 1,072,556	¥ (990)	¥ 1,130,537
North America	135,306	16,764	152,070	160,240	(8,170)	159,335
Europe	66,865	1,792	68,657	67,809	848	47,042
Asia	42,909	37,842	80,751	74,676	6,075	39,328
Other Areas	11,027	190	11,217	10,290	927	6,871
Total	1,173,473	210,788	1,384,261	1,385,571	(1,310)	1,383,113
Eliminations and corporate	-	(210,788)	(210,788)	(210,782)	(6)	(30,674)
Consolidated total	¥ 1,173,473	¥ -	¥ 1,173,473	¥ 1,174,789	¥ (1,316)	¥ 1,352,439

Millions of yen

2009

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	¥ 974,453	¥ 247,020	¥ 1,221,473	¥ 1,208,067	¥ 13,406	¥ 1,169,702
North America	220,855	24,500	245,355	246,741	(1,386)	182,268
Europe	90,897	4,563	95,460	94,753	707	59,216
Asia	43,328	41,818	85,146	80,594	4,552	38,421
Other Areas	9,064	251	9,314	8,946	368	2,971
Total	1,338,597	318,151	1,656,748	1,639,101	17,647	1,452,578
Eliminations and corporate	-	(318,151)	(318,151)	(329,217)	11,066	(52,808)
Consolidated total	¥ 1,338,597	¥ -	¥ 1,338,597	¥ 1,309,884	¥ 28,713	¥ 1,399,770

Thousands of U.S. dollars

2010

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets
Japan	\$ 9,859,909	\$ 1,657,352	\$ 11,517,261	\$ 11,527,901	\$ (10,640)	\$ 12,151,085
North America	1,454,277	180,181	1,634,458	1,722,269	(87,811)	1,712,542
Europe	718,669	19,260	737,929	728,815	9,114	505,610
Asia	461,188	406,729	867,917	802,623	65,294	422,699
Other Areas	118,521	2,041	120,562	110,598	9,964	73,852
Total	12,612,564	2,265,563	14,878,127	14,892,206	(14,079)	14,865,788
Eliminations and corporate	-	(2,265,563)	(2,265,563)	(2,265,498)	(65)	(329,686)
Consolidated total	\$ 12,612,564	\$ -	\$ 12,612,564	\$ 12,626,708	\$ (14,144)	\$ 14,536,102

(c) Overseas sales

Millions of yen

Thousands of

U.S. dollars

	2010		2009		2010
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 226,859	19.3%	¥ 309,979	23.1%	\$ 2,438,295
Europe	93,035	7.9%	116,298	8.6%	999,946
Asia	141,577	12.0%	174,310	13.0%	1,521,678
Other Areas	100,124	8.6%	130,050	9.8%	1,076,140
Total	¥ 561,595	47.8%	¥ 730,637	54.5%	\$ 6,036,059

(Consolidated)

Net sales, orders and order backlog by industry segment

For the year ended March 31, 2010 and 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				% Change	Thousands of U.S. dollars
	2010		2009			2010
Net sales :						
Shipbuilding	¥ 151,893	(13%)	¥ 126,426	(9%)	+20%	\$ 1,632,555
Rolling Stock	167,156	(14%)	186,454	(14%)	-10%	1,796,603
Aerospace	188,892	(16%)	200,424	(15%)	-5%	2,030,223
Gas Turbines & Machinery	191,379	(16%)	195,156	(15%)	-1%	2,056,953
Plant & Infrastructure Engineering	90,495	(8%)	105,178	(8%)	-13%	972,646
Consumer products & Machinery	216,990	(18%)	336,459	(25%)	-35%	2,332,222
Hydraulic Machinery	68,809	(6%)	84,919	(6%)	-18%	739,563
Other	97,859	(9%)	103,581	(8%)	-5%	1,051,799
Total	¥ 1,173,473	(100%)	¥ 1,338,597	(100%)	-12%	\$ 12,612,564

Orders :						
Shipbuilding	¥ 16,128	(1%)	¥ 71,512	(5%)	-77%	\$ 173,344
Rolling Stock	77,166	(8%)	264,603	(17%)	-70%	829,385
Aerospace	171,380	(17%)	239,176	(16%)	-28%	1,842,003
Gas Turbines & Machinery	226,228	(23%)	355,517	(23%)	-36%	2,431,513
Plant & Infrastructure Engineering	124,767	(12%)	83,648	(5%)	+49%	1,341,003
Consumer products & Machinery	216,990	(22%)	336,459	(22%)	-35%	2,332,222
Hydraulic Machinery	71,042	(7%)	84,142	(5%)	-15%	763,564
Other	97,589	(10%)	105,532	(7%)	-7%	1,048,896
Total	¥ 1,001,290	(100%)	¥ 1,540,589	(100%)	-35%	\$ 10,761,930

	Millions of yen				% Change	Thousands of U.S. dollars
	As of Mar. 31, 2010		As of Mar. 31, 2009			As of Mar. 31, 2010
Order backlog :						
Shipbuilding	¥ 218,134	(15%)	¥ 356,937	(21%)	-38%	\$ 2,344,518
Rolling Stock	385,655	(26%)	478,565	(28%)	-19%	4,145,045
Aerospace	264,788	(17%)	286,600	(17%)	-7%	2,845,958
Gas Turbines & Machinery	426,506	(28%)	405,196	(24%)	+5%	4,584,114
Plant & Infrastructure Engineering	146,565	(10%)	112,162	(6%)	30%	1,575,290
Consumer products & Machinery	-	(- %)	-	(- %)	0%	-
Hydraulic Machinery	30,772	(2%)	28,539	(2%)	+7%	330,739
Other	34,637	(2%)	31,163	(2%)	11%	372,283
Total	¥ 1,507,057	(100%)	¥ 1,699,162	(100%)	-11%	\$ 16,197,947