

## Report of Earnings and Financial Statements for the Year Ended March 31, 2010

April 27, 2010

Listed company's name: **Kawasaki Heavy Industries, Ltd.**  
Listed on: 1st sections of TSE, OSE, NSE  
Stock code: 7012  
URL: <http://www.khi.co.jp/>  
Representative: Satoshi Hasegawa, President  
Contact: Hideyuki Matsubara, Senior Manager, Accounting Department  
Tel: +81 3-3435-2130  
Scheduled dates:  
Ordinary General Meeting of shareholders June 25, 2010  
Commencement date of dividend payments June 28, 2010

(3) Cash Flow Position

Cash flows from



## **Qualitative Information and Financial Statements**

### **Consolidated operating results**

During fiscal 2010 (the year ended March 31, 2010), the Japanese economy remained weak as the yen strengthened against the dollar, capital spending continued to drop, and the downturn in both employment conditions and personal consumption persisted. However, demand from emerging countries grew and domestic demand generally improved, pointing to signs of an economic recovery.

Globally, some emerging countries showed growth signs, but Europe and America only managed a modest recovery.

This adverse operating environment continued to weight heavily on all areas of KHI Group business. Orders received declined in all but the Plant & Infrastructure Engineering segment. Revenues declined in most business segments, particularly Consumer Products & Machinery. Profits fell in all segments but the Aerospace and Shipbuilding segments, under the weight of yen appreciation and downturns in European and American markets.

As a result, consolidated Orders received declined ¥539.2 billion to ¥1,001.2 billion, consolidated net sales fell 165.1 billion versus fiscal 2009(the year ended March 31, 2009) to

### **Shipbuilding**

With a significant decline in orders for new vessels, consolidated orders received decreased ¥55.3 billion year on year to ¥16.1 billion.

Consolidated net sales increased ¥25.4 billion year on year to ¥151.8 billion, boosted by a spate of sales of large vessels.

Operating income increased ¥2.5 billion year on year to ¥1.4 billion due to increased sales, improved margins reflecting a decline in materials costs, and other factors.

### **Rolling Stock**

Consolidated orders received included orders from Singapore for subway cars but declined to ¥77.1 billion, down ¥187.4 billion versus the previous year, which was marked by an influx of



assets was a decline in inventories due to an increase in sales of large vessels and a reduction of current inventories in the Consumer Products & Machinery business. Total fixed assets grew 4.1% versus March 31, 2009, to ¥420.7 billion, due to the increase in deferred tax assets and other factors.

As a result, total assets as of March 31, 2010 were ¥1,352.4 billion, down 3.3% versus March 31, 2009.

Current liabilities decreased 16.5% versus March 31, 2009, to ¥692.9 billion, and long-term liabilities grew 37.2% to ¥376.4 billion.

As a result, total liabilities decreased 3.2% to ¥1,069.3 billion. This was primarily due to a ¥55.7 billion decrease in trade payables and a ¥26.2 billion decrease in advances from customers, while interest bearing debts increasing ¥39.6 billion.

Net assets decreased 4.1% versus March 31, 2009, to ¥283.0 billion, reflecting dividend payments and posting of a net loss.

### Cash Flows

Net cash provided by operating activities in fiscal 2010 (the year ended March 31, 2010) was ¥30.1 billion, ¥71.4 billion more than in fiscal 2009. Principal cash inflows were a decrease in inventories of ¥56.2 billion and depreciation and amortization of ¥51.4 billion. Principal cash outflows were a decrease in trade payables of ¥56.3 billion, a decrease in advances from customers of ¥27.1 billion, and income taxes of ¥12.8 billion.

Net cash used in investing activities amounted to ¥63.2 billion, ¥9.0 billion lower than in fiscal 2009. This cash was principally used to acquire property, plant and equipment.

Net cash provided by financing activities was to ¥35.9 billion, ¥71.7 billion lower than in fiscal 2009. The increase was mainly due to an increase in borrowings.

### Cash Flow Ratios

	March 31,	2006	2007	2008	2009	2010
Ratio of shareholders' equity to total assets (%)		18.5	21.3	22.7	20.7	20.4
Market-value equity ratio (%)		50.0	60.9	26.8	23.3	31.8
Cash flow to debt ratio (%)		698.8	663.3	364.8	–	1,421.2
Interest-coverage ratio (times)		8.5	7.1	9.4	–	5.5

Notes:

1. Ratios are calculated as follows:

Ratio of shareholders' equity to total assets: Shareholders' equity / Total assets

Market-value equity ratio: Market capitalization / Total assets

Cash flow to debt ratio: Interest-bearing debt / Cash flow from operating activities

Interest-coverage ratio: Cash flow from operating activities / Interest paid

2. All indices are calculated using consolidated figures.

3. Market capitalization is calculated by multiplying the closing price of the company's stock by the number of shares issued and outstanding (excluding treasury stock) at the end of the fiscal year.

4. The figure for cash flow from operating activities is taken from cash flow from operating activities on the consolidated statement of cash flows.

5. Interest-bearing debt consists of all interest-bearing debt listed under liabilities on the consolidated balance sheet. Interest paid is the figure for "Cash paid for interest" on the consolidated statement of cash flows.

6. Cash flow from operating activities was negative for the fiscal year ended March 31, 2009, so the cash flow to debt ratio and the interest-coverage ratio are not given for that year.

**Business and Other Risks**

No additional risks have surfaced since the Company reported on business and other risks in its most recent full-year statutory financial report (filed on June 25, 2009). Information on business and other risks is therefore omitted here.

**Status of Group**

The “Chart of Operations (Nature of Operations)” appears on the following page. There have been no material changes in the “Status of Af



**Chart of Operations (Nature of Operations)**

	Sales & Manufacturing	Manufacturing	Sales	incidental business
Shipbuilding				
Rollingstock				
Aerospace				
Gas Turbines & Machinery				
Plant & Infrastructure Engineering				
Consumer Products & Machinery				
Hydraulic Machinery				
Other Operations				

- Notes:
1. The table above lists only major companies. Consolidated subsidiaries are enclosed by a solid line; associated companies accounted for under the equity method are enclosed by a dotted line.
  2. Kawasaki Thermal Engineering Co., Ltd. is listed on the JASDAQ securities exchange.
  3. The construction machinery business spun-off from the Company in April 2009 was succeeded by KCM Corporation; the construction machinery business spun-off from Kawasaki Machine Systems Ltd. in April 2009 was succeeded by KCMJ Corporation. These business interests were shifted from the Rolling Stock segment to the Other segment.
  4. KCMA Corporation was shifted from the Rolling Stock segment to the Other segment.

## **Management Strategy**

### **(1) Basic Management Strategy**

In accord with the mission statement, the Group is pursuing a mission of “Kawasaki, working as one for the good of the planet.” The Group has amassed a diverse wealth of technologies across a broad range of domains, most notably including land, marine, and air transport systems, and energy and environmental engineering. By maximally utilizing and combining these technological assets, the Group aims to harmonize diverse values and reconcile contradictory challenges such as material affluence and preservation of the global environment. As an integrated technology group, the Group is explicitly committed to contributing to the development of society by creating new value. Amid today’s rapidly changing societal and operating environment, the Group’s basic management policy is to enhance corporate value and increase customer satisfaction by maximally capitalizing on its integrated technological capabilities to offer customers exceptional products and services differentiated on the basis of brand or technology, while meeting the expectations of shareholders, customers, employees, and local communities.

The Company’s basic policy is to continuously pay shareholders a dividend commensurate with the Company’s earnings while accruing sufficient internal reserves in order to strengthen and enhance the Company’s operating foundation to enable future growth.

### **(2) Target Management Metrics**

In the aim of generating profits that meet investors’ expectations, the Group has adopted ROIC (return on invested capital: earnings before interest and taxes ÷ invested capital), a measure of capital efficiency, as its target metric of operating performance. While seeking to maximize ROIC, the Group will also endeavor to strengthen its financial condition through earnings growth and improvement in invested-capital efficiency.

### **(3) Medium-to-long-term Management Strategy**

loss risk for businesses engaged in custom-ordered production. KHI's recently established

KHI Group aims to increase profitability across all businesses in this way, and along with enhancing corporate value through thorough compliance, it aims to establish the Kawasaki brand as one that can be trusted.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2009	As of March 31, 2010
<b>Assets</b>		
Current assets		
Cash on hand and in banks	31,955	34,745
Trade receivables	402,341	400,264
Merchandise and finished products	69,609	56,807
Work in process	325,578	281,023
Raw materials and supplies	81,253	80,392
Deferred tax assets	33,232	25,204
Other current assets	54,937	55,663
Allowance for doubtful receivables	(3,111)	(2,424)
	<b>Total current assets</b>	<b>995,796</b>
Fixed assets		

Long-term liabilities		
Bonds payable	40,990	60,513
Long-term debt	140,715	209,360
Lease obligations	227	236
Deferred tax liabilities	2,938	2,526
Provision for loss on damages suit	-	6,706
Provision for environmental measures	3,980	3,713
Employees' retirement and severance benefits	79,969	89,240
Other	5,697	4,166
	Total long-term liabilities	<u>274,518</u>
		<u>376,463</u>
<b>Total liabilities</b>		<u>1,104,525</u>
		<u>1,069,386</u>
<b>Net assets</b>		
Shareholders' equity		
Common stock	104,328	104,328
Capital surplus	54,281	54,275
Retained earnings	154,272	137,689
Treasury stock	(467)	(552)
	Total shareholders' equity	<u>312,415</u>
		<u>295,741</u>
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	3,139	5,305
Gains (losses) on hedging items	(263)	(162)
Foreign currency translation adjustment	(24,850)	(23,803)
	Total valuation and translation adjustments	<u>(21,974)</u>
		<u>(18,659)</u>
Minority interests	4,804	5,972
<b>Total net assets</b>	<u>295,245</u>	<u>283,053</u>
<b>Total net assets and liabilities</b>	<u>1,399,770</u>	<u>1,352,439</u>

## (2) Consolidated Statements of Income

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	1,338,597	1,173,473
Cost of sales	1,146,944	1,023,609
Gross profit	191,652	149,863
Selling, general and administrative expenses		
Salaries and benefits	41,879	39,570
Advertising expenses	12,966	7,741
R&D expenses	38,256	38,057
Provision for doubtful receivables	359	-
Other	69,477	65,811
Total selling, general and administrative expenses	162,939	151,180
Operating income (loss)	28,713	(1,316)
Non-operating income		
Interest income	3,141	3,065
Dividend income	1,210	549
Gain on sale of marketable and investment securities	620	1,739
Equity in income of non-consolidated subsidiaries and affiliates	8,709	6,522
Foreign exchange gain, net	10,373	10,955
Other	3,784	6,743
Total non-operating income	27,838	29,575
Non-operating expenses		
Interest expense	6,658	5,399
Loss on valuation of securities	1,875	-
Other	9,298	8,566
Total non-operating expenses	17,832	13,965
Recurring profit	38,718	14,293
Extraordinary income		
Reversal of provision for environmental measures	-	1,077
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	-	460
Gain on sale of business	594	-
Total extraordinary income	594	1,537
Extraordinary losses		
Restructuring charges	-	7,648
Provision for losses on damages suit	5,165	6,983
Loss on impairment of fixed assets	1,399	3,132
Provision for environmental measures	1,812	1,489
Loss on liquidation of affiliate	-	399
Loss on contribution of securities to the pension trust	4,492	-
Other	2,818	-
Total extraordinary losses	15,688	19,651
Income (loss) before income taxes and minority interests	23,625	(3,821)
Income taxes		
Current	16,783	8,805
Deferred	(6,021)	(2,822)
Total income taxes	10,761	5,983
Minority interests in net income of consolidated subsidiaries	1,135	1,055
Net income (loss)	11,727	(10,860)

**(3) Consolidated Statement of Changes in Shareholders' Equity**

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
<b>Shareholders' equity</b>		
Common stock		



Foreign currency translation adjustments		
Balance at end of previous year	(11,878)	(24,850)
Changes during the period		
Net changes in items other than shareholders' equity	(12,972)	1,047
Total changes during the period	(12,972)	1,047
Balance at end of year	(24,850)	(23,803)
Total Valuation and translation adjustments		
Balance at end of previous year	3,631	(21,974)
Changes during the period		
Net chan		



Net cash used for financing activities	107,692	35,911
Effect of exchange rate changes	(908)	(88)
Increase (decrease) in cash and cash equivalents due to changes	(6,755)	2,723
Cash and cash equivalents at beginning of year	38,169	31,413
Cash and cash equivalents at end of year	31,413	34,137



#### *Change in accounting policy*

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 ended 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 at the fiscal year end. The percentage of completion is estimated mainly 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 were 32,214 million yen higher. While operating loss was 1,976 million yen lower, recurring profit was higher in the same amount, and loss before income taxes and minority interests was lower in the same amount.

The change's impact by segment is detailed in the relevant section.

#### **Change in the Presentation of Accounts**

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

#### *Consolidated Statements of Income*

“Valuation loss on marketable securities” was included in “other” under non-operating expenses in the amount of 32million yen because it declined to less than ten-hundredth of non-operating expenses.

#### **(8) Notes on Financial Statements**

#### *Consolidated balance sheets*

Year ended March 31, 2010 (As of March 31, 2010)

Information is omitted here as its disclosure in this report is not of material importance.

#### *Consolidated Statements of Income*

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

1. Reversal of provision for environmental measures was recognized as a result of revaluation of estimated costs for environmental measures such as soil improvement and recorded in the amount not required.
2. Reversal of allowance for doubtful accounts for subsidiaries and affiliates was recorded associated

(2) Method for asset grouping

Asset grouping is based on line of business, and principle assets held for lease and idle assets are treated as independent asset groups.

(3) Reason for recognition of loss on impairment of fixed assets

The book values of some assets were written down to recoverable amounts due to deteriorating business income, and market price declines.

(4) Calculation of recoverable amounts

Recoverable amounts are measured by net sales price

## Segment information

### 1) Information by industry segment

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

Millions of yen

	Sales and operating income (loss)					Assets, depreciation/amortization, and capital expenditures		
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Assets	Depreciation/amortization	Capital expenditures
Shipbuilding	126,426	1,761	128,188	129,207	(1,018)	139,016	3,986	7,115
Rolling Stock & Construction Machinery	186,454	1,367	187,822	176,452	11,369	200,481	5,139	6,147
Aerospace	200,424	1,873	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	4,037	340,497	350,640	(10,142)	268,013	14,957	24,297
Hydraulic Machinery	84,919	8,523	93,443	85,053	8,389	60,429	3,729	10,539
Other	103,579	42,143	145,722	141,466	4,256	149,478	1,846	1,173
Total	1,338,597	91,876	1,430,473	1,401,802	28,671	1,466,151	42,642	81,099
Eliminations/corporation	-	(91,876)	(91,876)	(91,918)	41	(66,380)	1,691	1,350
Consolidated total	1,338,597	-	1,338,597	1,309,883	28,713	1,399,770	44,334	82,450

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, snow plows, crushers
Aerospace	Aircrafts
Gas Turbines & Machinery Plant & Infrastructure Engineering	Jet engines, general-purpose gas turbines, prime movers

5. Change in inventory valuation standard and method  
The Company previously valued ordinary held-f



2. Major products by industry segment

Industry segment	Major products
Shipbuilding	Ships and vessels
Rolling Stock	Rolling stock, snow plows, crushers
Aerospace	Aircrafts
Gas Turbines & Machinery	Jet engines, general-purpose gas turbines, prime 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, administration of welfare facilities

3. The figure for “Eliminations/corporation” under “Assets” includes working funds (cash on hand and in banks) of the Company, fixed assets shared by all the segments, deferred tax assets, and long-term investment funds (investment in securities), together totaling 114,487 million yen.

4. The figure for “Eliminations/corporation” under “7

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 March 31, 2010. The percentage of completion is estimated mainly 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 fiscal year ended March 31, 2010, in the Shipbuilding segment was 15,609 million yen higher; in the Rolling Stock segment, 702 million yen higher; in the Aerospace segment, 5,663 million yen higher; in the Gas Turbines & Machinery segment, 7,247 million yen higher; and in the Plant & Infrastructure Engineering segment, 2,991 million yen higher. Also due to the change, operating income in the Shipbuilding segment was 262 million yen higher; in the Rolling Stock segment, 65 million yen higher; in the Aerospace segment, 494 million yen higher; in the Gas Turbines & Machinery segment, 649 million yen higher; and in the Plant & Infrastructure Engineering segment, 504 million yen higher.

## 2) Information by geographic area

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Assets
Japan	974,453	247,019	1,221,473	1,208,066	13,406	1,169,702
North America	220,855	24,499	245,355	246,742	(1,386)	182,268
Europe	90,897	4,563	95,460	94,753	707	59,216
Asia	43,328	41,818	85,146	80,593	4,552	38,421
Other areas	9,062	250	9,312	8,945	367	2,970
Total	1,338,597	318,151	1,656,748	1,639,101	17,647	1,452,578
Eliminations/corporate	-	(318,151)	(318,151)	(329,217)	11,065	(52,808)
Consolidated total	1,338,597	-	1,338,597	1,309,883	28,713	1,399,770

Notes: 1. Classification method of geographic segment: by geographic proximity



### 3) Overseas sales

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

Millions of yen

	Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated sales (%)
North America	309,979	-	23.1
Europe	116,298	-	8.6
Asia	174,310	-	13.0

**Per-share Data**

(yen)

Year ended March 31, 2009		Year ended March 31, 2010	
Net assets per share	174.10	Net assets per share	166.13
Earnings per share - basic	7.02	Loss per share - basic	6.51
Earnings per share - diluted	6.92	Diluted net income per share is not stated, because we posted net loss for the period.	

Notes:

1 we

## **Non-consolidated Financial Statements**

### **(1) Non-consolidated Balance Sheets**

Millions of yen

As of	As of
March 31, 2009	March 31, 2010

Accounts payable-trade	214,072	190,559
Short-term debt	118,968	93,529
Current portion of long-term debt	8,974	3,613
Current position of lease obligations	119	4
Accounts payable, other	18,851	12,569
Accrued expenses	26,954	24,981
Income taxes payable	983	462
Advances from customers	48,373	41,297
Deposits received	1,792	1,620
Unearned revenue	18	17
Accrued bonuses	6,756	6,615
Provision for product warranties	1,007	744
Provision for losses on construction contracts	10,985	8,717
Provision for restructuring charges	-	6,326
Provision for losses on damages suit	7,410	5,165
Provision for environmental measures	-	778
Current portion of bonds payable	20,000	-
Current portion of bonds with stock acquisition rights	-	477
Commercial paper	30,000	32,000
Notes payable-facilities	2,080	1,488
Other	3,308	2,092
	<b>Total current liabilities</b>	<b>546,455</b>
		<b>453,541</b>
Long-term liabilities		
Bonds payable	30,000	50,000
Convertible bond	7,038	7,038
Bonds with stock acquisition rights	3,952	3,475
Long-term debt	134,711	205,587
Lease obligations	2	1
Long-term accounts payable, other	374	91
Provision for losses on damages suit	-	6,706
Provision for environmental measures	2,945	2,461
Employees' retirement and severance benefits	21,238	26,131
Other	471	706
	<b>Total long-term liabilities</b>	<b>200,732</b>
		<b>302,198</b>
<b>Total liabilities</b>		<b>747,188</b>
		<b>755,740</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	104,328	104,328
Capital surplus		
Legal capital surplus	52,058	52,058
Other capital surplus	39	33
Total capital surplus	52,098	52,091
Retained earnings		
Other retained earnings		
Provision for special depreciation	146	715
Provision for advanced depreciation of fixed assets	6,798	7,044
Provision for special account for advanced depreciation of fixed assets	384	-
Retained earnings brought forward	62,988	52,136
Total retained earnings	70,318	59,895
Treasury stock	(467)	(552)
Total shareholders' equity	226,277	215,764
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	2,872	4,775
Gains (losses) on hedging items	1,649	180
Total valuation and translation adjustments	4,522	4,955
<b>Total net assets</b>	<b>230,799</b>	<b>220,720</b>
<b>Total net assets and liabilities</b>	<b>977,988</b>	<b>976,460</b>



**(2) Non-consolidated Statements of Income**

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	771,428	644,133
Cost of sales	718,187	597,898
Gross profit	53,241	46,234
Selling, general and administrative expenses		
Salaries and benefits	12,110	12,027
Depreciation and amortization	778	861
Allowance for doubtful receivables	7	-
R&D expenses	32,849	32,316
Unallocated expenses	5,430	5,330
Contract expenses	3,148	3,014
Other	10,978	11,678
Total selling, general and administrative expenses	65,302	65,229
Operating income (loss)	(12,061)	(18,995)
Non-operating income		
Interest income	1,002	1,054
Dividend income	12,077	20,888
Gain on sale of marketable and investment securities	11	1,741
Foreign exchange gains, net	11,213	9,745
Other	1,230	3,317
Total non-operating income	25,534	36,747
Non-operating expenses		
Interest expense	3,465	3,761
Interest on bonds	1,008	805
Loss on valuation of securities	1,777	-
Loss on reduction of noncurrent assets	-	999
Loss on assignment of accounts receivable	-	934
Other	4,608	2,623
Total non-operating expenses	10,859	9,125
Recurring profit	2,614	8,627
Extraordinary income		
Reversal of provision for environmental measures	-	1,077
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	-	460
Total extraordinary income	-	1,537
Extraordinary losses		
Loss on investment in subsidiaries and affiliates	-	7,234
Provision for losses on damages suit	5,165	6,983
Restructuring charges	-	6,326
Provision for environmental measures	1,558	1,368
Loss on contribution of securities to the pension trust	4,492	-
Provision for doubtful accounts of affiliates	1,230	-
Loss on valuation of stock of affiliates	452	-
Other	2,818	-
Total extraordinary losses	15,716	21,912
Income (loss) before income taxes	(13,102)	(11,748)
Income taxes		
Current	2,030	260
Deferred	(9,023)	(6,591)
Total income taxes	(6,992)	(6,330)
Net income (loss)	(6,109)	(5,417)

### (3) Non-consolidated Statement of Changes in Shareholders' Equity

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
<b>Shareholders' equity</b>		
Common stock		
Balance at end of previous year	104,328	104,328
Changes during the period		
Issuance of new shares	-	-
Total changes during the period	-	-
Balance at end of year	104,328	104,328
Capital surplus		
Capital reserve		
Balance at end of previous year	52,058	52,058
Changes during the period		
Issuance of new shares	-	-
Total changes during the period	-	-
Balance at end of year	52,058	52,058
Other capital surplus		
Balance at end of previous year	48	39
Changes during the period		
Treasury stock disposed	(9)	(6)
Total changes during the p		

Reversal of provision for advanced depreciation of  
fixed assets

**(4) Events or circumstances that**

## 6. Other

### (1) Corporate officer changes

Refer to the Company's press release on February 22, 2010, titled "Directors and Executive Officers to Change."

### (2) Orders and sales (consolidated)

#### 1) Orders received

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	71,512	4.6	16,128	1.6	(55,384)	(77.4)
Rolling Stock	264,603	17.1	77,166	7.7	(187,437)	(70.8)
Aerospace	239,176	15.5	171,380	17.1	(67,796)	(28.3)
Gas Turbines & Machinery	355,517	23.0	226,228	22.5	(129,288)	(36.3)
Plant & Infrastructure Engineering	83,648	5.4	124,767	12.4	41,119	49.1
Consumer Products & Machinery	336,459	21.8	216,990	21.6	(119,468)	(35.5)
Hydraulic Machinery	84,142	5.4	71,042	7.0	(13,099)	(15.5)
Other	105,528	6.8	97,584	9.7	(7,943)	(7.5)
Total	1,540,589	100.0	1,001,290	100.0	(539,299)	(35.0)

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

#### 2) Net sales

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	126,426	9.4	151,893	12.9	25,467	20.1
Rolling Stock	186,454	13.9	167,156	14.2	(19,297)	(10.3)
Aerospace	200,424	14.9	188,892	16.1	(11,531)	(5.7)
Gas Turbines & Machinery	195,156	14.5	191,379	16.3	(3,776)	(1.9)
Plant & Infrastructure Engineering	105,178	7.8	90,495	7.7	(14,682)	(13.9)
Consumer Products & Machinery	336,459	25.1	216,990	18.4	(119,468)	(35.5)
Hydraulic Machinery	84,919	6.3	68,809	5.8	(16,109)	(18.9)
Other	103,579	7.7	97,855	8.3	(5,723)	(5.5)
Total	1,338,597	100.0	1,173,473			

### (3) Orders and sales (non-consolidated)

Due to re-segmentation of Construction Machinery business, the year-on-year rate of Rolling Stock Segment is not mentioned below.

#### Orders, net sales and order backlog by industry segment

##### 1) Orders received

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Rolling Stock	209,304	19.8	53,617	9.2	(155,686)	-
Aerospace	222,684	21.1	153,077	26.4	(69,606)	(31.2)
Gas Turbines & Machinery	345,796	32.7	216,216	37.3	(129,580)	(37.4)
Plant & Infrastructure Engineering	28,977	2.7	12,778	2.2	(16,198)	(55.9)
Consumer Products & Machinery	247,740	23.4	142,986	24.7	(104,754)	(42.2)
Total	1,054,503	100.0	578,676	100.0	(475,826)	(45.1)
Export orders received	553,607	52.4	318,553	55.0	(235,054)	(42.4)

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

##### 2) Net sales

	Year ended March 31, 2009 (A)		Year ended March 31, 2010 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Rolling Stock	129,779	16.8	118,679	18.4	(11,099)	-

**(4) Supplementary information on**

## 2) Orders received

Billions of yen

	Outlook for the year ending March 31, 2011 (A)	Year ended March 31, 2010 (B) (actual)	Change (A – B)
Shipbuilding	90.0	16.1	73.8
Rolling Stock	130.0	66.2	63.7
Aerospace	200.0	171.3	28.6
Gas Turbines & Machinery	220.0	226.2	(6.2)
Plant & Infrastructure Engineering	120.0	135.6	(15.6)
Motorcycle & Engine	260.0	203.0	56.9
Precision Machinery	110.0	84.9	25.0
Other	110.0	97.5	12.4
Total	1,240.0	1,001.2	238.7

Note: Outlook figures for the year ending March 31, 2011, appearing in the tables above were prepared based on the *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information*. In accord with the change in the Company's internal business categorizations effected in April 2010, the "Outlook by industry segment" above was also prepared based on the new segmentation: the crushers business, which was previously part of the Rolling Stock segment, was shifted to the Plant & Infrastructure Engineering segment, the robot business, which was previously part of the Consumer Products & Machinery segment, was shifted to the Precision Machinery segment. Simultaneously, the denomination of the Consumer Products & Machinery segment was changed to the Motorcycle & Engine segment, and the denomination of the Hydraulic Machinery segment was changed to the Precision Machinery segment.

The figures in the "Net sales and operating income (loss)" and "Orders received" columns for the Plant & Infrastructure Engineering segment for the year ended March 31, 2010, include the results of the crushers business, and the corresponding figures for the Precision Machinery segment include the results of the robot business. In addition, figures in the "Operating income (loss)" columns for the year ended March 31, 2010, were calculated with the cost allocation method adopted for the calculation of outlook figures for the year ending March 31, 2011. Accordingly, these figures differ from those for net sales and operating income (loss) reported in the "Segment information" section and in the "Orders and sales (consolidated)" section.