Report of Earnings and Financial Statements for the Year Ended March 31, 2009

April 28, 2009

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/
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Scheduled dates:
Ordinary General Meeting of shareholders June 25, 2009
Commencement date of dividend payments June 26, 2009
Submission of financial statements: June 25, 2009

1. Consolidated Financial Results for the Year Ended March 31, 2009
(April 1, 2008 to March 31, 2009)

(Amounts 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	%
Year ended March 31, 2009	1,338,597	(10.8)	28,713	(62.6)	38,718	(39.4)	11,727	(66.6)
Year ended March 31, 2008	1,501,097	4.3	76,910	11.2	63,972	30.4	35,141	18.0

	Earnings per share	Earnings per share – diluted	Return on equity	Return on assets	Operating income to net sales
	yen	yen	%	%	%
Year ended March 31, 2009	7.02	6.92	3.8	2.7	2.1
Year ended March 31, 2008	21.08	20.58	11.6	4.6	5.1

For reference: Equity in income of non-consolidated subsidiaries and affiliates:
Year ended March 31, 2009: 8,709 million yen
Year ended March 31, 2008: 7,642 million yen

(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	million yen	million yen	%	yen
March 31, 2009	1,399,770	295,245	20.7	174.10
March 31, 2008	1,378,769	319,037	22.7	187.73

Note: Shareholders' equity: March 31, 2009: 290,440 million yen
March 31, 2008: 313,192 million yen

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from

Overview of Non-Consolidated Financial Results

(1) Operating Results

	Net sales	Operating income	Recurring profit	Net income

Qualitative Information and Financial Statements

Consolidated operating results

During fiscal 2008 (the year ended March 31, 2009), the Japanese economy entered a steep downturn marked by a consumer spending slump, retrenchment in capital spending, an export slowdown, and deterioration in employment conditions amid precipitous yen appreciation in the fiscal third quarter (October 1, 2008 – December 31, 2008) most notably against the euro and US dollar. Although there were signs that economy had bottomed out towards fiscal year end, it remained stagnant.

Much of the global economy, including emerging economies, likewise slowed markedly or sank into recession.

Amid this economic environment, for fiscal 2008 the Kawasaki Heavy Industries (KHI) Group reported a decrease in orders on a consolidated basis of ¥70.1 billion versus fiscal 2007 to ¥1,540.5 billion, despite increases in orders in the Gas Turbines & Machinery and Rolling Stock & Construction Machinery segments.

Turning to revenues, consolidated net sales fell ¥162.5 billion to ¥1,338.5 billion, reflecting lower sales in the Consumer Products & Machinery segment as well as other segments.

Profit-wise, consolidated operating income decreased ¥48.1 billion to ¥28.7 billion and recurring profit decreased ¥25.2 billion to ¥38.7 billion. This was due mainly to the appreciation of the yen in the fiscal second half and sustained high material costs. Net income decreased ¥23.4 billion to ¥11.7 billion.

On a non-consolidated basis, the Group reported orders amounting to ¥1,054.5 billion, net sales of ¥771.4 billion, an operating loss of ¥12.0, and recurring profit of ¥2.6 billion, to finish on a net loss of ¥6.1 billion.

Segment information

Segment information (millions of yen)

	Year ended March 31, 2009		Year ended March 31, 2008		For reference: Orders	
Segment	Net sales	Operating income	Net sales	Operating income	Year ended March 31, 2009	Year ended March 31, 2008
Shipbuilding	1,264	(10)	1,413	32	715	2,513
Rolling Stock & Construction Machinery	1,864	113	1,717	71	2,646	1,832
Aerospace	2,004	(41)	2,373	108	2,391	2,025
Gas Turbines & Machinery	1,951	110	1,854	133	3,555	2,274
Plant & Infrastructure Engineering	1,051	89	1,425	108	836	1,060
Consumer Products & Machinery	3,364	(101)	4,339	196	3,364	4,339
Hydraulic Machinery	849	83	840	91	841	923
Other Operations	1,035	42	1,045	23	1,055	1,139
Eliminations and corporate		0		2		
Consolidated total	13,385	287	15,010	769	15,405	16,107

Note: Net sales are external sales.

Shipbuilding

The Shipbuilding segment booked new orders fo

Consolidated net sales fell ¥97.5 billion in fiscal 2008 versus fiscal 2007 to ¥336.4 billion as growth in Asian motorcycle sales was more than offset by a drop in North American and European motorcycle sales, a decline in industrial robot sales to the auto and semiconductor industries, and the yen's progressive appreciation against the dollar and euro.

Due to the decline in sales, due particularly to stagnant sales of large-sized motorcycles, the segment incurred a ¥10.1 billion operating loss, ¥29.8 billion below its operating income in fiscal 2007.

Hydraulic Machinery

Consolidated order bookings fell ¥8.1 billion in fiscal 2008 versus fiscal 2007 to ¥84.1 billion, due primarily to decrease in demand from construction machinery manufacturers.

Consolidated net sales were up ¥800 million versus fiscal 2007 to ¥84.9 billion by virtue of strong sales to the construction machinery industry through mid-year.

Operating income was down ¥700 million versus fiscal 2007 to ¥8.3 billion.

Other Operations

Consolidated net sales fell ¥1.0 billion in fiscal 2008 versus fiscal 2007 to ¥103.5 billion. Operating profit grew ¥1.9 billion versus fiscal 2007 to ¥4.2 billion.

Consolidated Earnings Outlook

We see no signs of a recovery from the economic recession that was triggered by the global financial crises, and we expect difficult business conditions to persist, particularly in mass-production businesses. The Company will nevertheless forge ahead to rebuild its earnings base and bring about sustained growth.

The Company expects consolidated net sales for the fiscal year ending March 31, 2010, of ¥1,240.0 billion. The Company expects sales from the Shipbuilding and Rolling Stock & Construction Machinery segments to increase but sales from the Consumer Products & Machinery segment to decline sharply due to the worsening market environment.

Profit-wise, despite the Company's determined efforts to thoroughly improve profitability throughout its operations by cutting fixed costs and expenses and increasing productivity, the Company expects operating income of ¥5.0 billion, recurring profit of ¥10.0 billion, and net income of ¥6.0 billion due to the impact of the strong yen and decline in sales in mass-production businesses.

Assumed exchange rates are ¥95 to the US dollar and ¥125 to the euro.

Consolidated Financial Condition

Financial Condition

At March 31, 2009, total assets were ¥1,399.7 billion, up 1.5% versus March 31, 2008. Current assets were up 1.3% to ¥995.7 billion. The main reason for the increase in current assets was a rise in inventories, reflecting progress made on projects for which orders have been received. The growth in tangible and intangible fixed assets more than offset the drop in the value of investment securities due to the stock price declines, and total fixed assets grew 1.8% versus March 31, 2008, to ¥403.9 billion.

Current liabilities increased 0.6% versus March 31, 2008, to ¥830.0 billion, and long-term liabilities grew 16.7% to ¥274.5 billion. As a result, total liabilities increased 4.2% to 1,104.5 billion. This was primarily due to a ¥72.5 billion decrease in payables being more than offset by an ¥112.3 billion increase in interest-bearing debt.

Net assets decreased 7.4% versus March 31, 2008, to ¥295.2 billion reflecting a decrease in foreign currency translation adjustments due to the strong yen.

Cash Flows

Net cash used in operating activities in fiscal 2008 was ¥41.2 billion, ¥ 117.0 billion more than in fiscal 2007. Principal cash inflows were depreciation and amortization of ¥44.3 billion and income before income taxes and minority interests of ¥23.6 billion. Principal cash outflows were a decrease in accounts payable of ¥55.0 billion, an increase in inventories of ¥54.7 billion, and income taxes of ¥25.0 billion.

Net cash used in investing activities amounted to ¥72.2 billion, ¥23.1 billion higher than in fiscal 2007. This cash was principally used to acquire property, plant and equipment.

Net cash provided by financing activities was to ¥107.6 billion, ¥ 135.0 billion more than in fiscal 2007. The increase was mainly due to an increase in borrowings.

Cash Flow Ratios

March 31,	2005	2006	2007	2008	2009
Ratio of shareholders’ equity to total assets (%)	16.8	18.5	21.3	22.7	20.7
Market-value equity ratio (%)	22.3	50.0	60.9	26.8	23.3
Cash flow to debt ratio (%)	495.4	698.8	663.3	364.8	–
Interest-coverage ratio (times)	11.3	8.5	7.1	9.4	–

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

Status of Group

There have been no material changes in the “Status of Affiliated Companies” or “Chart of Operations (Nature of Operations)” in the Company’s most recent full-year statutory financial report (filed on June 25, 2008). The Company has therefore omitted an updated disclosure.

Management Strategy

(1) Basic Management Strategy

In accord with its 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.

(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. In the aim of strengthening its earnings power, the Group has adopted the ratio of recurring profit to net sales as a second target performance metric pursuant to its Global K medium-term business plan.

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

Under its Global K medium-term business plan for the five years through fiscal 2011, the Company aims to develop into a highly profitable global company and realize its aforementioned corporate vision based on the core management principles of “quality followed by quantity,” “selectivity and concentration,” and “creation of new value.”

In the first half of the Global K plan’s term, the Company made steady progress in building up its overall earnings foundation by implementing various initiatives based on the above core management principles to improve individual businesses’ profitability and reform or discontinue unprofitable businesses. Since fiscal 2009, however, the Company has been beset by an adverse operating environment amid the global recession triggered by US subprime mortgage defaults. In response to such a challenging environment, the Company is pursuing various initiatives in accord with the above basic policies.

(4) Management Priorities

Through fiscal 2008, the Group was generally on schedule in achieving its earnings targets toward realization of the Global K plan’s vision through business expansion and growth. However, the Group’s operating environment has since turned increasingly adverse as severe repercussions from the financial market turmoil and credit crunch triggered by US subprime mortgage problems have fed through to the real economy. Japan in particular is projected to experience the most severe economic contraction of any developed country. Despite such adversity, the Group will maintain sound operations as a manufacturer.

To do so in an environment of temporarily heightened business risk, the Group recognizes the importance of conducting operations with an even stronger commitment to risk management and the concept of “quality followed by quantity,” while also upholding the Global K plan’s policies. The Group will closely monitor the market environment and place priority on lowering its breakeven sales level, improving cash flow, and streamlining its balance sheet. In businesses where contraction in demand is a concern, the Group will assess risk more rigorously and screen order bookings and investment proposals more selectively. Meanwhile, the Group will proceed as planned in funneling resources into growth businesses (e.g., energy, environmental engineering) and R&D programs essential to lay the technological foundation for the Group's future. The Group will also continue to strategically invest in priority markets, giving due consideration to selection of investment opportunities and the speed and magnitude of resource deployment.

The Group aims to strengthen individual businesses' earnings power by implementing the following measures specific to each business.

(1) Rolling Stock: With a large backlog of orders from North America and elsewhere, the rolling stock business will strengthen its operations in its three major markets: Japan, North America, and Asia.
(2) Aerospace: The aerospace business will advance several major projects, including preparing for mass production of the Boeing 787 and the P-1 maritime patrol aircraft, and completing development of the next transport aircraft.
(3) Gas Turbines & Machinery: The gas turbine & machinery business will strengthen its competitiveness by boosting its overall productivity, proceeding with development of a new model of jet engine for commercial aircraft, and strengthening its energy and environmental engineering operations by developing new products, including new models of industrial gas turbines and highly efficient gas engines.
(4) Consumer Products & Machinery: Faced with headwinds in the form of a global recession, the consumer products & machinery business will strengthen its development and production operations on a global basis in the aim of boosting its products' competitiveness and improving the profitability of motorcycles targeted at developed-country markets, its highest-priority business.
(5) Plant & Infrastructure Engineering: The plant & infrastructure engineering business, led by subsidiary Kawasaki Plant Systems, Ltd., will accelerate development of the energy-related and environmental businesses designated in the Global K medium-term plan.
(6) Shipbuilding: With its sights set on winning new orders, the shipbuilding business will solidify improvement in earnings through such means as optimizing the Kawasaki Shipbuilding Corporation's production systems, including Chinese operations.
(7) Hydraulic Machinery: The hydraulic machinery business will strengthen its pentapolar global operations (based in Japan, the US, Europe, China, and Korea) and nimbly invest enterprise resources while lowering its breakeven sales level.
(8) Industrial Robots: The industrial robot business will strengthen its development capabilities and cultivate new customers.
(9) Construction Machinery: The construction machinery business will strengthen its development and sales capabilities through its alliance with Hitachi Construction Machinery Co., Ltd., and TCM Corporation.

Needless to add, the Group's business activities such as those described above are predicated on compliance with applicable laws. The Group has prescribed internal corporate ethics regulations and is endeavoring to ensure that all personnel are knowledgeable about applicable laws with which they must comply. Toward this end, the Group conducts sequential education programs, distributes a variety of guidebooks, and has established compliance committees within various organizational units. The Group is also carrying out organizational initiatives to ensure legal compliance, mainly in the organizational units in charge of operating divisions and the head office. Meanwhile, the Group is endeavoring to establish a corporate culture that

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2008	As of March 31, 2009
Assets		
Current assets		
Cash on hand and in banks	39,875	31,955
Trade receivables	417,934	402,341
Inventories	439,309	-
Merchandise and finished products	-	69,609
Work in process	-	325,578
Raw materials and supplies	-	81,253
Deferred tax assets	25,250	33,232
Other current assets	64,053	54,937
Allowance for doubtful receivables	(4,140)	(3,111)
Total current assets	982,282	995,796
Fixed assets		
Net property, plant and equipment		
Buildings and structures	100,982	105,817
Machinery and equipment	68,371	76,944
Land	64,457	64,287
Leased assets	-	690

Long-term liabilities		
Bonds payable	60,990	40,990
Long-term debt	77,776	140,715
Lease obligations	-	227
Deferred tax liabilities	5,433	2,938
Provision for environmental measures	2,167	3,980
Employees' retirement and severance benefits	81,927	79,969
Other	6,895	5,697
Total long-term liabilities	235,190	274,518
Total liabilities	1,059,732	1,104,525
Net assets		
Shareholders' equity		
Common stock	104,328	104,328
Capital surplus	54,290	54,281
Retained earnings	151,401	154,272
Treasury stock	(459)	(467)
Total shareholders' equity	309,560	312,415
Valuation and translation adjustments		
Net unrealized gains (losses) on securities	10,292	3,139
Gains (losses) on hedging items	5,217	(263)
Foreign currency translation adjustment	(11,878)	(24,850)
Total valuation and translation adjustments	3,631	(21,974)
Minority interests	5,845	4,804
Total net assets	319,037	295,245
Total net assets and liabilities	1,378,769	1,399,770

(2) Consolidated Statements of Income

	Millions of yen	
	Year ended March 31, 2008	Year ended March 31, 2009
Net sales	1,501,097	1,338,597
Cost of sales	1,262,032	1,146,944
Gross profit	239,064	191,652
Selling, general and administrative expenses		
Salaries and benefits	43,112	41,879
Advertising expenses	14,650	12,966
R&D expenses	36,228	38,256
Provision for doubtful receivables	-	359
Other	68,163	69,477
Total selling, general and administrative expenses	162,154	162,939
Operating income	76,910	28,713
Non-operating income		
Interest income	3,654	3,141

Consolidated Statement of Changes in Shareholders' Equity

	Millions of yen	
	Year ended March 31, 2008	Year ended March 31, 2009
Shareholders' equity		

Total changes during the period	6,824	(5,480)
Balance at end of year	5,217	(263)
Foreign currency translation adjustments		
Balance at end of previous year	(9,417)	(11,878)
Chang		

Increase in cash and cash equivalents due to changes in fiscal periods of consolidated subsidiaries	158	-
Cash and cash equivalents at end of year	38,169	31,413

(5) Events or circumstances that raise material doubt regarding the going-concern assumption

Not applicable

(6) Basis of Preparation of Financial Statements

Other than the information in (7) “Changes in Basis of Preparation of Financial Statements,” no material changes have been made in the information in the Company’s most recent full-year statutory financial report (filed on June 25, 2008). The Company has therefore omitted an updated disclosure.

(7) Changes in Basis of Preparation of Financial Statements

1. Change in the scope of consolidation

(1) Change in the scope of consolidation

Seven companies became consolidated subsidiaries. Earth Technica Co., Ltd. (previously accounted for under the equity method), Earth Technica’s subsidiary Fukae Powtec Co., Ltd., and another company were added as consolidated subsidiaries because the Company acquired additional shares in Earth Technica. Khitkan Co., Ltd., (previously accounted for under the equity method) was also added as a consolidated subsidiary because the Company acquired additional shares in that company. Additionally, the Company established three new consolidated subsidiaries.

Five companies ceased to be consolidated subsidiaries. Four former consolidated subsidiaries were excluded from the scope of consolidation because they merged with other consolidated subsidiaries. The remaining company was excluded because it was liquidated.

(2) Number of consolidated subsidiaries after change

97 companies

2. Change in application of the equity method

(1) Non-consolidated subsidiaries which are accounted for under the equity method:

None

(2) Associated companies which are accounted for under the equity method:

1) Change in associated companies which are accounted for under the equity method:

Six companies ceased to be equity-method subsidiaries/affiliates. Earth Technica Co., Ltd., Earth Technica’s subsidiary Fukae Powtec Co., Ltd., and another company ceased to be equity-method subsidiaries/affiliates because the Company acquired additional shares in Earth Technica. Khitkan Co., Ltd., also ceased to be accounted for under the equity method because the Company acquired additional

4. Changes in Accounting Policies

(1) Adoption of the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*

Effective the fiscal year ended March 31, 2009, the Company adopted the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* (ASBJ Practical Issues Task Force Report No. 18, May 17, 2006).

This change did not affect income/loss for the fiscal year ended March 31, 2009.

(2) Adoption of the accounting standard for lease transactions (lessee)

Previously, finance leases for which ownership of the leased assets does not transfer to the lessees were not capitalized but accounted for in the same manner as operating leases. Effective

Changes in the Presentation of Accounts
Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

Consolidated Balance Sheets
In accord with the *Cabinet Office Ordinance on Partial Revision of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements etc.* (Cabinet Office Ordinance No. 50, August 7, 2008), effective the fiscal year ended March 31, 2009, assets that were presented as “inventories” in the fiscal year ended March 31, 2008, are divided and presented as “merchandise and finished products,” “work in process,” and “raw materials and supplies.” “Merchandise and finished products,” “work in process,” and “raw materials and supplies” included in “inventories” in the fiscal year ended March 31, 2008, were 62,386 million yen, 296,265 million yen, and 80,656 million yen, respectively.

Consolidated Statements of Income
“Loss on valuation of securities” in non-operating expenses was presented separately because the amount exceeded 10% of total non-operating expenses.
Valuation loss on marketable and investment securities for the fiscal year ended March 31, 2008, was 59 million yen in total and included in “other” in non-operating expenses.

Consolidated Cash Flow Statements
“Increase (decrease) in provision for product warranties” and “loss on valuation of securities” in cash flow from operating activities were presenteed products,]TJ0urities” 62,386 m3 Td[the am)8(o918llion)6 Ja

Segment Information

1) Information by industry segment

5. Change in inventory valuation method

In accord with the amendment of the Corporate Tax Act in 2008, effective the fiscal year ended March 31, 2008, the Company and its consolidated subsidiaries in Japan switched their depreciation method for property, plant and equipment acquired on or after April 1, 2007, to the depreciation method described in the Corporate Tax Act as amended.

Further, property, plant and equipment acquired on or before March 31, 2007, is depreciated in accord with the Corporate Tax Act before amendment to 5% of their acquisition cost; and the difference between 5% of the acquisition cost and the memorandum price is then depreciated using the straight-line method over five years from the following accounting year and recorded in depreciation expense.

Due to this change, compared with what they would have been under the previous accounting method, operating expenses for the fiscal year ended March 31, 2008, in the Shipbuilding business were 362 million yen higher; in the Rolling Stock & Construction Machinery business, 314 million yen higher; in the Aerospace business, 708 million yen higher; in the Gas Turbines & Machinery business, 526 million yen higher; in the Plant & Infrastructure Engineering business, 172 million yen higher; in the Consumer Products & Machinery business, 1,371 million yen higher; in the Hydraulic Machinery business, 259 million yen higher; in Other businesses, 208 million yen higher. Operating income in each segment was lower by the same amounts.

6. Change of segment name

Effective the fiscal year ended March 31, 2009, the Japanese name of the Plant, Infrastructure, & Steel Structures Engineering segment was changed to Plant & Infrastructure Engineering due to the decreased importance of the steel-structures engineering to that business (the English name remains Plant & Infrastructure Engineering). There was no effect on sales or operating income/loss by segment.

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

Millions of yen

5. 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 ended March 31, 2009, 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 when it adopted the *Accounting Standard for Measurement of Inventories* (ASBJ Statement No. 9, as revised July 5, 2006). Due to this change, operating income for the fiscal year ended March 31, 2009, in the Rolling Stock & Construction Machinery business was 516 million yen lower; in the Aerospace business, 1,226 million yen lower; in the Gas Turbines & Machinery business, 1,677 million yen lower; in the Plant & Infrastructure Engineering business, 29 million yen lower; in the Consumer Products & Machinery business, 486 million yen lower; in the Hydraulic Machinery business, 103 million yen lower; and in the Other businesses, 34 million yen lower.

6. Change in useful life for property, plant and equipment

The Company and some of its consolidated subsidiaries in Japan have revised machinery's useful life and asset groupings pursuant to 2008 amendments to the tax code. Due to this change, operating income for the fiscal year ended March 31, 2009, in the Shipbuilding business was 543 million yen lower; in the Rolling Stock & Construction Machinery business, 473 million yen lower; in the Aerospace business, 271 million yen lower; in the Gas Turbines & Machinery business, 260 million yen lower; in the Plant & Infrastructure Engineering business, 53 million yen lower; in the Consumer Products & Machinery business, 205 million yen lower; in the Other businesses, 48 million yen lower; while in the Hydraulic Machinery business, it was 166 million yen higher.

2) Information by geographic area

Year ended March 31, 2008 (April 1, 2007 – March 31, 2008)

Millions of yen

External sales

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

2. Overseas sales

Year ended March 31, 2008 (April 1, 2007 – March 31, 2008)

Millions of yen

	Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated sales (%)
North America	358,716	-	23.8
Europe	153,612	-	10.2
Asia	161,905	-	10.7
Other areas	148,315	-	9.8
Total	822,550	1,501,097	54.7

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, the Netherlands, Germany, and Italy
Asia	

Per-share Data

	As of March 31, 2008	As of March 31, 2009
Net assets per share (yen)	187.73	174.10
Earnings per share – basic (yen)	21.08	7.02
Earnings per share – diluted (yen)	20.58	6.92

Notes:

1. Net assets per share is computed based on the following data.

Millions of yen, except number of shares

	As of March 31, 2008	As of March 31, 2009
Total net assets on consolidated balance sheets	319,037	295,245
Amounts excluded from total net assets	5,845	4,804
Of which: Minority interests	*5,845*	*4,804*
Net assets attributable to the common shares	313,192	290,440
Number of common shares used to compute net assets per share (thousand shares)	1,668,304	1,668,234

2. Both basic and diluted earnings per share are computed based on the following data.

Millions of yen, except number of shares and earnings per share

	As of March 31, 2008	As of March 31, 2009
Earnings per share – basic		
Net income	35,141	11,727
Earnings not attributable to common shareholders	-	-
Net income allocated to the common stocks	35,141	11,727
Weighted-average number of common shares (thousand shares)	1,666,850	1,668,271
Earnings per share – diluted		
Net income adjustment	96	77
Of which: Interest expense etc.	*96*	*77*
Increase in common shares (thousand shares)	45,289	35,747
Of which:		
Convertible bonds (thousand shares)	*24,341*	*18,037*
Bonds with stock acquisition rights (thousand shares)	*20,948*	*17,709*
Summary of non-diluting residual securities not included in the computation of diluted earnings per share	-	-

Material subsequent events

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)
Not applicable

Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2008	As of March 31, 2009
Assets		
Current assets		
Cash on hand and in banks	18,823	9,607
Notes receivable-trade	1,494	1,595
Accounts receivable-trade	242,641	266,188
Work in process	228,894	238,757
Raw materials and supplies	45,909	50,006
Advance payments	16,289	20,318
Prepaid expenses	302	442

Liabilities		
Current liabilities		
Notes payable-trade	34,066	25,797
Accounts payable-trade	267,340	214,072
Short-term borrowings	87,934	118,968
Current portion of long-term debt	3,527	8,974
Current position of lease obligations	-	119
Accounts payable, other	10,639	18,851
Accrued expenses	25,411	26,954
Income taxes payable	5,817	983
Advances from customers	35,639	48,373
Deposits received	1,007	1,792
Unearned revenue	30	18
Accrued bonuses	10,797	6,756
Provision for product warranties	724	1,007
Provision for losses on construction contracts	2,882	10,985
Provision for losses on damages suit	2,245	7,410
Other current liabilities		
Current portion of bonds payable	10,000	20,000
Current portion of convertible bonds payable	7,518	-
Commercial paper	-	30,000
Notes payable-facilities	1,223	2,080
Other	1,424	3,308
Total current liabilities	508,229	546,455
Long-term liabilities		
Bonds payable	50,000	30,000
Convertible bond	7,038	7,038
Bonds with stock acquisition rights	3,952	3,952
Long-term debt	70,155	134,711
Lease obligations	-	2
Long-term accounts payable, other	485	374
Provision for environmental measures	1,386	2,945
Employees' retirement and severance benefits	25,823	21,238
Other	524	471
Total long-term liabilities	159,366	200,732
Total liabilities	667,596	747,188

Total net assets and liabilities	922,962	977,988

(2) Non-consolidated Statements of Income

	Millions of yen	
	Year ended March 31, 2008	Year ended March 31, 2009
Net sales	889,963	771,428
Cost of sales	784,062	718,187
Gross profit	105,900	53,241
Selling, general and administrative expenses		
Salaries and benefits	12,435	12,110
Depreciation and amortization	769	778
Allowance for doubtful receivables	-	7
R&D expenses	32,230	32,849
Unallocated expenses	5,649	5,430
Contract expense	3,778	3,148
Other	7,983	10,978
Total selling, general and administrative expenses	62,847	65,302
Operating income (loss)	43,053	(12,061)
Non-operating income		
Interest income	1,059	1,002
Dividend income	6,640	12,077
Gain on sale of marketable and investment securities	394	11
Foreign exchange gains, net	-	11,213
Reversal of allowance for doubtful receivables	151	128
Other	804	1,101
Total non-operating income	9,051	25,534
Non-operating expenses		
Interest expense	2,944	3,465
Interest on bonds	1,617	1,008
Foreign exchange losses	8,525	-
Loss on valuation of securities	-	1,777
Other	7,312	4,608
Total non-operating expenses	20,399	10,859
Recurring profit	31,705	2,614
Extraordinary income		
Gain on sale of investments in affiliates	1,522	-
Gain on contribution of securities to the pension trust	1,375	-
Gain on cancellation of shares due to absorption	189	-
Total extraordinary income	3,088	-
Extraordinary losses		
Provision for losses on damages suit	2,245	5,165
Loss on impairment of fixed assets	2,662	-
Provision for environmental measures	1,386	1,558
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	6,294	15,716
Income (loss) before income taxes	28,499	(13,102)
Income taxes		
Current	8,743	2,030
Deferred	(1,066)	(9,023)
Total income taxes	7,677	(6,992)
Net income (loss)	20,822	(6,109)

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

	Millions of yen	
	Year ended March 31, 2008	Year ended March 31, 2009
Shareholders' equity		
Common stock		
Balance at end of previous year	103,187	104,328
Changes during the period		
Issuance of new shares	1,141	-
Total changes during the period	1,141	-
Balance at end of year	104,328	104,328
Capital surplus		
Capital reserve		
Balance at end of previous year	50,945	52,058
Changes during the period	17.2444.	
Issuance of new shares	1,112	-
Total changes during the period	1,112	-
Balance at end of year	52,058	52,058
Other capital surplus		
Balance at end of previous year	49	48
Changes during the period		
Treasury stock disposed	(1)	(9)
Total changes during the period	(1)	(9)
Balance at end of year	48	39
Retained earnings		
Other retained earnings		
Provision for special depreciation		
Balance at end of previous year	423	174
Changes during the period		
Reversal of provision for special depreciation	(251)	(33)
Provision for special depreciation	2	5
Total changes durin[redacted]	(249)	(28)
Balance at end of year	174	146

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Provision for advanced depreciation of fixed assets	-	(128)
Provision for special account for advanced depreciation of fixed assets	-	(384)
Total changes during the period	13,002	(14,871)
Balance at end of year	77,859	62,988
Treasury stock		
Balance at end of previous year	(45)	(459)
Changes during the period		
Treasury stock purchased	(488)	(31)
Treasury stock disposed	74	23
Total changes during the period	(414)	(7)
Balance at end of year	(459)	(467)

(4) Events or circumstances that raise material doubt regarding the going-concern assumption

Not applicable

6. Other

(1) Corporate officer changes

Refer to the Company's press release of February 23, 2009, titled "Directors and Executive Officers to Change."

(2) Orders and sales (consolidated)

1) Orders received

	Year ended March 31, 2008 (A)		Year ended March 31, 2009 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Shipbuilding	251,331	15.6	71,512	4.6	(179,818)	(71.5)
Rolling Stock & Construction Machinery	183,254	11.3	264,603	17.1	81,349	44.3
Aerospace	202,505	12.5	239,176	15.5	36,671	18.1
Gas Turbines & Machinery	227,422	14.1	355,517	23.0	128,095	56.3
Plant & Infrastructure Engineering	106,045	6.5	83,648	5.4	(22,397)	(21.1)
Consumer Products & Machinery	433,962	26.9	336,459	21.8	(97,503)	(22.4)
Hydraulic Machinery	92,334	5.7	84,142	5.4	(8,192)	(8.8)

(3) Orders and sales (non-consolidated)

Orders, net sales and order backlog by industry segment

1) Orders received

	Year ended March 31, 2008 (A)		Year ended March 31, 2009 (B)		Change (B-A)	
	million yen	% of total	million yen	% of total	million yen	%
Rolling Stock & Construction Machinery	132,390	14.8	209,304	19.8	76,913	58.0
Aerospace	182,698	20.4	222,684	21.1	39,985	21.8
Gas Turbines & Machinery	225,411	25.2	345,796	32.7	120,385	53.4
Plant & Infrastructure Enl0 Tw 9 0 rt					2,307 07(ai6I97)-2 Te9903) ,1(1 250)T	

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

2) Orders received

Billions of yen

	Outlook for the year ending March 31, 2010 (A)	Year ended March 31, 2009 (B)	Change (A – B)
Shipbuilding	110.0	71.5	38.5
Rolling Stock & Construction Machinery	150.0	235.0	(85.0)
Aerospace	170.0	239.1	(69.1)
Gas Turbines & Machinery	220.0	355.5	(135.5)
Plant & Infrastructure Engineering	80.0	83.6	(3.6)
Consumer Products & Machinery	260.0	336.4	(76.4)
Hydraulic Machinery	70.0	84.1	(14.1)
Other	120.0	135.0	(15.0)
Total	1,180.0	1,540.5	(360.5)

Notes: 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 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. Therefore, the above figures differ from those for sales and operating income (loss) presented in "Segment information" in the notes on financial statements, and for net sales and orders presented in the "Orders and sales (consolidated)" section.