Report of Earnings and Financial Statements for the Nine Months Ended December 31, 2010 (Consolidated)
(Prepared pursuant to Japanese GAAP)

January 31, 2011

Listed company's name: **Kawasaki Heavy Industries, Ltd.**
Listed on: 1st sections of the TSE, OSE, and NSE
Stock code: 7012
URL: http://www.khi.co.jp/
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Scheduled dates:
Submission of quarterly securities filing: February 10, 2011
Commencement of dividend payments: -

Supplementary materials to quarterly earnings: Available
Quarterly earnings presentation: Not conducted

1. Consolidated Financial Results for the Nine Months ended December 31, 2010 (April 1 – December 31, 2010)

(Amounts in millions of yen 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	%
Nine months ended December 31, 2010	870,540	9.0	38,750	-	45,215	-	28,159	-
Nine months ended December 31, 2009	798,060	(16.4)	(14,046)	-	(5,501)	-	(10,323)	-

	Earnings per share	Earnings per share – diluted
	yen	yen
Nine months ended December 31, 2010	16.87	16.60
Nine months ended December 31, 2009	(6.18)	-

(2) Financial Condition

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	million yen	million yen	%	yen
December 31, 2010	1,399,980	299,264	20.7	174.29
March 31, 2010	1,352,439	283,053	20.4	166.13

Note: Shareholders' equity: December 31, 2010: 291,138 million yen
March 31, 2010: 277,081 million yen

2. Dividends

Record date or term	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of financial year	Full year
	yen	yen	yen	yen	yen
Year ended March 31, 2010	-	0.00	-	3.00	3.00
Year ending March 31, 2011	-	0.00	-		
Year ending March 31, 2011 (forecast)				3.00	3.00

Note: Revision of dividend forecast during the nine months ended December 31, 2010: None

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2011
(April 1, 2010 – March 31, 2011)

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Recurring profit		Net income		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	1,280,000	9.0	40,000	-	46,000	221.8	29,000	-	17.36

Note: Revision of earnings forecast during the nine months ended December 31, 2010: Yes

4. Other Information

For further details, see “Other Information” on page 10 in the Accompanying Materials.

1) Changes in material subsidiaries during the period: None

*This refers to additions and removals of material subsidiaries to and from the consolidated group during the period.

2) Use of simplified accounting methods and specific accounting methods: Yes

*This refers to the use of simplified accounting methods and accounting methods specific to the preparation of quarterly consolidated financial statements.

3) Changes in accounting principles, procedures, and methods of disclosure

(1) Changes in accord with revisions to accounting standards: Yes

(2) Changes other than the above: None

*This refers to changes in accounting principles, procedures, and methods of disclosure used in the preparation of quarterly consolidated financial statements.

4) Number of shares issued and outstanding (common stock)

(1) Number of shares issued as of period-end (including treasury stock)

December 31, 2010: 1,670,547,571 shares
March 31, 2010: 1,669,629,122 shares

(2) Number of shares held in treasury as of period-end

December 31, 2010: 122,618 shares
March 31, 2010: 1,780,388 shares

(3) Average number of shares during respective periods

Nine months ended December 31, 2010: 1,668,992,016 shares

Nine months ended December 31, 2009: 1,668,191,279 shares

Quarterly review status

This report is exempt from the quarterly review of accounts conducted in accord with Japan’s Financial Instruments and Exchange Act. As of this report’s publication, the quarterly review of the quarterly financial results had not been completed.

*Appropriate Use of Financial Forecasts and Other Important Matters

Forward-Looking Statements

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors. For assumptions underlying earnings forecasts and other information regarding the use of such forecasts, refer to “Consolidated Earnings Outlook” on page 8 in the Accompanying Materials.

Accompanying Materials – Contents

1. Qualitative Information and Financial Statements

(1) Consolidated operating results

In the nine months to December 31, 2010 (first three quarters of the fiscal year ending March 31, 2011), Japan's economic recovery stalled. The KHI Group continued to face an adverse business environment, largely due to progressive yen appreciation.

The global economy is generally in a moderate recovery trend, although emerging market economies' previously strong growth has been slowing somewhat. The US economic outlook, however, remains uncertain. Lingering anxieties about certain European countries' financial systems are another risk that warrants concern.

Amid such an economic environment, operating performance improved across all of the Group's businesses in the fiscal third quarter. Orders received grew in all business segments except the Gas Turbine & Machinery segment. Overall orders received also increased, bolstered by large orders booked by the Rolling Stock and Aerospace segments. Overall sales also grew despite reduced sales in the Ship & Offshore Structure, Rolling Stock, and Plant & Infrastructure segments. In terms of profitability, all businesses increased their profits or reduced their losses by virtue of sales growth and/or cost cutting despite the impact of yen appreciation.

In the first three quarters of the fiscal year, the Group's consolidated orders received grew ¥224.1 billion year on year to ¥874.0 billion. Consolidated net sales increased ¥72.4 billion year on year to ¥870.5 billion over the same timeframe. The Group earned operating income of ¥38.7 billion, recurring profit of ¥45.2 billion, and net income of ¥28.1 billion in the first three fiscal quarters. These earnings respectively represent improvements of ¥52.7 billion, ¥50.7 billion, and ¥38.4 billion from the year-earlier period's operating, recurring, and net losses.

Consolidated segment information for the first three quarters of the fiscal year is summarized below.

Segment Information

Effective from the first quarter of the current fiscal year, the Group adopted the Accounting Standards Board of Japan's *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, March 27, 2009) and associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Guidance No. 20, March 21, 2008). The Group also renamed its Consumer Products & Machinery segment the Motorcycle & Engine segment and its Hydraulic Machinery segment the Precision Machinery segment in conjunction with new industry segmentation for internal reporting adopted in April 2010. Also effective from April 2010, the crushing machine business was shifted from the Rolling Stock segment to the Plant & Infrastructure segment and the industrial robot business was shifted from the Consumer Products & Machinery segment to the Precision Machinery segment. Additionally, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment in conjunction with its October 2010 reorganization.

To reflect this change, year-earlier figures for net sales, operating income/loss, and orders received in the table below have been restated based on the newly adopted accounting standard and guidance and resegmentation of operations.

Segment net sales, operating income, and orders received (billions of yen)

	Nine months ended December 31,				Orders received	
	2010		2009		Nine months ended December 31,	
Segment	Net sales	Operating income	Net sales	Operating income	2010	2009
Ship & Offshore Structure	93.2	4.9	111.7	0.8	67.2	10.4
Rolling Stock	95.5	5.9	110.5	5.2	124.1	55.5
Aerospace	135.0	2.0	119.3	0.3	123.7	79.9
Gas Turbine & Machinery	149.6	9.6	128.8	3.9	113.6	138.5
Plant & Infrastructure	56.4	4.6	59.0	0.7	105.4	98.7
Motorcycle & Engine	159.2	(2.6)	144.0	(21.1)	159.2	144.0
Precision Machinery	99.0	14.6	55.4	0.7	106.7	54.8
Other	82.2	1.6	69.0	(0.9)	73.8	67.6
Adjustments	—	(2.3)	—	(3.8)	—	—
Total	870.5	38.7	798.0	(14.0)	874.0	649.9

Note: Net sales include only sales to external customers.

Ship & Offshore Structure

Consolidated orders received totaled ¥67.2 billion, a ¥56.7 billion increase from the year-earlier period, when only one newbuild order was received. The increase was attributable to receipt of newbuild orders for one submarine and 10 bulk carriers.

Consolidated net sales totaled ¥93.2 billion, a decrease of ¥18.5 billion from the year-earlier period, when revenues from large newbuild sales were recognized.

Despite an increase in reserves against losses on construction contracts, consolidated operating income increased ¥4.1 billion year on year to ¥4.9 billion, largely as a result of improved margins.

Rolling Stock

Consolidated orders received increased ¥68.6 billion year on year to ¥124.1 billion, largely by virtue of subway car orders from the Washington Metropolitan Area Transit Authority.

Consolidated net sales were down ¥14.9 billion year on year to ¥95.5 billion, largely as a result of a decline in overseas railway car sales.

Consolidated operating income increased ¥600 million year on year to ¥5.9 billion as the decline in sales was offset by improved margins.

Aerospace

Consolidated orders received were up ¥43.7 billion year on year to ¥123.7 billion, largely as a result of growth in orders for component parts for the Boeing 777 and 787.

Consolidated net sales grew ¥15.6 billion year on year to ¥135.0 billion. The increase was largely attributable to growth in sales to Japan's Ministry of Defense and sales of Boeing 787 component parts.

Consolidated operating income increased ¥1.6 billion year on year to ¥2.0 billion, largely by virtue of sales growth.

Gas Turbine & Machinery

Consolidated orders received totaled ¥113.6 billion, a ¥24.9 billion decrease from the year-earlier period, when large orders for aircraft engine components and gas compression modules were received.

Consolidated net sales grew ¥20.7 billion year on year to ¥149.6 billion, largely reflecting growth in gas compression module sales and sales to Japan's Ministry of Defense.
Consolidated operating income increased ¥5.6 billion year on year to ¥9.6 billion, largely as a result of sales growth and increased profits on aircraft engine components.

Plant & Infrastructure

Consolidated orders received increased ¥6.7 billion year on year to ¥105.4 billion amid an influx of domestic and overseas orders for a variety of plant facilities.

Despite a diverse mix of domestic and overseas sales of plant installations, consolidated net sales fell ¥2.5 billion year on year to ¥56.4 billion.

Consolidated operating income grew ¥3.9 billion year on year to ¥4.6 billion as earnings improved amid brisk progress in fulfilling existing orders.

Motorcycle & Engine

Consolidated net sales grew ¥15.1 billion year on year to ¥159.2 billion, buoyed by sales growth in emerging markets.

Consolidated operating loss shrank to ¥2.6 billion, an ¥18.4 billion year-on-year improvement despite the impact of yen appreciation. In addition to sales growth, the improvement was also partly attributable to fixed-cost cutting and contribution margin ratio increases stemming from emergency profitability improvement measures.

Precision Machinery

Consolidated orders received increased ¥51.8 billion year on year to ¥106.7 billion, mainly due to growth in hydraulic equipment orders from the construction machinery industry.

Consolidated net sales grew ¥43.5 billion year on year to ¥99.0 billion, driven largely by growth in hydraulic equipment sales to the construction machinery industry and sales of clean robots for semiconductor production facilities.

Consolidated operating income grew ¥13.9 billion year on year to ¥14.6 billion as profitability improved in the wake of sales growth and increased capacity utilization.

Other Operations

Consolidated net sales increased ¥13.2 billion year on year to ¥82.2 billion.

Consolidated operating income totaled ¥1.6 billion, a ¥2.6 billion improvement from the year-earlier period's operating loss.

(2) Consolidated financial position

At December 31, 2010, consolidated assets totaled ¥1,399.9 billion, an increase of ¥47.5 billion from March 31, 2010. The increase was largely attributable to growth in trade receivables in conjunction with sales activity and growth in inventories in conjunction with progress toward completion of construction works. Consolidated liabilities increased from March 31, 2010, by ¥31.3 billion to ¥1,100.7 billion at December 31 despite a reduction in notes and accounts payable. Interest-bearing debt as of December 31 was ¥525 billion, a ¥96.1 billion increase from March 31, 2010. Consolidated net assets increased ¥16.2 billion from March 31, 2010, to ¥299.2 billion at December 31, largely as a result of quarterly net income offset by distribution of dividends.

(3) Consolidated earnings outlook

Although domestic and overseas economies remain in a recovery trend, the recovery is sluggish.

Domestic economic conditions remain challenging amid a falloff in consumption and capital spending in response to economic uncertainty, and loss of international competitiveness due to persistent yen strength. Despite this adverse environment, the Company continues to vigorously push ahead with rebuilding its earnings foundation to re-embark on a sustained growth trajectory.

The Company has left its existing consolidated sales forecast unchanged at ¥1,280 billion in light of its solid sales to date.

The Company has raised its consolidated operating income forecast to ¥40 billion, ¥8 billion above its initial forecast. It did so to reflect the steady progress of company-wide measures to improve profitability through such means as reducing fixed costs and boosting productivity, most notably in the Precision Machinery segment, which is expanding its earnings foundation through aggressive business expansion. Additionally, the Company has raised its recurring profit forecast by ¥14 billion to ¥46 billion and its net income forecast by ¥9 billion to ¥29 billion to reflect growth in income from equity-method affiliates and a decrease in interest expense, in addition to operating income growth.

The Company's earnings forecasts assume exchange rates of ¥83 to the US dollar and ¥110 to the euro.

2. Other Information

(1) Overview of changes in material subsidiaries
Not applicable

(2) Overview of simplified accounting methods and specific accounting methods used

Simplified accounting methods

(i) Bad debt estimation method for general claims

The Company estimates the value of uncollectible general claims based on the preceding fiscal year's actual credit loss rate, unless the credit loss rate is deemed to have substantially changed relative to the historical rate calculated at the end of the preceding fiscal year.

(ii) Inventory valuation method

The Company estimates quarter-end inventories by a rational method based on the preceding fiscal year's physical inventory count, without conducting a physical inventory count.

The Company writes down inventory from book value to estimated net realizable value only when its utility has clearly diminished. In the case of inventory expected to be disposed of and slow-moving inventory with a turnover period that extends beyond the Company's operating cycle, the Company writes the inventory down to its estimated liquidation value. Such inventories are carried at their written-down book value, unless their value was deemed to have substantially changed during the nine months ended December 31, 2010.

(iii) Fixed-asset depreciation method

For fixed asset depreciated by the declining-balance method, the Company calculates quarterly depreciation expense by prorating annual depreciation expense. For certain consolidated subsidiaries, quarterly depreciation expense is calculated by prorating annual depreciation expense based on a budget that factors in expected acquisitions, sales, and disposals of fixed assets during the fiscal year.

(iv) Income taxes, and deferred-tax asset and liability calculation method

To assess deferred assets' collectability, the Company uses tax planning and earnings forecasts used in the preceding fiscal year if it deems that the operating environment and status of temporary differences have not changed substantially since the preceding fiscal year-end.

If the operating environment or status of temporary differences is deemed to have changed substantially since the preceding fiscal year-end, the Company uses said tax planning and earnings forecasts adjusted to reflect the changes' impact.

(v) Elimination of unrealized gains/losses on inventory

For some products, the Company calculates unrealized gains/losses on inventory using the gain/loss rate used in the preceding fiscal year or quarter or a gain/loss rate based on rational budgeting, unless business conditions are deemed to have changed substantially from the preceding fiscal year or quarter.

Accounting procedures specific to preparation of quarterly consolidated financial statements

The Company calculates tax expense by rationally estimating its effective tax rate after application of deferred-tax accounting to pretax net income for the fiscal year, which includes the third quarter under review, and multiplying quarterly pretax net income by said estimated effective tax rate. If unable to use the estimated effective tax rate, the Company calculates tax expense by multiplying the statutory effective tax rate by quarterly pretax net income adjusted to reflect material differences other than temporary differences.

Income taxes are reported inclusive of income tax adjustments.

(3) Overview of changes in accounting principles, procedures, and methods of disclosure

Changes related to accounting standards

(i) Adoption of the *Accounting Standard for Asset Retirement Obligations* and the *Guidance on Accounting Standard for Asset Retirement Obligations*

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Accounting Standard for Asset Retirement Obligations* (Statement No. 18, March 31, 2008) and its associated *Guidance on Accounting Standard for Asset Retirement Obligations* (Guidance No. 21, March 31, 2008).

Due to adoption of the standard and guidance, operating income decreased by 12 million yen and recurring profit decreased by 16 million yen and income before income taxes decreased by 296 million yen.

(ii) Adoption of the *Accounting Standard for Equity Method of Accounting for Investments* and the *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method*

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Accounting Standard for Equity Method of Accounting for Investments* (ASBJ

Statement No. 16, March 10, 2008) and the *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method* (PITF No. 24, March 10, 2008) and made some adjustments required for preparation of consolidated financial statements. The resulting effect on profit and loss is negligible.

(iii) Adoption of the *Accounting Standard for Business Combinations*

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, December 26, 2008), the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No. 22, December 26, 2008), the *Amendments to Accounting Standard for Research and Development Costs* (ASBJ Statement No. 23, December 26, 2008), the *Revised Accounting Standard for Business Divestitures* (ASBJ Statement No. 7, December 26, 2008), the *Revised Accounting Standard for Equity Method of Accounting for Investments* (ASBJ Statement No. 16, December 26, 2008), and the *Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, December 26, 2008).

Changes related to methods of disclosure

Due to adoption of the *Cabinet Office Ordinance on Partial Revision of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements and Others* (Cabinet Office Ordinance No. 5, March 24, 2009) based on the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No. 22, December 26, 2008), the Company used the account title “Income before minority interests” for the nine months ended December 31, 2010.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	Nine months ended December 31, 2010	As of March 31, 2010
Assets		
Current assets		
Cash on hand and in banks	38,045	34,745
Trade receivables	416,467	400,264
Merchandise and finished products	55,397	56,807
Work in process	307,271	281,023
Raw materials and supplies	80,538	80,392
Other current assets	85,846	80,868
Allowance for doubtful receivables	(2,635)	(2,424)
Total current assets	980,930	931,678
Fixed assets		
Net property, plant and equipment	280,961	284,407
Intangible assets		
Goodwill	686	866
Other	18,751	19,852
Total intangible assets	19,437	20,718
Investments and other assets		
Other	119,623	116,905
Allowance for doubtful receivables	(971)	(1,270)
Total investments and other assets	118,651	115,635
Total fixed assets	419,050	420,761
Total assets	1,399,980	1,352,439
Liabilities		
Current liabilities		
Trade payables	282,357	302,739
Short-term debt	161,348	125,614
Income taxes payable	4,146	4,833
Accrued bonuses	10,578	14,202
Provision for losses on construction contracts	21,646	17,991
Other provisions	8,949	18,910
Advances from customers	89,018	99,532
Other	163,666	109,098
Total current liabilities	741,712	692,923
Long-term liabilities		
Bonds payable	50,000	60,513
Long-term debt	207,280	209,360
Employees’ retirement and severance benefits	83,276	89,240
Other provisions	9,411	10,419
Other	9,035	6,929
Total long-term liabilities	359,004	376,463
Total liabilities	1,100,716	1,069,386
Net assets		
Shareholders’ equity		
Common stock	104,328	104,328
Capital surplus	54,242	54,275
Retained earnings	160,872	137,689
Treasury stock	(36)	(552)
Total shareholders’ equity	319,406	295,741

Valuation and translation adjustments		
Net unrealized gains (losses) on securities	4,119	5,305
Gains (losses) on hedging items	(1,600)	(162)
Foreign currency translation adjustment	(30,785)	(23,803)
Total valuation and translation adjustments	(28,267)	(18,659)
Minority interests	8,125	5,972
Total net assets	299,264	283,053
Total net assets and liabilities	1,399,980	1,352,439

(2) Consolidated Statements of Income

	Millions of yen	
	Nine Months ended December 31, 2009	Nine Months ended December 31, 2010
Net sales	798,060	870,540
Cost of sales	702,312	727,702
Gross profit	95,747	142,837
Selling, general and administrative expenses		
Salaries and benefits	30,024	29,123
Provision for doubtful receivables	-	148
R&D expenses	25,872	24,160
Other	53,898	50,654
Total selling, general and administrative expenses	109,794	104,086
Operating income (loss)	(14,046)	38,750
Non-operating income		
Interest income	2,398	1,388
Dividend income	538	513
Gain on sales of investment securities	70	1
Equity in income of non-consolidated subsidiaries and affiliates	4,363	7,076
Foreign exchange gain, net	6,736	560
Other	3,969	3,390
Total non-operating income	18,077	12,930
Non-operating expenses		
Interest expense	4,184	3,590
Other	5,347	2,874
Total non-operating expenses	9,532	6,465
Recurring profit (loss)	(5,501)	45,215
Extraordinary income		
Reversal of provision for environmental measures	1,212	-
Total extraordinary income	1,212	-
Extraordinary losses		
Provision for doubtful accounts of affiliates	-	293
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	280
Provision for losses on damages suit	6,983	-
Provision for environmental measures	1,085	-
Loss on liquidation of affiliate	331	-
Total extraordinary losses	8,399	573
Income (loss) before income taxes and minority interests	(12,689)	44,642
Income taxes	(3,078)	15,029
Income before minority interests	-	29,612
Minority interests in net income of consolidated subsidiaries	712	1,453
Net income (loss)	(10,323)	28,159

(3) Consolidated Cash Flow Statement

	Millions of yen	
	Nine Months ended December 31, 2009	Nine Months ended December 31, 2010
Cash flow from operating activities		
Income (loss) before income taxes and minority interests	(12,689)	44,642
Depreciation and amortization	36,986	36,348
Increase (decrease) in provisions	3,653	(15,662)
Interest and dividend income	(2,937)	(1,901)
Interest expense	4,184	3,590
Investment (gain) loss on equity method	(4,363)	(7,076)
(Gain) loss on sale and disposal of property, plant, and equipment	502	355
(Increase) decrease in trade receivables	7,379	(6,521)
(Increase) decrease in inventories	(1,724)	(35,651)
Increase (decrease) in trade payables	(95,025)	(10,885)
Increase (decrease) in advances from customers	(10,357)	(6,853)
Other	(12,663)	(18,941)
Subtotal	(87,054)	(18,557)
Cash received for interest and dividends	3,190	1,857
Cash paid for interest	(4,258)	(3,850)
Cash paid for income taxes	(10,591)	(12,994)
Net cash provided by operating activities	(98,714)	(33,545)
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(52,085)	(40,731)
Proceeds from sale of property, plant and equipment and intangible assets	635	678
Acquisition of investments in securities	(110)	(35)
Proceeds from sale of investments in securities	89	1
Acquisition of investments in subsidiaries of affiliate	(1,331)	-
(Increase) decrease in short-term loans receivable	(337)	(15)
Additions to long-term loans receivable	(61)	(41)
Proceeds from collection of long-term loans receivable	88	85
Other	469	(1,446)
Net cash used for investing activities	(52,643)	(41,504)
Cash flow from financing activities		
Increase (decrease) in short-term debt	91,459	44,294
Proceeds from long-term debt	70,580	22,080
Repayment of long-term debt	(5,082)	(4,038)
Proceeds from issuance of bonds	20,000	20,000
Redemption of bonds payable	(20,000)	-
Acquisition of treasury stock	(49)	(11)
Proceeds from stock issuance to minority shareholders	230	1,209
Cash dividends paid	(4,996)	(4,995)
Cash dividends paid to minority interests	(438)	(429)
Other	(34)	(59)
Net cash provided by financing activities	151,667	78,049
Effect of exchange rate changes	884	(1,315)
Increase (decrease) in cash and cash equivalents	1,193	1,682
Cash and cash equivalents at beginning of period	31,413	34,137
Cash and cash equivalents at end of period	32,607	35,820

(4) Notes on the going-concern assumption

Not applicable

(5) Segment information

1) Information by industry segment

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Shipbuilding	111,725	1,116	112,841	779
Rolling Stock	122,339	1,814	124,153	4,654
Aerospace	119,368	1,512	120,881	(617)
Gas Turbines & Machinery	128,858	16,100	144,958	2,797
Plant & Infrastructure Engineering	47,195	6,667	53,862	(158)
Consumer Products & Machinery	152,380	1,894	154,275	(25,653)
Hydraulic Machinery	47,187	5,336	52,523	4,339
Other	69,006	22,846	91,852	(208)
Total	798,060	57,288	855,348	(14,067)
Eliminations/corporation	-	(57,288)	(57,288)	20
Consolidated total	798,060	-	798,060	(14,046)

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	Rolling stock, snow plows, crushers
Aerospace	Aircraft
Gas Turbines & Machinery	Jet engines, general-purpose gas turbine generators, 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	Construction machinery, commercial activities, sales/order agency and intermediary activities, administration of welfare facilities

3. Change in method of segmentation

In October 2008, the Company, Hitachi Construction Machinery Co., Ltd., and TCM Corporation reached an agreement on forming an alliance with respect to their wheel loader businesses. The alliance is to involve (i) joint research and development and (ii) a spin-off of the Company's wheel loader operation into a newly created subsidiary of the Company, and Hitachi's investment in that subsidiary.

In accord with the agreement, the construction machinery business was spun-off in April 2009 and succeeded by the Company's subsidiary, KCM Corporation. As a result, said business's relationship with the Rolling Stock & Construction Machinery segment was weakened, and effective the first quarter of the fiscal year ending March 31, 2010, it was therefore shifted from the Rolling Stock & Construction Machinery segment to the Other segment.

Due to this change, compared with what they would have been under the previous method, net sales for nine months ended December 31, 2009, in the Rolling Stock segment was 13,546 million yen lower (including 14,823 million yen of external sales) and in the Other segment, 14,430 million yen higher (including 14,823 million yen of external sales). By the same comparison, operating income in the Rolling Stock segment was 2,006 million yen higher, while operating loss in the Other segment was 2,009 million yen higher.

4. Change in accounting standard for construction revenue and cost
The Company previously used the percentage-of-completion method for accounting of 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 ending 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 end of the second quarter. The percentage of completion is estimated 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 nine months ended December 31, 2009, in the Shipbuilding segment was 18,007 million yen higher; in the Aerospace segment was 768 million yen higher; in the Gas Turbines & Machinery segment, 4,184 million yen higher; and in the Plant & Infrastructure Engineering segment, 802 million yen higher. Also due to the change, operating income in Shipbuilding segment was 555 million yen higher; in the Aerospace segment was 56 million yen higher; in the Gas Turbines & Machinery segment was 468 million yen higher; and in the Plant & Infrastructure Engineering segment was 221 million yen higher.

2) Information by geographic area

Nine Months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Japan	617,451	108,674	726,126	(13,302)
North America	96,910	11,592	108,503	(4,850)
Europe	46,085	1,325	47,411	476
Asia	30,816	30,056	60,873	4,674
Other areas	6,795	133	6,928	494
Total	798,060	151,782	949,842	(12,508)
Eliminations/corporate	-	(151,782)	(151,782)	(1,538)
Consolidated total	798,060	-	798,060	(14,046)

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

2. Major countries or regions in each segment other than Japan:

North America	The U.S.A. and Canada
Europe	The Netherlands, the United Kingdom, and Germany
Asia	Thailand, Indonesia, the Philippines, and Korea
Other areas	Australia and Brazil

3. Change in accounting standard for construction revenue and cost

The Company previously used the percentage-of-completion method for accounting of 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 ending 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 initiated during the first quarter ended June 30, 2009, for which certain elements were determinable with certainty at the end of the second quarter. The percentage of completion is estimated 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 nine months ended December 31, 2009 in Japan was 23,763 million yen higher, while operating loss in Japan was 1,301 million yen lower.

3) Overseas sales

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

Millions of yen

	Overseas sales	Consolidated net sales	Ratio of overseas sales to consolidated sales (%)
North America	158,250	-	19.8
Europe	60,582	-	7.5
Asia	118,267	-	14.8
Other areas	77,658	-	9.7
Total	414,758	798,060	51.9

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, Germany and the Netherlands
Asia	China, Taiwan, the Philippines, Indonesia and Korea
Other areas	Panama, Brazil and Australia

Segment Information

1. Overview of reportable segments

The Company's reportable segments are components of the company about which separate financial information is available. These segments are subject to periodic reviews by the Company's board of directors to decide how to allocate resources and assess performance. The Company's operations are divided into internal companies based on product categories. Certain authority is delegated to each of the internal companies, based on which they conduct businesses in Japan and overseas. The Company's operations are therefore segmented based on each internal company's product categories. The Company's eight reportable segments are the Ship & Offshore Structure segment, the Rolling Stock segment, the Aerospace segment, the Gas Turbine & Machinery segment, the Plant & Infrastructure segment, the Motorcycle & Engine segment, the Precision Machinery segment, and the Other segment.

In conjunction with its October 2010 organizational restructuring, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment.

Main segment businesses are listed below.

Industry segment	Major products
Ship & Offshore Structure	Construction and sale of ships and other vessels, etc.
Rolling Stock	Production and sale of rolling stock, snow plows, etc.
Aerospace	Production and sale of aircraft, etc.
Gas Turbine & Machinery	Production and sale of jet engines, general-purpose gas turbine generators, prime movers, etc.
Plant & Infrastructure	Production and sale of industrial equipment, boilers, environmental equipment, steel structures, crushers, etc.
Motorcycle & Engine	Production and sale of motorcycles, personal watercraft, all-terrain vehicles (ATV), utility vehicles, general-purpose gasoline engines, etc.
Precision Machinery	Production and sale of industrial hydraulic products, industrial robots, etc.
Other	Production and sale of construction machinery, commercial activities, sales/order agency and intermediary activities, administration of welfare facilities, etc.

2. Sales and income (loss) by reportable segment

Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)

Millions of yen

	External sales	Intersegment sales	Total sales	Operating income (loss)
Ship & Offshore Structure	93,222	1,332	94,554	4,990
Rolling Stock	95,588	1,457	97,046	5,920
Aerospace	135,020	1,308	136,329	2,076
Gas Turbine & Machinery	149,644	15,070	164,715	9,679
Plant & Infrastructure	56,479	9,416	65,895	4,653
Motorcycle & Engine	159,219	865	160,085	(2,626)
Precision Machinery	99,091	9,060	108,151	14,691
Other	82,272	23,632	105,905	1,680
Reportable segment total	870,540	62,144	932,684	41,065
Adjustments*1	-	(62,144)	(62,144)	(2,314)
Consolidated total	870,540	-	870,540	38,750

Notes:

1. Breakdown of adjustments:

Millions of yen

Income	Amount
Intersegment sales eliminated	0
Corporate expenses*	(2,315)
Total	(2,315)

*Corporate expenses represent expenses not attributable to reportable segments such as selling, general and administrative expenses.

2. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

3. Impairment loss on fixed assets and goodwill by reportable segment

Not applicable

Additional information

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, revised March 27, 2009) and its associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Guidance No. 20, March 21, 2008).

(6) Notes on significant changes in the amount of shareholders’ equity

Not applicable

4. Supplementary information

(1) Orders and sales (consolidated)

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No.17, March 27, 2009) and its associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Guidance No.20, March 21, 2009). The Group also changed the name of its Consumer Products & Machinery segment to the Motorcycle & Engine segment and the name of its Hydraulic Machinery segment to the Precision Machinery segment in conjunction with the April 2010 adoption of new industry segmentation for internal reporting. Also effective from April 2010, the crushing machine business was shifted from the Rolling Stock segment to the Plant & Infrastructure segment and the industrial robot business was shifted from the Consumer Products & Machinery segment to the Precision Machinery segment. Additionally, in conjunction with its October 2010 organizational restructuring, the Group renamed its Shipbuilding segment the Ship & Offshore Structure segment.

To reflect this change, orders received, net sales, and order backlog for the nine months ended December 31, 2009 and the year ended March 31, 2010 in the table below have been restated based on the newly adopted accounting standard and guidance and the resegmentation of operations.

Orders received

	Nine months ended December 31, 2009		Nine months ended December 31, 2010		Year ended March 31, 2010	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	10,484	1.6	67,256	7.6	16,128	1.6
Rolling Stock	55,563	8.5	124,166	14.2	66,269	6.6
Aerospace	79,950	12.3	123,700	14.1	171,380	17.1
Gas Turbine & Machinery	138,589	21.3	113,677	13.0	226,228	22.5
Plant & Infrastructure	98,733	15.1	105,436	12.0	135,664	13.5
Motorcycle & Engine	144,069	22.1	159,219	18.2	203,084	20.2
Precision Machinery	54,820	8.4	106,719	12.2	84,948	8.4
Other	67,688	10.4	73,893	8.4	97,584	9.7
Total	649,900	100.0	874,070	100.0	1,001,290	100.0

Note: The Motorcycle & Engine segment’s orders received are equal to its net sales as production is based mainly on estimated demand.

Net sales

	Nine months ended December 31, 2009		Nine months ended December 31, 2010		Year ended March 31, 2010	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	111,725	14.0	93,222	10.7	151,893	12.9
Rolling Stock	110,510	13.8	95,588	10.9	150,071	12.7
Aerospace	119,368	14.9	135,020	15.5	188,892	16.1
Gas Turbine & Machinery	128,858	16.1	149,644	17.1	191,379	16.3
Plant & Infrastructure	59,024	7.3	56,479	6.4	107,580	9.1
Motorcycle & Engine	144,069	18.0	159,219	18.2	203,084	17.3
Precision Machinery	55,497	6.9	99,091	11.3	82,715	7.0
Other	69,006	8.6	82,272	9.4	97,855	8.3
Total	798,060	100.0	870,540	100.0	1,173,473	100.0

Order backlog

	Year ended March 31, 2010		Nine months ended December 31, 2010		Nine months ended December 31, 2009	
	million yen	% of total	million yen	% of total	million yen	% of total
Ship & Offshore Structure	218,134	14.4	190,096	13.0	252,959	16.5
Rolling Stock	378,391	25.1	388,839	26.7	404,281	26.4
Aerospace	264,788	17.5	248,087	17.0	242,163	15.8
Gas Turbine & Machinery	426,506	28.3	356,952	24.5	399,429	26.1
Plant & Infrastructure	153,830	10.2	203,365	13.9	165,383	10.8
Motorcycle & Engine	-	-	-	-	-	-
Precision Machinery	30,772	2.0	41,792	2.8	27,861	1.8
Other	34,635	2.2	25,405	1.7	33,586	2.2
Total	1,507,057	100.0	1,454,538	100.0	1,525,665	100.0

(2) Net sales by geographic area (consolidated)

Net sales by geographic area for the nine months ended December 31, 2009 and 2010, in accordance with *the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No.17, March 27, 2009) and its associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Guidance No.20, March 21, 2009) are listed below.

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

Millions of yen

Japan	383,301	48.0%
The U.S.A	150,323	18.8%
Europe	60,582	7.5%
Asia	118,267	14.8%
Other areas	85,685	10.7%
Total	798,060	100.0%

Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)

Millions of yen

Japan	391,842	45.0%
The U.S.A	164,453	18.8%
Europe	58,459	6.7%
Asia	168,258	19.3%
Other areas	87,526	10.0%
Total	870,540	100.0%

(3) Supplementary information on earnings forecasts for the fiscal year ending March 31, 2011

1) Consolidated earnings outlook

Billions of yen

	Outlook for the year ending March 31, 2011 (fiscal 2011)			Fiscal 2010 (ended March 31, 2010) (actual)
	Revised forecast (A)	Forecast issued November 2, 2010 (B)	Change (A – B)	
Net sales	1,280.0	1,280.0	-	1,173.4
Operating income	40.0	32.0	8.0	(1.3)
Recurring profit	46.0	32.0	14.0	14.2
Net income	29.0	20.0	9.0	(10.8)
Orders received	1,340.0	1,340.0	-	1,001.2
Before-tax ROIC (%)	5.6%	5.6%	-	0.2%

Notes: 1. Outlook's assumed foreign exchange rates: ¥83 = US$1, ¥110 = 1 euro

2. Before-tax ROIC = (income before income taxes + interest expense) / invested capital.

2) Outlook by reportable segment

(a) Net sales and operating income (loss)

Billions of yen

	Outlook for the year ending March 31, 2011 (fiscal 2011)						Fiscal 2010 (ended March 31, 2010) (actual)	
	Revised forecast (A)		Forecast issued November 2, 2010 (B)		Change (A – B)			
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Ship & Offshore Structure	120.0	1.0	120.0	1.0	-	-	151.8	1.5
Rolling Stock	145.0	8.0	145.0	7.0	-	1.0	150.0	8.7
Aerospace	215.0	2.0	215.0	2.0	-	-	188.8	3.7
Gas Turbine & Machinery	210.0	10.0	210.0	9.0	-	1.0	191.3	8.9
Plant & Infrastructure	100.0	9.0	100.0	8.0	-	1.0	107.5	7.9
Motorcycle & Engine	240.0	(4.0)	250.0	(4.0)	(10.0)	-	203.0	(27.0)
Precision Machinery	140.0	18.0	130.0	15.0	10.0	3.0	82.7	3.4
Other	110.0	2.0	110.0	1.0	-	1.0	97.8	(1.0)
Adjustments		(6.0)		(7.0)		1.0		(7.5)
Total	1,280.0	40.0	1,280.0	32.0	-	8.0	1,173.4	(1.3)

(b) Orders received

Billions of yen

	Outlook for the year ending March 31, 2011 (fiscal 2011)			Fiscal 2010 (ended March 31, 2010) (actual)
	Revised outlook (A)	Forecast issued November 2, 2010 (B)	Change (A – B)	
Ship & Offshore Structure	100.0	100.0	-	16.1
Rolling Stock	180.0	180.0	-	66.2
Aerospace	210.0	210.0	-	171.3
Gas Turbine & Machinery	220.0	220.0	-	226.2
Plant & Infrastructure	130.0	130.0	-	135.6
Motorcycle & Engine	240.0	250.0	(10.0)	203.0
Precision Machinery	150.0	140.0	10.0	84.9
Other	110.0	110.0	-	97.5
Total	1,340.0	1,340.0	-	1,001.2

Note: Fiscal 2010 (ended March 31, 2010) figures for net sales, operating income (loss) and orders received appear in the tables above for reference purposes. They were recalculated based on the same segmentation and calculation methods used for the third quarter ended December 31, 2010. Accordingly, they differ from those for net sales and operating income (loss) reported in the “Segment Information” section.