



April 28, 2006
(Consolidated)

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

For the years ended March 31, 2006 and 2005

Operating results

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|-----------|--------|------------------------------|
| | 2006 | 2005 | Change | 2006 |
| Net sales | 1,322,487 | 1,241,592 | +7% | \$ 11,258,083 |
| Operating income (loss) | 41,795 | 24,744 | +69% | 355,793 |
| Net income (loss) | 16,467 | 11,479 | +43% | 140,180 |
| Net income (loss) per share (Yen) | 11.2 | 7.9 | | |

Financial condition

| | Millions of yen / Thousands of U.S. dollars | | Ratio of shareholders' equity to total assets |
|-----------------------------|---|--|--|
| | Total assets | Shareholders' equity | |
| As of March 31, 2006 | 1,284,085 | 237,588 | 19% |
| As of March 31, 2005 | 1,194,473 | 201,465 | 17% |
| As of March 31, 2006 | \$ 10,931,174 | \$ 2,022,542 | |
| | Yen / U.S. dollars | Thousand shares | |
| | Shareholders' equity per share | Number of shares issued and outstanding | |
| As of March 31, 2006 | 152.5 | 1,557,507 | |
| As of March 31, 2005 | 139.7 | 1,442,359 | |
| As of March 31, 2006 | \$ 1.30 | | |

Cash flows

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|------------------------------|
| | 2006 | 2005 | 2006 |
| Operating activities | 45,761 | 71,422 | \$ 389,555 |
| Investing activities | (36,510) | (17,714) | (310,803) |
| Financing activities | (16,721) | (51,839) | (142,343) |
| Cash and cash equivalents at end of year | 37,506 | 44,385 | 319,282 |

Fiscal year forecast

| | Millions of yen | |
|--------------------------------|-----------------|------------|
| | Net sales | Net income |
| One year ending March 31, 2007 | \ 1,390,000 | \ 26,000 |

Notes : 1. This "FLASH CONSOLIDATED FINANCIAL RESULTS" and following financial statements have been prepared in conformity with generally accepted accounting principles and practices in Japan.

Condensed Consolidated Balance Sheets

As of March 31, 2006 and 2005

(Consolidated)

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-------------|------------------------------|
| | 2006 | 2005 | 2006 |
| Assets : | | | |
| Current assets : | | | |
| Cash on hand and in banks | \ 37,650 | \ 44,629 | \$ 320,507 |
| Receivables, less allowance | 438,204 | 413,619 | 3,730,348 |
| Inventories | 383,017 | 332,333 | 3,260,552 |
| Other current assets | 57,028 | 46,424 | 485,469 |
| Total current assets | 915,899 | 837,005 | 7,796,876 |
| Investments and long-term loans | | | |
| less allowance : | 76,757 | 79,569 | 653,418 |
| Net property, plant and equipment : | 246,219 | 243,166 | 2,096,016 |
| Intangible and other assets : | 45,210 | 34,733 | 384,864 |
| Total assets | \ 1,284,085 | \ 1,194,473 | \$ 10,931,174 |
| Liabilities, minority interests and shareholders' equity : | | | |
| Current liabilities : | | | |
| Short-term borrowings | | | |
| and current portion of long-term debt | \ 162,746 | \ 146,605 | \$ 1,385,426 |

Condensed Consolidated Statements of Cash Flows

For the year ended March 31, 2006 and 2005

(Consolidated)

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-------------------|------------------------------|
| | 2006 | 2005 | 2006 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | 23,300 | \ 20,564 | \$ 198,349 |
| Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities: | | | |
| Depreciation and amortization | 30,551 | 31,555 | 260,075 |
| Decrease (increase) in assets | (65,251) | (29,132) | (555,469) |
| Increase (decrease) in liabilities | 44,559 | 55,054 | 379,322 |
| Other | 12,602 | (6,619) | 107,278 |
| Net cash provided by operating activities | 45,761 | \ 71,422 | \$ 389,555 |
| Cash flows from investing activities: | | | |
| Acquisition of tangible and intangible assets | (39,259) | (31,138) | (334,205) |
| Acquisition of investments in securities other | (5,765) | (1,301) | (49,076) |
| Other | 8,514 | 14,725 | 72,478 |
| Net cash used for investing activities | (36,510) | \ (17,714) | \$ (310,803) |
| Cash flows from financing activities: | | | |
| Decrease in short-term borrowings | 7,391 | (31,736) | 62,918 |
| Proceeds from long-term debt | 24,657 | 57,732 | 209,900 |
| Repayment of long-term debt | (44,987) | (75,241) | (382,966) |
| Other | (3,782) | (2,594) | (32,195) |
| Net cash provided by (used for) financing activities | (16,721) | \ (51,839) | \$ (142,343) |
| Effect of exchange rate changes | 703 | 180 | 5,985 |
| Net decrease in cash and cash equivalents | (6,767) | 2,049 | (57,606) |
| Cash and cash equivalents at beginning of year | 44,385 | 42,375 | 377,841 |
| Decrease in cash and cash equivalents by change of consolidation period of subsidiaries | | (39) | |
| Increase in cash and cash equivalents arising from newly consolidated subsidiaries | | | |
| Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries | (112) | (0) | (953) |
| Cash and cash equivalents at end of year | 37,506 | \ 44,385 | \$ 319,282 |

Segment information
(a) Information by industry segment

(Consolidated)

| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) | Total assets | Depreciation and amortization | Capital expenditures | |
|--|----------------|--------------------|-------------|--------------------|-------------------------|--------------|-------------------------------|----------------------|-----------|
| Shipbuilding Rolling Stock, Construction Machinery & Crushing Plant | 109,697 | 1,428 | 111,125 | 112,833 | (1,708) | 105,210 | 2,700 | 1,990 | |
| Aerospace | 168,306 | 917 | 169,223 | 160,419 | 8,804 | 179,478 | 2,350 | 3,272 | |
| Gas Turbines & Machinery | 218,533 | 2,013 | 220,546 | 210,845 | 9,701 | 268,871 | 5,295 | 12,113 | |
| Plant & Infrastructure Engineering | 161,431 | 16,937 | 178,368 | 171,564 | 6,804 | 140,900 | 2,804 | 2,893 | |
| Consumer Products & Machinery | 164,506 | 20,972 | 185,478 | 193,972 | (8,494) | 135,448 | 1,859 | 733 | |
| Other | 366,960 | 6,759 | 373,719 | 353,819 | 19,900 | 280,972 | 11,020 | 15,480 | |
| Total | 133,054 | 46,758 | 179,812 | 173,154 | 6,658 | 168,334 | 2,747 | 4,227 | |
| Total | 1,322,487 | 95,784 | 1,418,271 | 1,376,606 | 41,665 | 1,279,213 | 28,775 | 40,708 | |
| Eliminations and corporate | - | (95,784) | (95,784) | (95,914) | 130,506 | 130,506 | | 13a5-o | 130,506 n |

(b) Information by geographic area

| | Millions of yen | | | | | |
|----------------------------|------------------|--------------------|------------------|--------------------|-------------------------|------------------|
| | 2006 | | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) | Total assets |
| Japan | 986,266 | 247,228 | 1,233,494 | 1,192,245 | 41,249 | 1,074,688 |
| North America | 222,477 | 16,588 | 239,065 | 237,651 | 1,414 | 159,169 |
| Europe | 80,818 | 4,053 | 84,871 | 83,308 | 1,563 | 63,254 |
| Asia | 24,800 | 16,975 | 41,775 | 40,315 | 1,460 | 24,285 |
| Other Areas | 8,126 | 141 | 8,267 | 8,893 | (626) | 7,324 |
| Total | 1,322,487 | 284,985 | 1,607,472 | 1,562,412 | 45,060 | 1,328,720 |
| Eliminations and corporate | - | (284,985) | (284,985) | (281,720) | (3,265) | (44,635) |
| Consolidated total | 1,322,487 | - | 1,322,487 | 1,280,692 | 41,795 | 1,284,085 |

| | Millions of yen | | | | | |
|----------------------------|------------------|--------------------|------------------|--------------------|-------------------------|------------------|
| | 2005 | | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) | Total assets |
| Japan | 936,237 | 208,048 | 1,144,285 | 1,123,267 | 21,018 | 996,923 |
| North America | 196,840 | 15,212 | 212,052 | 210,805 | 1,247 | 127,798 |
| Europe | 78,027 | 3,835 | 81,862 | 81,448 | 414 | 57,218 |
| Asia | 25,145 | 15,898 | 41,043 | 39,171 | 1,872 | 20,252 |
| Other Areas | 5,343 | 99 | 5,442 | 5,818 | (376) | 3,664 |
| Total | 1,241,592 | 243,092 | 1,484,684 | 1,460,509 | 24,175 | 1,205,855 |
| Eliminations and corporate | - | (243,092) | (243,092) | (243,661) | 569 | (11,382) |
| Consolidated total | 1,241,592 | - | 1,241,592 | 1,216,848 | 24,744 | 1,194,473 |

| | Thousands of U.S. dollars | | | | | |
|----------------------------|---------------------------|--------------------|----------------------|----------------------|-------------------------|----------------------|
| | 2006 | | | | | |
| | External sales | Intersegment sales | Total sales | Operating expenses | Operating income (loss) | Total assets |
| Japan | \$ 8,395,897 | \$ 2,104,605 | \$ 10,500,502 | \$ 10,149,357 | \$ 351,145 | \$ 9,148,617 |
| North America | 1,893,905 | 141,211 | 2,035,116 | 2,023,079 | 12,037 | 1,354,976 |
| Europe | 687,988 | 34,503 | 722,491 | 709,185 | 13,306 | 538,469 |
| Asia | 211,118 | 144,505 | 355,623 | 343,194 | 12,429 | 206,733 |
| Other Areas | 69,175 | 1,200 | 70,375 | 75,704 | (5,329) | 62,348 |
| Total | 11,258,083 | 2,426,024 | 13,684,107 | 13,300,519 | 383,588 | 11,311,143 |
| Eliminations and corporate | - | (2,426,024) | (2,426,024) | (2,398,229) | (27,795) | (379,969) |
| Consolidated total | \$ 11,258,083 | \$ - | \$ 11,258,083 | \$ 10,902,290 | \$ 355,793 | \$ 10,931,174 |

(c) Overseas sales

| | Millions of yen | | | | Thousands of U.S. dollars |
|---------------|-----------------|---------------------|----------------|---------------------|---------------------------|
| | 2006 | | 2005 | | 2006 |
| | Overseas sales | % against net sales | Overseas sales | % against net sales | Overseas sales |
| North America | 282,149 | 21.3% | 236,847 | 19.0% | \$ 2,401,881 |
| Europe | 109,060 | 8.2% | 100,362 | 8.0% | 928,407 |
| Asia | 197,503 | 14.9% | 171,461 | 13.8% | 1,681,306 |
| Other Areas | 107,103 | 8.0% | 105,274 | 8.4% | 911,748 |
| Total | 695,815 | 52.6% | 613,944 | 49.4% | \$ 5,923,342 |

