

(Consolidated)

**KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES**  
**FLASH CONSOLIDATED FINANCIAL RESULTS OF THE FIRST QUARTER (Unaudited)**

*For three months ended June 30, 2006 and 2005 and one year ended March 31, 2006*

<b>Operating results</b>	Millions of yen			%	Thousands of
	Three months ended	Three months ended			U.S. dollars
	Jun. 30, 2006	Jun. 30, 2005		Three months ended	
			<b>Change</b>	Jun. 30, 2006	
Net sales	302,200	\			

(Consolidated)

**Condensed Consolidated Balance Sheets**

As of June 30 and March 31, 2006

	Millions of yen		Thousands of U.S. dollars
	As of Jun. 30, 2006	As of Mar. 31, 2006	As of Jun. 30, 2006
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	25,914	\ 37,650	\$ 224,869
Receivables, less allowance	404,079	438,204	3,506,412
Inventories	403,512	383,017	3,501,492
Other current assets	64,703	57,028	561,465
Total current assets	898,208	915,899	7,794,238
Investments and long-term loans less allowance :	75,676	76,757	656,681
Net property, plant and equipment :	247,527	246,219	2,147,927
Intangible and other assets :	45,789	45,210	397,335
Total assets	1,267,200	\ 1,284,085	\$ 10,996,181
<b>Liabilities and shareholders' equity :</b>			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	193,227	\ 162,746	\$ 1,676,735
Trade payables	352,725	409,942	3,060,786
Advances from customers	119,103	98,590	1,033,521
Other current liabilities	109,608	131,381	951,129
Total current liabilities	774,663	802,659	6,722,171
Long-term liabilities :			
Long-term debt, less current portion	167,516	157,057	1,453,627
Others	83,295	81,273	722,796
Total long-term liabilities	250,811	238,330	2,176,423
Minority interests	-	5,508	-
Shareholders' equity :			
Common stock	92,085	92,085	799,071
Capital surplus	42,095	42,094	365,281
Retained earnings	101,569	100,776	881,369
Treasury stock	(45)	(38)	(390)
Net unrealized gains on securities	12,437	14,097	107,922
Gains/losses on hedging items	(679)	-	(5,892)
Foreign currency translation adjustments	(11,194)	(11,426)	(97,136)
Minority interests	5,458	-	47,362
Total shareholders' equity	241,726	237,588	2,097,587
Total liabilities and shareholders' equity	1,267,200	\ 1,284,085	\$ 10,996,181

**Condensed Consolidated Statements of Operations**

For three months ended June 30, 2006 and 2005

	Millions of yen		%	Thousands of U.S. dollars
	Three months ended Jun. 30, 2006	Three months ended Jun. 30, 2005		Change
Net sales	302,200	\ 264,080	+14%	\$ 2,622,353
Cost of sales	261,050	232,158		2,265,273
Gross profit	41,150	31,922		357,080
Selling, general and administrative expenses	31,092	29,482		269,802
Operating income	10,058	2,440	+312%	87,278
Other income (expenses) :				
Interest and dividend income	1,131	1,226		9,814
Equity in income of unconsolidated subsidiaries and affiliates	701	316		6,082
Interest expense	(1,585)	(1,449)		(13,753)
Other, net	(968)	1,130		(8,399)
Income before income taxes and minority interests	9,337	3,663	+155%	81,022
Income taxes	(3,795)	(2,043)		(32,931)
Minority interests in net loss (income) of consolidated subsidiaries	(17)	5		(148)
Net income	5,525	\ 1,625	+240%	\$ 47,943

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## Net sales, orders and operating income (loss) by industry segment

For three months ended June 30, 2006 and 2005

	Millions of yen				Thousands of U.S. dollars	
	Three months ended Jun. 30, 2006		Three months ended Jun. 30, 2005		% Change	Three months ended Jun. 30, 2006
<b>Net sales :</b>						
Shipbuilding	\ 16,389	(5%)	\ 25,856	(10%)	-37%	\$ 142,216
Rolling Stock & Construction Machinery	40,958	(14%)	31,216	(12%)	+31%	355,415
Aerospace	40,756	(13%)			23,949	(8%) \ 23,492 (10%)
Rolling Stock & Construction Machinery					51,168	(16%) 8,674 (4%)
					+490%	444,013
Aerospace	27,706	(9%)	18,402	(8%)	+51%	240,420
Gas Turbines & Machinery	35,858	(11%)	62,033	(26%)	-42%	311,159
Plant & Infrastructure Engineering	31,395	(10%)	13,231	(6%)	+137%	272,431
Consumer products & Machinery	106,692	(34%)	84,281	(35%)	+27%	925,824
Other	39,253	(12%)	28,276	(11%)	+39%	340,620
Total	\ 316,021	(100%)	\ 238,389	(100%)	+33%	\$ 2,742,285

	Millions of yen				Thousands of U.S. dollars	
	Three months ended Jun. 30, 2006		Three months ended Jun. 30, 2005		% Change	Three months ended Jun. 30, 2006
<b>Operating income (loss) :</b>						
Shipbuilding	\ (2,227)		\ 332			\$ (19,324)
Rolling Stock & Construction Machinery	2,943		229			25,538
Aerospace	588		1,768			5,102