

# DATA FILE 2006

**KAWASAKI HEAVY INDUSTRIES, LTD.**

Code No. (7012)

# HISTORY

Kawasaki Heavy Industries, Ltd. (KHI) traces its origins to an industrial shipyard in Tsukiji, Tokyo, established by Shozo Kawasaki in 1878. In 1896, KHI was incorporated under the laws of Japan as Kawasaki Dockyard Co., Ltd. The Company later expanded its business to include the manufacture of rolling stock, steel, steel structures, industrial machinery, automobiles and aircraft. KHI also engaged in the shipping business through the company known as Kawasaki Kisen Kaisha, Ltd., which later became an independent company. In 1939, KHI adopted its present name, Kawasaki Heavy Industries, Ltd.

In 1950, KHI's steel manufacturing division was divested and Kawasaki Steel Corporation was formed. In 1969, Kawasaki Aircraft Co., Ltd. and Kawasaki Rolling Stock Mfg. Co., Ltd., former divisions which had been divested, were merged back into KHI, forming an integrated heavy industry enterprise.

KHI established a subsidiary in the United States to sell its motorcycles in 1966. In 1975, through its local subsidiary, KHI began to produce motorcycles in the United States ahead of any other Japanese producer of any type of motor vehicle. Subsequently, through its U.S. subsidiaries, KHI began to manufacture rolling stock in New York in 1986, wheel loaders in Georgia in 1987, and small gasoline engines in Missouri in 1989. In 1993, KHI established a local subsidiary to acquire a hydraulic machinery manufacturing business in Plymouth, U.K., its first production facility in Europe. In 2001, KHI built a new rolling stock plant in Lincoln, Nebraska, where we already have a motorcycle plant. The new plant started full-scale operation in April 2002.

KHI also reorganised several industry segments of the Group to improve profitability, including spinning off the shipbuilding, hydraulics, plant engineering businesses. In 2002, Kasawaki Shipbuilding Corporation and Kawasaki Precision Machinery, Ltd., in 2005, Kawasaki Plant Systems, Ltd. was established as wholly owned subsidiaries.

KHI has been seeking to expand its activities in Asia. KHI has joint ventures in Malaysia, Thailand, the Philippines and Indonesia to manufacture motorcycles as well as a shipbuilding joint venture in China and other production and/or sales facilities in the Philippines and Korea.

## CONTENTS

FINANCIAL HIGHLIGHTS .....	1
KEY INDICATORS .....	2
SEGMENT INFORMATION .....	4
OVERSEAS SALES .....	5
OPERATIONS BY SEGMENT	
SHIPBUILDING .....	6
ROLLING STOCK .....	8
AEROSPACE .....	10
GAS TURBINES & MACHINERY .....	13
PLANT & INFRASTRUCTURE ENGINEERING .....	16
CONSUMER PRODUCTS & MACHINERY .....	19
CONDENSED BALANCE SHEETS .....	22
CONDENSED STATEMENTS OF INCOME .....	23
STOCK INFORMATION .....	24

# FINANCIAL HIGHLIGHTS

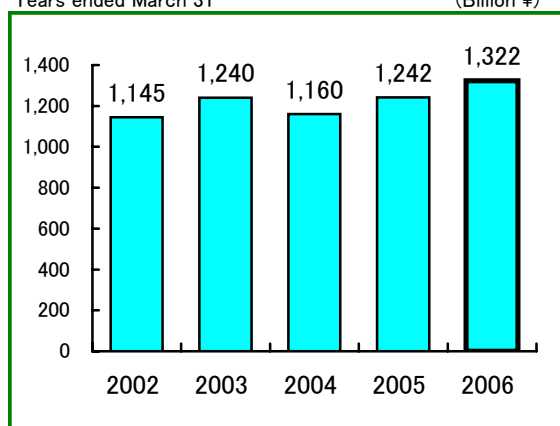
Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries

Years ended March 31

	Millions of yen				
	2002	2003	2004	2005	2006
<b>For the year:</b>					
Net sales	¥1,144,534	¥1,239,598	¥1,160,252	¥1,241,592	¥1,322,487
Net income	6,282	13,022	6,333	11,479	16,467
Net income per share (yen)	4.5	9.3	4.4	7.9	11.2
Return on average shareholders' equity (%)	3.8%	7.6%	3.5%	5.9%	7.5%
Cash dividends per share (yen)	–	2.0	2.0	2.5	3.0
<b>At year end:</b>					
Total assets	1,255,075	1,149,161	1,156,904	1,194,473	1,284,085
Working capital	150,114	137,771	121,941	138,523	113,240
Current ratio (%)	119.9%	120.0%	118.0%	119.8%	114.1%
Total shareholders' equity	167,731	174,585	190,175	201,465	237,588

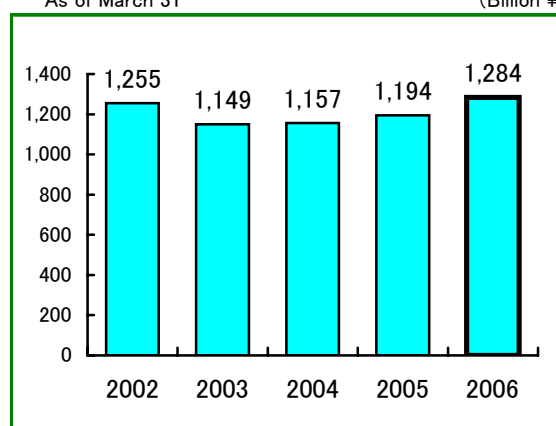
## Net Sales

Years ended March 31 (Billion ¥)



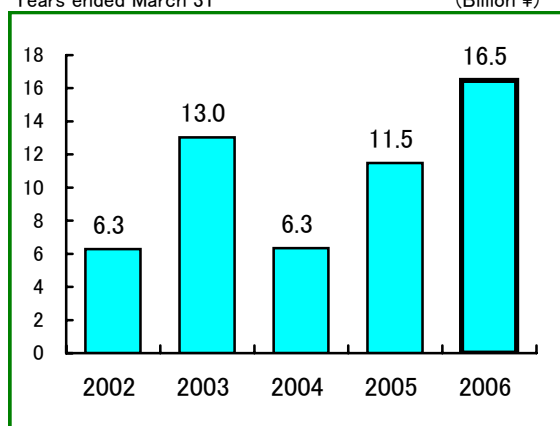
## Total Assets

As of March 31 (Billion ¥)



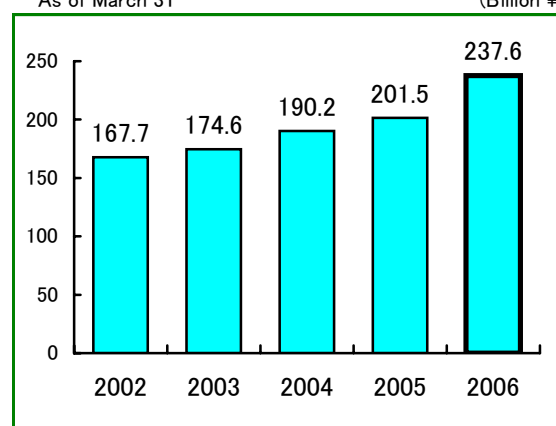
## Net Income (Loss)

Years ended March 31 (Billion ¥)



## Total Shareholders' Equity

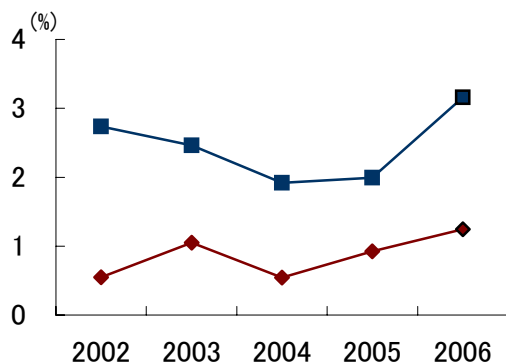
As of March 31 (Billion ¥)



## KEY INDICATORS (CONSOLIDATED BASIS)

### Ratio of Operating Income to Sales Return on Sales

Years ended March 31



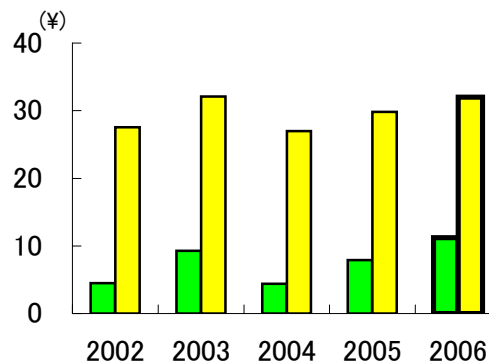
	2002	2003	2004	2005	2006
Operating Income to Sales - ■ -	2.74	2.46	1.92	1.99	3.16
ROS - ◆ -	0.55	1.05	0.55	0.92	1.25

Operating Income to Sales: Operating Income/Net Sales.

ROS: Net Income/Net Sales.

### Earnings per Share Cash Flow per Share

Years ended March 31



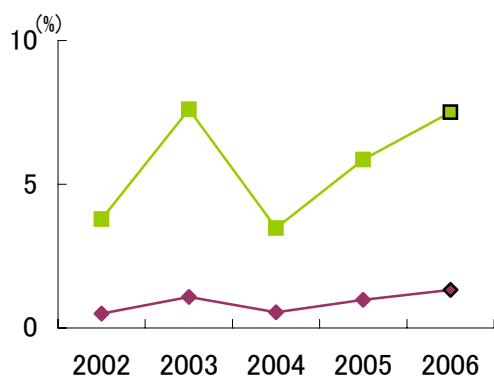
	2002	2003	2004	2005	2006
EPS ■	4.5	9.3	4.4	7.9	11.2
CFPS ■	27.5	32.1	27.0	29.8	32.0

Earnings per Share: Net Income/Average Number of Shares Outstanding.

Cash Flow per Share: (Net Income + Depreciation) / Average Number of Shares Outstanding.

### Return on Shareholders' Equity Return on Assets

Years ended March 31



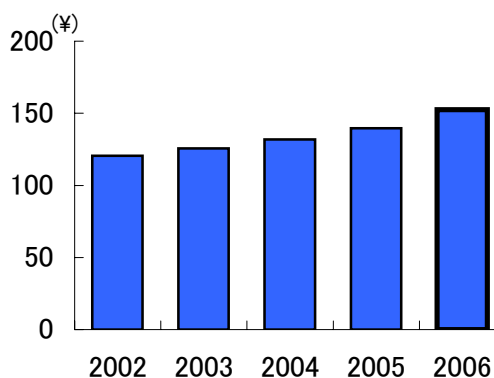
	2002	2003	2004	2005	2006
ROE - ■ -	3.8	7.6	3.5	5.9	7.5
ROA - ◆ -	0.5	1.1	0.5	1.0	1.3

ROE: Net Income/Average Shareholders' Equity.

ROA: Net Income/Average Total Assets.

### Book Value per Share

As of March 31

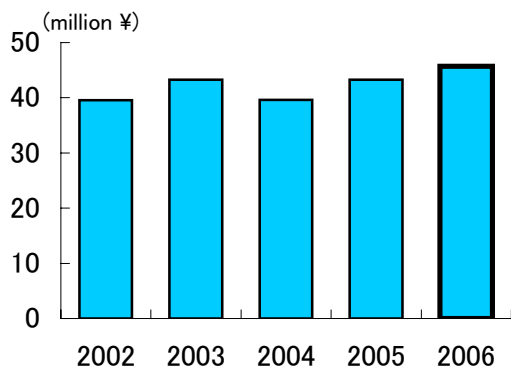


	2002	2003	2004	2005	2006
Book Value per Share	120.6	125.6	131.8	139.7	152.5

Book Value per Share: Total Shareholders' Equity / Number of Shares Outstanding.

## Net Sales per Employee

Years ended March 31

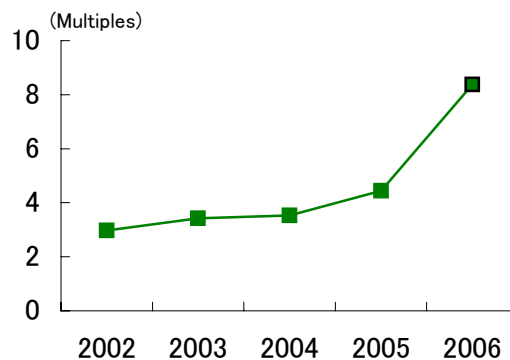


2002	2003	2004	2005	2006
39.55	43.28	39.59	43.29	45.73

Net Sales per Employee: Net Sales/Number of Employees.

## Interest Coverage

Years ended March 31

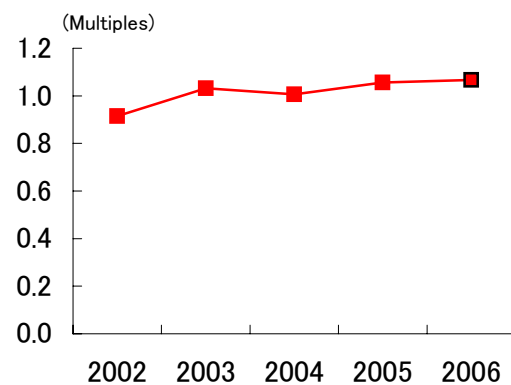


2002	2003	2004	2005	2006
2.97	3.42	3.54	4.44	8.37

Interest Coverage: (Operating Income + Interest and Dividend Income)/Interest Expense.

## Asset Turnover

Years ended March 31

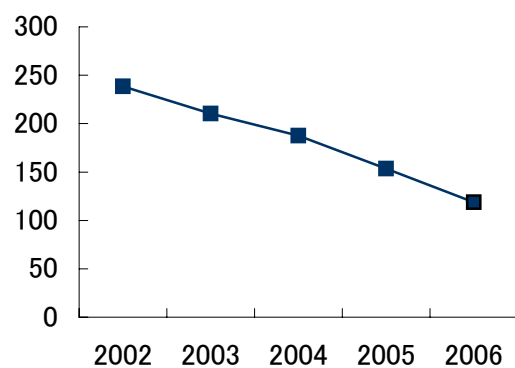


2002	2003	2004	2005	2006
0.91	1.03	1.01	1.06	1.07

Asset Turnover: Net Sales/Average Total Assets.

## Debt to Equity Ratio

Years ended March 31



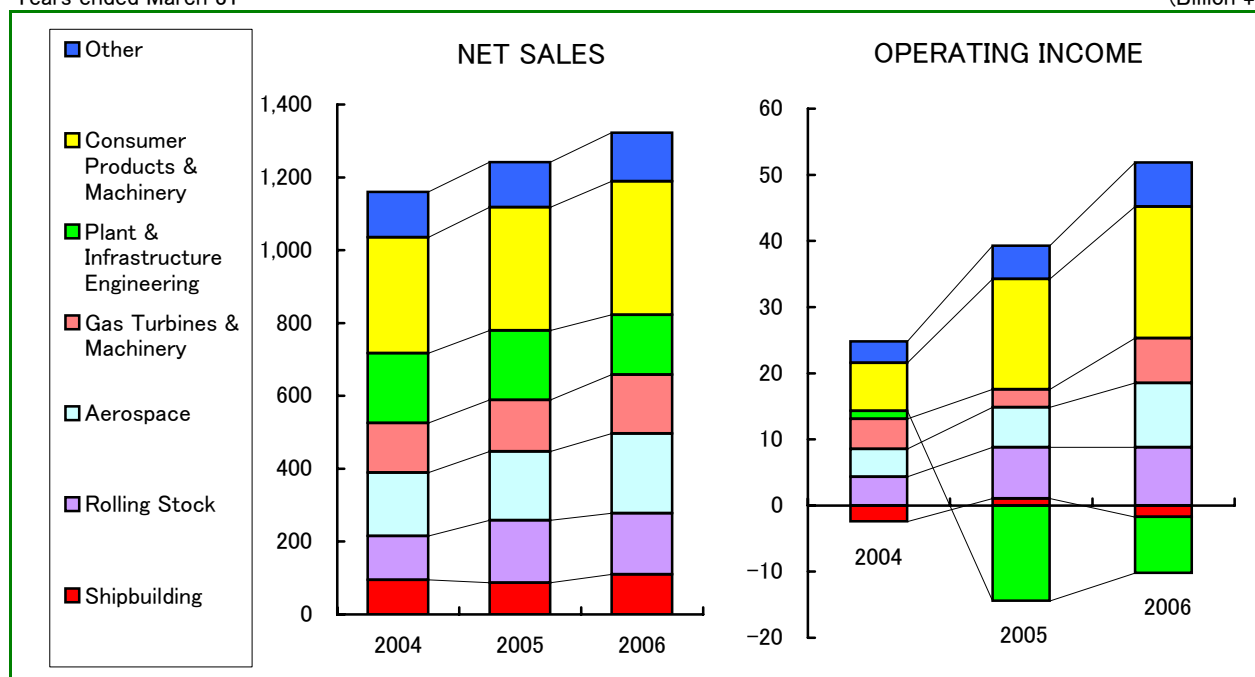
2002	2003	2004	2005	2006
238	210	187	154	119

Debt to Equity Ratio: (Interest Bearing Debt - Cash on Hand and in Banks) / Total Shareholders' Equity.

# SEGMENT INFORMATION

Years ended March 31

(Billion ¥)



## Net Sales

(Billion ¥)

	2004	2005	2006
Shipbuilding	94.9	87.1	109.7
Rolling Stock	120.6	171.7	168.3
Aerospace	173.8	188.3	218.5
Gas Turbines & Machinery	136.5	141.4	161.4
Plant & Infrastructure Engineering	191.4	191.0	164.5
Consumer Products & Machinery	318.3	338.5	367.0
Other	124.7	123.7	133.1
<b>Total</b>	<b>1,160.3</b>	<b>1,241.6</b>	<b>1,322.5</b>

## Operating Income (Loss)

(Billion ¥)

	2004	2005	2006
Shipbuilding	(2.4)	1.0	(1.7)
Rolling Stock	4.3	7.8	8.8
Aerospace	4.2	6.1	9.7
Gas Turbines & Machinery	4.5	2.7	6.8
Plant & Infrastructure Engineering	1.2	(14.5)	(8.5)
Consumer Products & Machinery	7.3	16.7	19.9
Other	3.2	5.0	6.7
<b>Net Operating Income</b>	<b>22.3</b>	<b>24.7</b>	<b>41.8</b>

## Ratio of Operating Income to Sales

	2004	2005	2006
Shipbuilding	(2.5%)	1.1%	(1.6%)
Rolling Stock	3.6%	4.5%	5.2%
Aerospace	2.4%	3.2%	4.4%
Gas Turbines & Machinery	3.3%	1.9%	4.2%
Plant & Infrastructure Engineering	0.6%	(7.6%)	(5.2%)
Consumer Products & Machinery	2.3%	4.9%	5.4%
Other	2.4%	4.0%	5.0%
<b>Total</b>	<b>1.9%</b>	<b>2.0%</b>	<b>3.2%</b>

Years ended March 31

(Billion ¥)



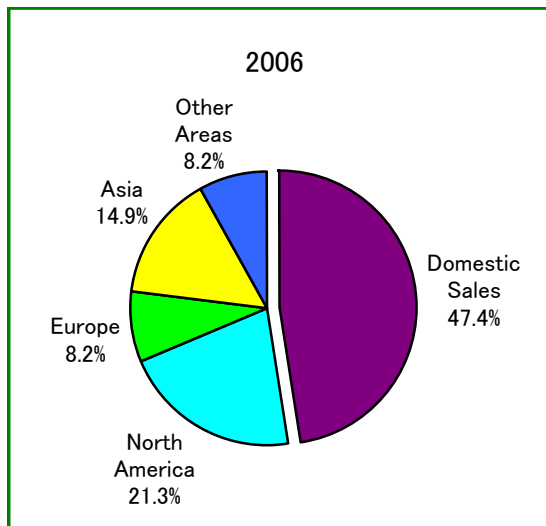
(Billion ¥)

	Orders Received		
	2004	2005	2006
Shipbuilding	123.8	155.8	128.3
Rolling Stock	153.4	178.4	203.2
Aerospace	216.2	214.7	229.3
Gas Turbines & Machinery	130.0	162.7	188.1
Plant & Infrastructure Engineering	156.1	126.4	97.3
Consumer Products & Machinery	318.3	338.5	367.0
Other	128.9	125.4	138.5
<b>Total</b>	<b>1,226.7</b>	<b>1,301.8</b>	<b>1,351.6</b>

	Order Backlog		
	2004	2005	2006
Shipbuilding	193.7	263.7	289.2
Rolling Stock	294.0	300.8	346.3
Aerospace	260.3	287.4	301.6
Gas Turbines & Machinery	140.3	163.4	195.1
Plant & Infrastructure Engineering	273.8	210.2	144.1
Consumer Products & Machinery	0.0	0.0	0.0
Other	27.2	28.8	34.1
<b>Total</b>	<b>1,189.4</b>	<b>1,254.4</b>	<b>1,310.4</b>

## OVERSEAS SALES

Years ended March 31



	2006	
	Million ¥	% against net sales
North America	282,149	21.3%
Europe	109,060	8.2%
Asia	197,503	14.9%
Other Areas	107,103	8.2%
<b>Total Overseas Sales</b>	<b>695,815</b>	<b>52.6%</b>
<b>Domestic Sales</b>	<b>626,672</b>	<b>47.4%</b>
<b>Net Sales</b>	<b>1,322,487</b>	<b>100.0%</b>

# Shipbuilding

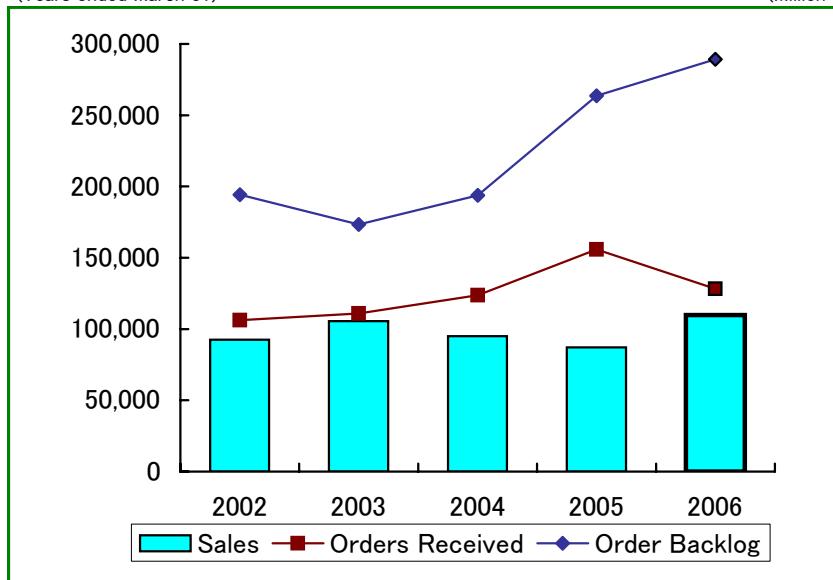
(Years ended March 31) –Consolidated Basis–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	92,478	105,458	94,939	87,081	109,697
Orders Received	106,106	110,926	123,756	155,832	128,323
Order Backlog	194,275	173,304	193,705	263,707	289,227

(Years ended March 31)

(Million ¥)



(Years ended March 31)

–Parent (until 1st half of 2003) and Kawasaki Shipbuilding Corporation (from 2nd half of 2003) –

(Million ¥)

	2002	2003	2004	2005	2006
Sales	89,995	101,748	92,043	83,655	105,108
Newly Constructed Ships	76,502	90,649	77,507	74,241	90,763
Exports	62,278	66,135	56,448	50,617	64,617
Orders Received	103,655	107,201	121,766	151,799	124,066
Order Backlog	193,812	173,081	194,388	263,503	289,387

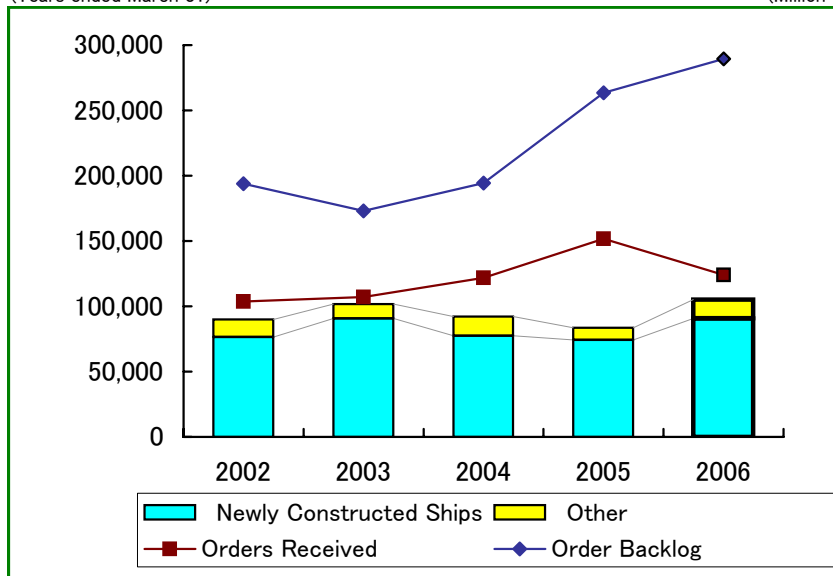
Note: Shipbuilding business in “Kawasaki Heavy Industries, Ltd. (KHI)” was partitioned off on 1st Oct. 2002

as a wholly owned subsidiary, i.e., “Kawasaki Shipbuilding Corporation (Kawasaki SC)”.

Therefore the each figure in the column of 2003 represents a total of the figures which the shipbuilding business in KHI before the partition and Kawasaki SC accomplished respectively.

(Years ended March 31)

(Million ¥)

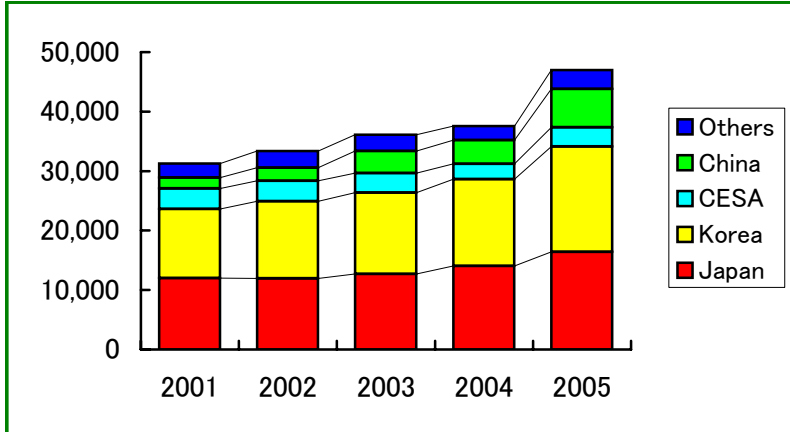




## Newly Constructed Ships World Market Volume

(Years ended December 31)

(Thousand GT)



	(Thousand GT)				
	2001	2002	2003	2004	2005
Japan	12,024	11,957	12,688	14,027	16,434
Korea	2,398	2,839	2,738	2,372	17,689
CESA a)	11,608	12,967	13,683	14,603	3,227
China	3,435	3,414	3,258	2,591	6,466
Others	1,827	2,207	3,763	3,952	3,153
<b>World Market Volume</b>	<b>31,292</b>	<b>33,384</b>	<b>36,130</b>	<b>37,545</b>	<b>46,970</b>

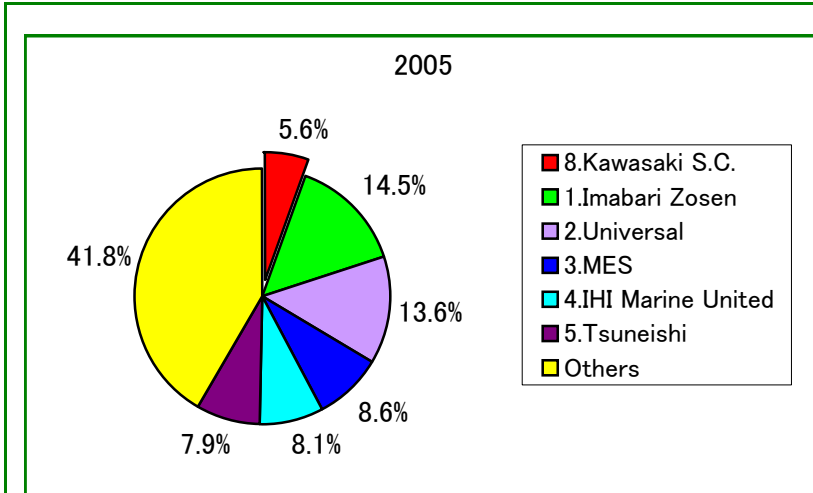
Notes: 1. Figures are on a ships volume completed (tonnage) basis for vessels of 100GT and above.

2. a)Community of European Shipyards' Associations

Source: Lloyd's Register "World Fleet Statistics 2005"

## Newly Constructed Ships Domestic Share

(Years ended December 31)



Notes: 1. Figures are on a ships volume completed (tonnage) basis.

2. a) Ishikawajima-Harima Heavy Industries.

b) Mitsui Engineering & Shipbuilding.

c) Mitsubishi Heavy Industries.

Source: The Shipbuilders' Association of Japan

2001 (%)	
1.Imabari Zosen	9.3
2.Hitachi Zosen	8.9
3.IHI a)	8.5
4.NKK	7.4
5.Tsuneishi	6.6
<b>7. KHI</b>	<b>5.3</b>

2002 (%)	
1.Universal	19.6
2.Imabari Zosen	11.0
3.IHI Marine United	8.2
4.MES b)	7.6
5.Tsuneishi	7.1
<b>11.Kawasaki S.C.</b>	<b>3.8</b>

2003 (%)	
1.Universal	17.0
2.Imabari Zosen	12.6
3.IHI Marine United	7.5
4.MES	6.9
5.Tsuneishi	6.7
<b>10.Kawasaki S.C.</b>	<b>4.9</b>

2004 (%)	
1.Universal	15.3
2.Imabari Zosen	11.1
3.MHI c)	10.8
4.Tsuneishi	7.8
5.Koyo	7.2
<b>12.Kawasaki S.C.</b>	<b>3.6</b>

2005 (%)	
1.Imabari Zosen	14.5
2.Universal	13.6
3.MES	8.6
4.IHI Marine United	8.1
5.Tsuneishi	7.9
<b>8.Kawasaki S.C.</b>	<b>5.6</b>

## Rolling Stock

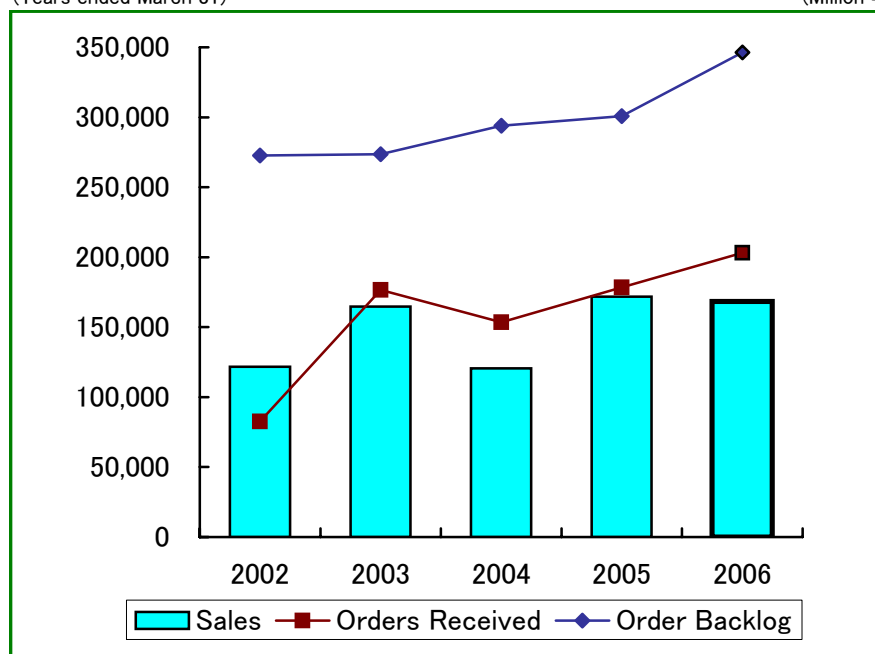
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	121,780	164,774	120,597	171,731	168,306
Orders Received	82,584	176,693	153,399	178,369	203,165
Order Backlog	272,642	273,563	294,017	300,837	346,310

(Years ended March 31)

(Million ¥)



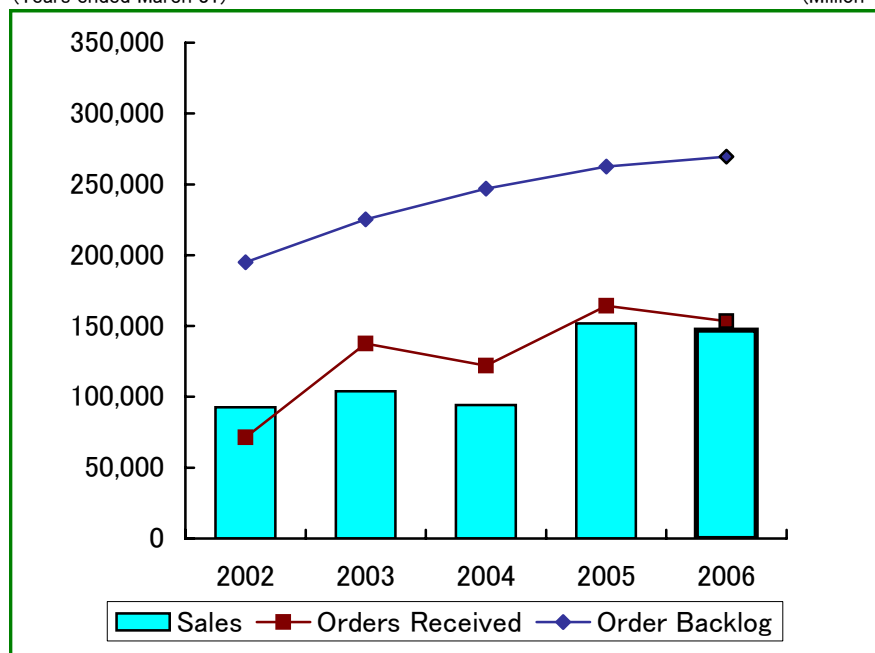
(Years ended March 31)–Parent Only–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	92,589	103,846	94,239	151,824	147,020
Exports	36,699	36,326	28,082	84,458	99,812
Orders Received	71,436	137,531	122,079	164,285	153,450
Order Backlog	194,985	225,319	246,999	262,499	269,671

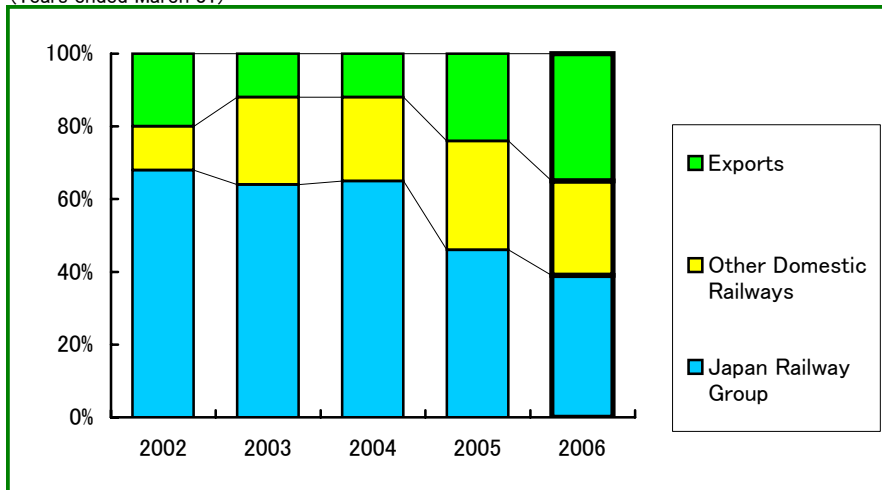
(Years ended March 31)

(Million ¥)



### Japanese Rolling Stock Production by Demand Sector

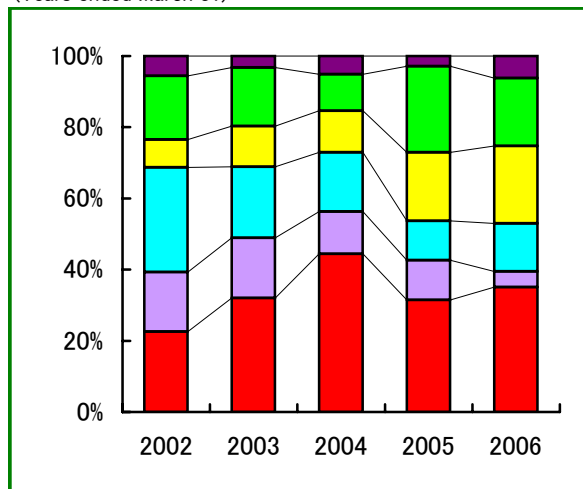
(Years ended March 31)



	2002	2003	2004	2005	2006
Japan Railway Group	68%	64%	65%	46%	39%
Other Domestic Railways	12%	24%	23%	30%	26%
Exports	20%	12%	12%	24%	35%
Total	100%	100%	100%	100%	100%

### Major Rolling Stock Suppliers to the Japan Railway Group

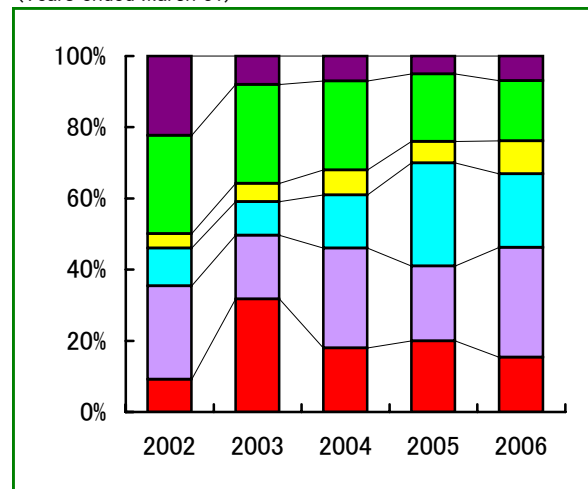
(Years ended March 31)



	2002	2003	2004	2005	2006
KHI	22.6%	32.0%	44.4%	31.5%	35.1%
Nippon Sharyo	16.7%	16.9%	11.9%	11.1%	4.4%
Hitachi	29.4%	20.0%	16.6%	11.1%	13.5%
Kinki Sharyo	7.8%	11.4%	11.7%	19.2%	21.7%
Tokyu Car	17.9%	16.5%	10.3%	24.2%	19.1%
Others	5.6%	3.2%	5.1%	2.9%	6.2%
Total	100%	100%	100%	100%	100%

### Major Rolling Stock Suppliers to Domestic Railways except JR Group

(Years ended March 31)



	2002	2003	2004	2005	2006
KHI	9.2%	31.7%	18.0%	20.0%	15.4%
Nippon Sharyo	26.2%	17.9%	28.0%	21.0%	30.8%
Hitachi	10.6%	9.4%	15.0%	29.0%	20.7%
Kinki Sharyo	4.1%	5.1%	7.0%	6.0%	9.3%
Tokyu Car	27.6%	27.8%	25.0%	19.0%	16.9%
Others	22.3%	8.0%	7.0%	5.0%	6.9%
Total	100%	100%	100%	100%	100%

Note: For the purpose of comparing corporate market shares, rail car procurement volume has been converted into standardized numerical values based on the type of car (i.e., conventional passenger cars, freight cars, Shinkansen cars and locomotives.).

Source: Japan Association of Rolling Stock Industries.

# Aerospace

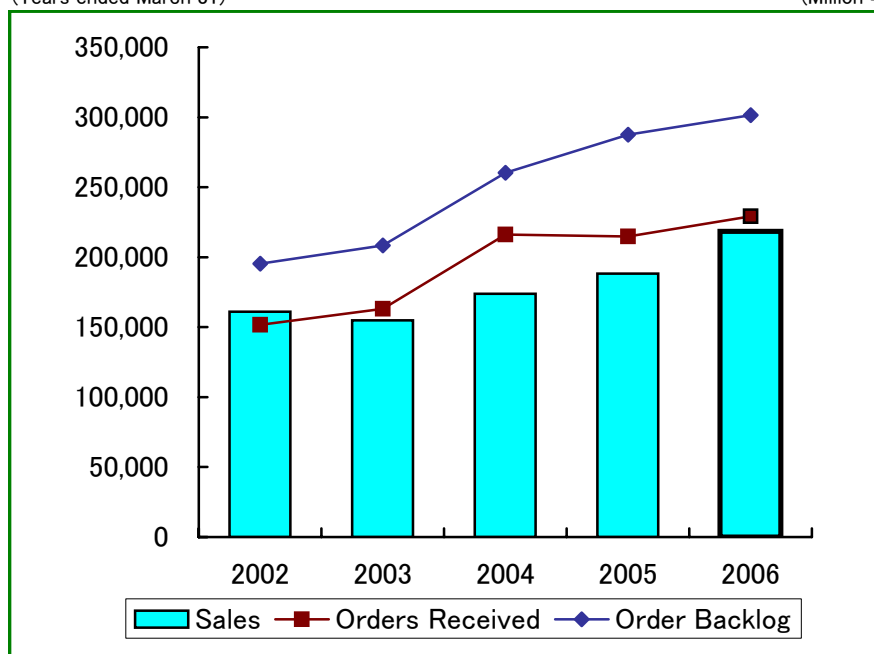
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	161,072	154,848	173,783	188,255	218,533
Orders Received	151,641	163,023	216,201	214,702	229,257
Order Backlog	195,447	208,410	260,321	287,441	301,599

(Years ended March 31)

(Million ¥)



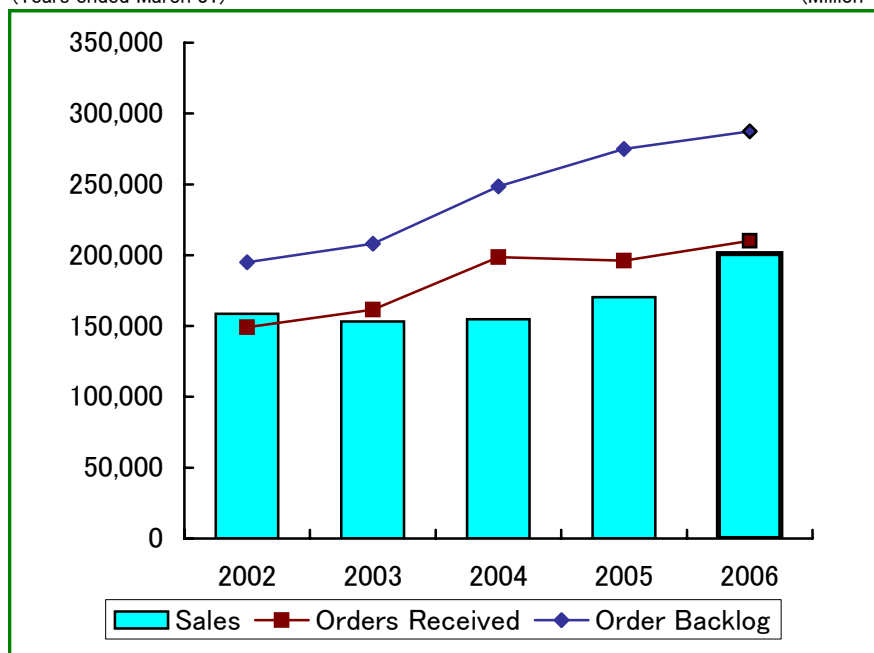
(Years ended March 31)–Parent Only–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	158,639	153,224	154,769	170,425	201,121
Exports	49,914	35,134	31,712	31,368	45,770
Orders Received	149,133	161,485	198,577	196,161	210,070
Order Backlog	194,975	208,024	248,567	274,975	287,516

(Years ended March 31)

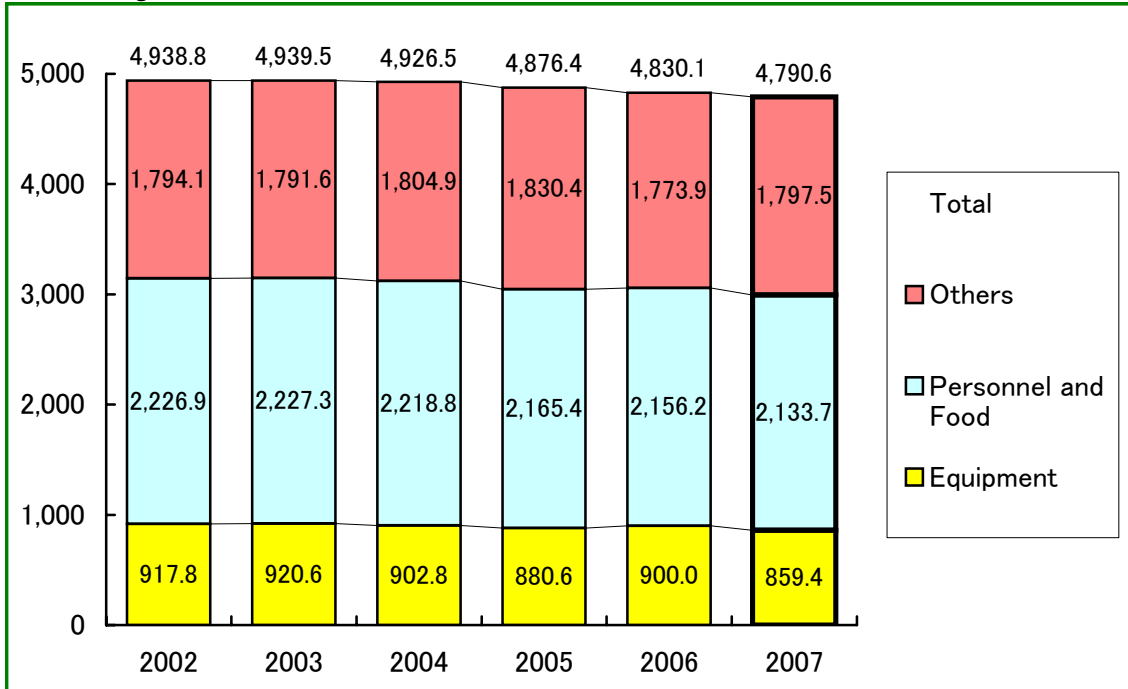
(Million ¥)



### Japan's Defense Budget (Initial Budget Base)

(Years ending March 31)

(Billion ¥)



Source: Japan Defense Agency.

### Major Suppliers to the Japan Defense Agency

(Years ended March 31)

2001			2002			2003		
	Billion ¥	% Share		Billion ¥	% Share		Billion ¥	% Share
1. MHI a)	307.4	24.4	1. MHI	275.5	21.7	1. MHI	347.9	27.2
2. Mitsubishi Electric	120.8	9.6	2. KHI	121.3	9.6	2. KHI	110.2	8.6
3. KHI	98.7	7.8	3. Mitsubishi Electric	101.0	8.0	3. Mitsubishi Electric	73.5	5.7
4. IHI b)	54.0	4.3	4. NEC	57.2	4.5	4. IHI	52.7	4.1
5. NEC	46.5	3.7	5. IHI	54.5	4.3	5. Toshiba	49.8	3.9

2004			2005			2006		
	Billion ¥	% Share		Billion ¥	% Share		Billion ¥	% Share
1. MHI	281.7	22.1	1. MHI	270.6	20.7	1. MHI	241.7	17.6
2. KHI	158.8	12.5	2. KHI	142.9	10.9	2. KHI	129.7	9.4
3. Mitsubishi Electric	94.9	7.5	3. Mitsubishi Electric	103.2	7.9	3. Mitsubishi Electric	114.2	8.3
4. IHI	56.3	4.4	4. NEC	90.6	6.9	4. NEC	107.8	7.8
5. Toshiba	38.9	3.1	5. IHI	49.3	3.8	5. Toshiba	49.5	3.6

Notes: a) Mitsubishi Heavy Industries.

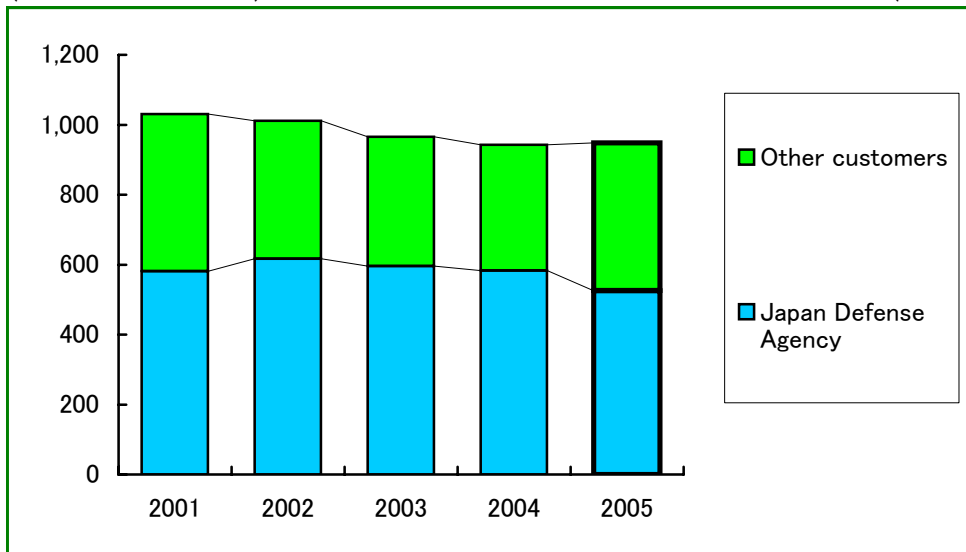
b) Ishikawajima-Harima Heavy Industries.

Source: Japan Defense Agency.

### Japanese Aircraft Production by Demand Sector

(Years ended December 31)

(Billion ¥)

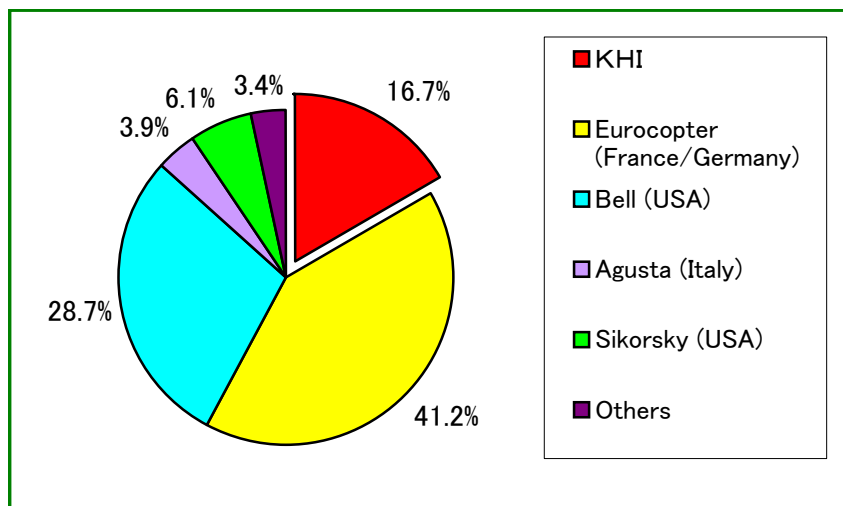


	2001	2002	2003	2004	2005
Japan Defense Agency	581,344	617,027	596,205	582,941	524,697
Other customers	449,261	394,031	369,822	360,041	423,356
<b>Total</b>	<b>1,030,605</b>	<b>1,011,058</b>	<b>966,027</b>	<b>942,982</b>	<b>948,053</b>

Source: The Society of Japanese Aerospace Companies

### Helicopters Domestic Share for Civilian Use (2006)

(Year ended March 31)



KHI	16.7%
Eurocopter (France/Germany)	41.2%
Bell (USA)	28.7%
Agusta (Italy)	3.9%
Sikorsky (USA)	6.1%
Others	3.4%
<b>Total</b>	<b>100.0%</b>

Note: Figures are calculated on the basis of the enrollment number of double-turbine helicopters.

Source: Japan Civil Aviation Promotion Foundation

## Gas Turbines & Machinery

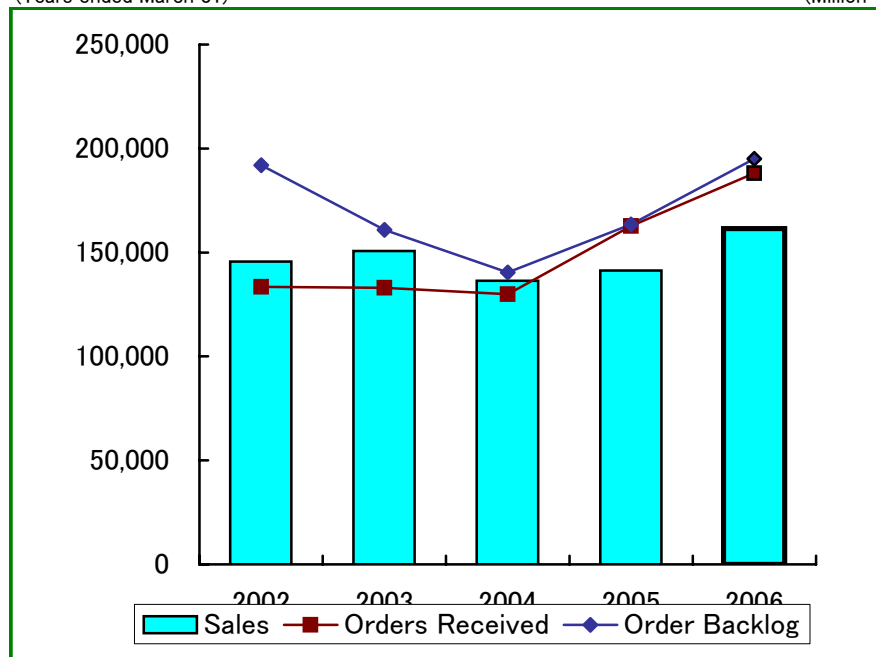
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	145,651	150,766	136,468	141,366	161,431
Orders Received	133,467	132,989	129,987	162,700	188,068
Order Backlog	191,947	160,874	140,327	163,440	195,108

(Years ended March 31)

(Million ¥)



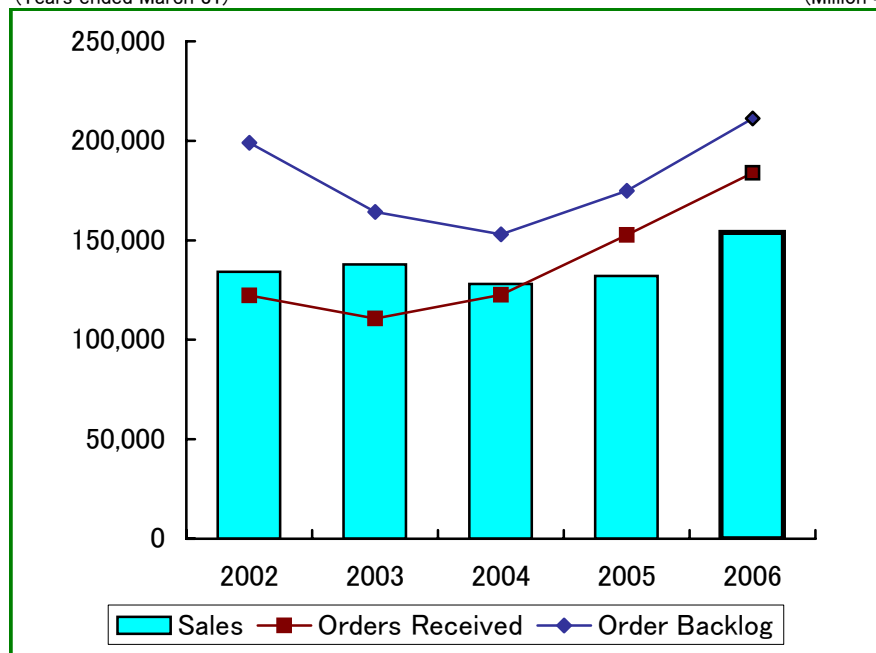
(Years ended March 31)–Parent Only–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	134,150	137,900	128,000	132,103	153,896
Exports	48,426	52,129	45,279	51,829	74,207
Orders Received	122,344	110,733	122,593	152,718	183,877
Order Backlog	198,981	164,234	152,943	174,824	211,209

(Years ended March 31)

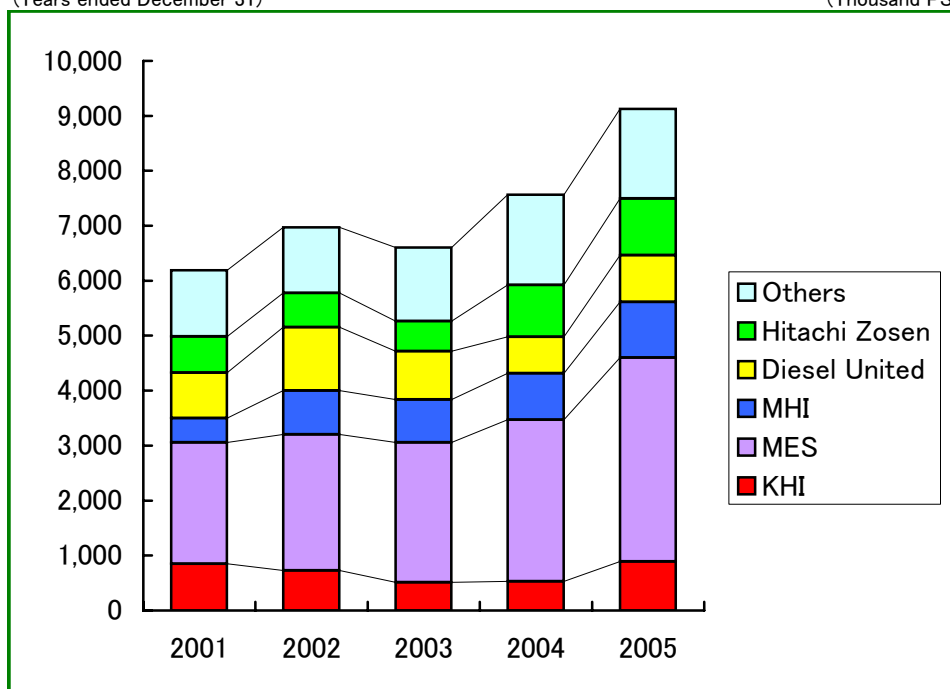
(Million ¥)



## Diesel Engines Domestic Production

(Years ended December 31)

(Thousand PS)



(Thousand PS)

	2001	2002	2003	2004	2005
<b>KHI</b>	<b>853</b>	<b>729</b>	<b>510</b>	<b>531</b>	<b>891</b>
MES a)	2,205	2,475	2,546	2,938	3,712
MHI b)	442	795	784	848	1,010
Diesel United	827	1,153	878	665	851
Hitachi Zosen	658	624	549	941	1,034
Others	1,205	1,193	1,339	1,641	1,628
<b>Total</b>	<b>6,190</b>	<b>6,969</b>	<b>6,606</b>	<b>7,564</b>	<b>9,126</b>

Notes: 1. Figures are shown on the basis of horse power (PS).

2. a) Mitsui Engineering & Shipbuilding.

b) Mitsubishi Heavy Industries.

Source: KP Data.

## Diesel Engines Domestic Share

(Years ended December 31)

	2001	2002	2003	2004	2005
<b>KHI</b>	<b>13.8%</b>	<b>10.5%</b>	<b>7.7%</b>	<b>7.0%</b>	<b>9.8%</b>
MES	35.6%	35.5%	38.5%	38.8%	40.7%
MHI	7.1%	11.4%	11.9%	11.2%	11.1%
Diesel United	13.4%	16.5%	13.3%	8.8%	9.3%
Hitachi Zosen	10.6%	9.0%	8.3%	12.4%	11.3%
Others	19.5%	17.1%	20.3%	21.8%	17.8%

Note: Figures are shown on the basis of horse power (PS).

Source: KP Data.

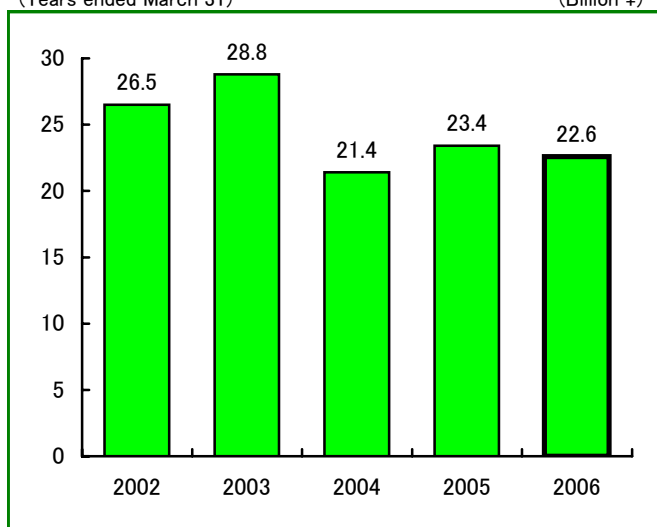


## Gas Turbine Generator Sales

-Parent Only-

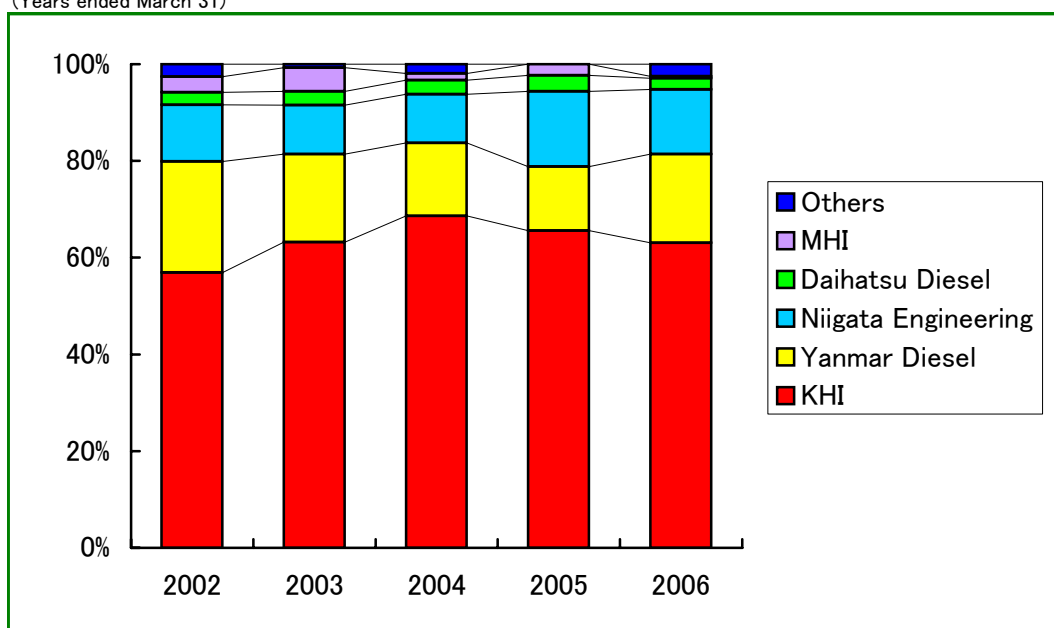
(Years ended March 31)

(Billion ¥)



## Gas Turbine Generators Domestic Share

(Years ended March 31)



	2002	2003	2004	2005	2006
KHI	56.9%	63.2%	68.6%	65.6%	63.1%
Yanmar Diesel	23.0%	18.2%	15.1%	13.2%	18.3%
Niigata Engineering	11.7%	10.1%	10.1%	15.6%	13.4%
Daihatsu Diesel	2.6%	2.9%	2.9%	3.3%	2.3%
MHI a)	3.2%	4.9%	1.4%	2.3%	0.4%
Others	2.6%	0.7%	1.9%	0.0%	2.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: 1. Figures represent sales for medium- and small-sized gas turbine generators (up to 2,000kW).

2. a) Mitsubishi Heavy Industries.

Source: Denki Nichinichi Shimbun, "Ranking Series".

## Plant & Infrastructure Engineering

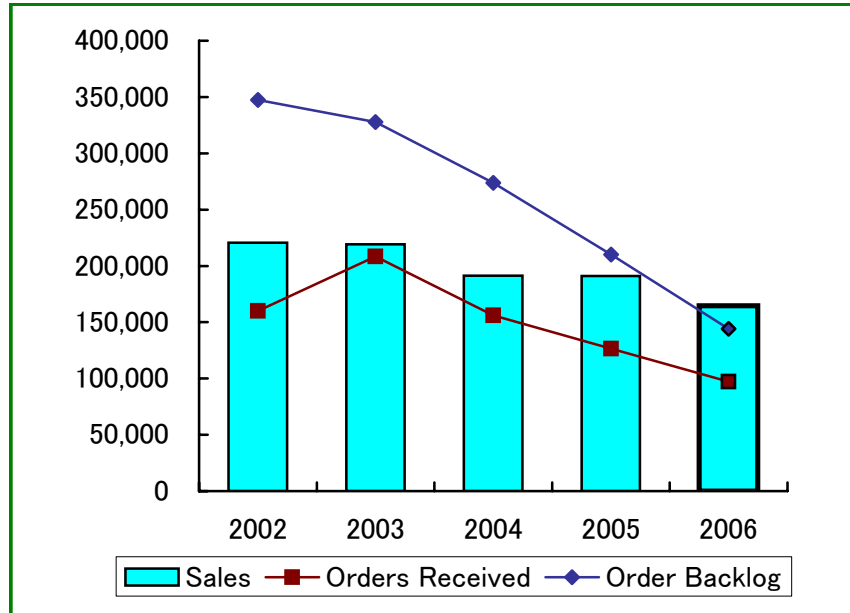
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	220,605	219,092	191,412	191,012	164,506
Orders Received	160,143	208,268	156,145	126,403	97,332
Order Backlog	347,496	327,911	273,837	210,160	144,147

(Years ended March 31)

(Million ¥)



(Years ended March 31) – Parent and Kawasaki Plant Systems, Ltd.–

(Million ¥)

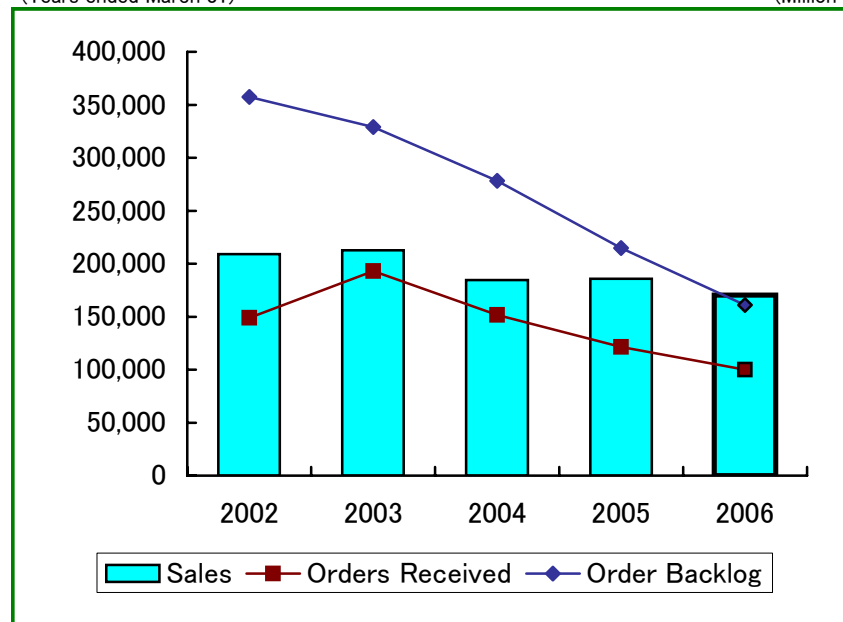
	2002	2003	2004	2005	2006
Sales	208,985	212,764	184,659	185,896	170,493
Exports	30,639	51,147	54,236	77,921	71,909
Orders Received	148,891	193,199	151,755	121,579	99,940
Order Backlog	357,425	329,104	278,101	214,715	161,153

Note: Plant engineering business in the Plant & Infrastructure Engineering segment of Kawasaki Heavy Industries, Ltd. (KHI) was partitioned off on 1st Apr. 2005 as a wholly owned subsidiary, i.e., "Kawasaki Plant Systems, Ltd.(K Plant)".

Therefore the each figure in the column of 2006 represents a total of the figures which the Plant & Infrastructure Engineering segment of KHI after the partition and K Plant accomplished respectively.

(Years ended March 31)

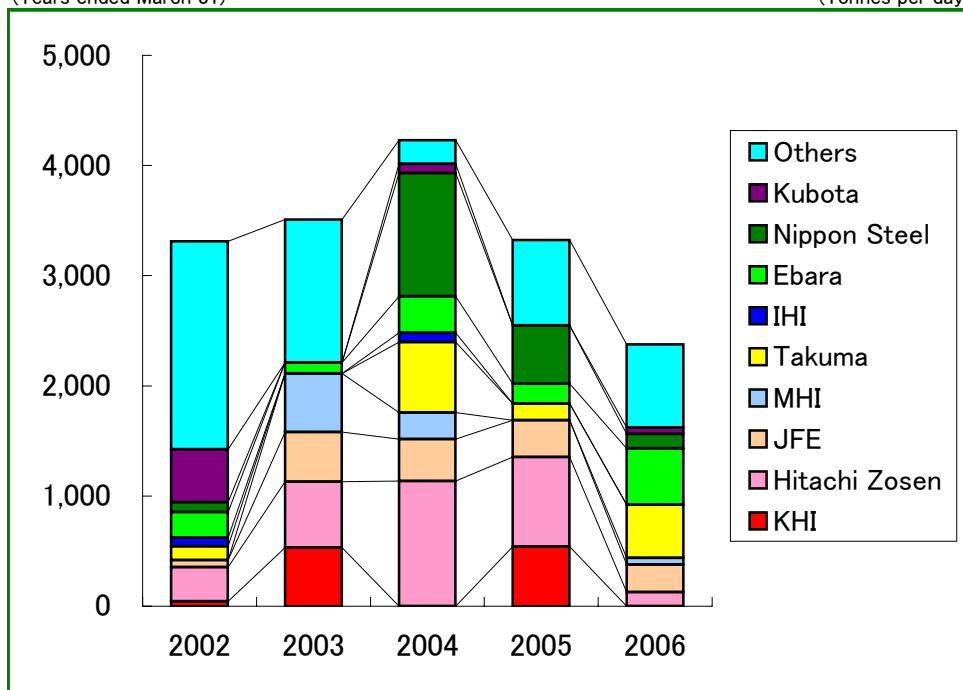
(Million ¥)



## Refuse Incineration Plants Domestic Market Volume

(Years ended March 31)

(Tonnes per day)



(Tonnes per day)

	2002	2003	2004	2005	2006
KHI	43	531	0	540	0
Hitachi Zosen	312	600	1,135	815	128
JFE a)	62	450	383	333	250
MHI b)	0	530	240	0	62
Takuma	126	0	640	150	480
IHI c)	80	0	84	0	0
Ebara	232	100	330	180	511
Nippon Steel	90	0	1,118	530	132
Kubota	480	0	84	0	58
Others	1,888	1,300	215	776	755
<b>Total Market Volume</b>	<b>3,313</b>	<b>3,511</b>	<b>4,229</b>	<b>3,324</b>	<b>2,376</b>

Notes: 1. Figures represent tonnes of processing capacity per day for ordered units.

2. a) JFE Engineering Corporation. (Until 2003, "NKK")

b) Mitsubishi Heavy Industries. c) Ishikawajima-Harima Heavy Industries.

Source: Kankyo Sangyo Shimbunsha.

## Refuse Incineration Plants Domestic Share

(Years ended March 31)

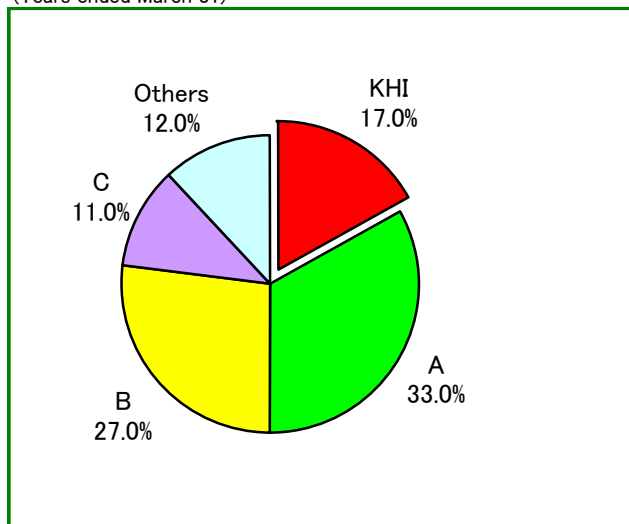
	2002	2003	2004	2005	2006
KHI	1.3%	15.1%	0.0%	16.2%	0.0%
Hitachi Zosen	9.4%	17.1%	26.8%	24.5%	5.4%
JFE	1.9%	12.8%	9.1%	10.0%	10.5%
MHI	0.0%	15.1%	5.7%	0.0%	2.6%
Takuma	3.8%	0.0%	15.1%	4.5%	20.2%
IHI	2.4%	0.0%	2.0%	0.0%	0.0%
Ebara	7.0%	2.8%	7.8%	5.4%	21.5%
Nippon Steel	2.7%	0.0%	26.4%	15.9%	5.6%
Kubota	14.5%	0.0%	2.0%	0.0%	2.4%
Others	57.0%	37.1%	5.1%	23.5%	31.8%

Note: Figures are calculated on the basis of tonnes of processing capacity per day for ordered units.

Source: Kankyo Sangyo Shimbunsha.

**Shield Machines and Tunnel Boring Machines  
 –Large-Diameter Model  
 Domestic Share (2002–2006 Total)**

(Years ended March 31)



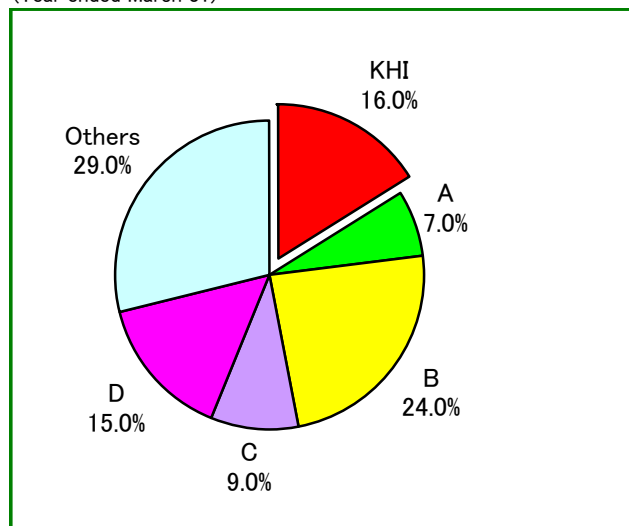
Notes: 1. Segments A, B and C represent the shares of the three other major companies in this market.

2. Figures are shown on a sales amount basis.

Source: Company's estimates.

**Shield Machines and Tunnel Boring Machines  
 Domestic Share (2006)**

(Year ended March 31)



Notes: 1. Segments A, B, C and D represent the shares of the four other major companies in this market.

2. Figures are shown on a sales amount basis.

Source: Company's estimates.

## Consumer Products & Machinery

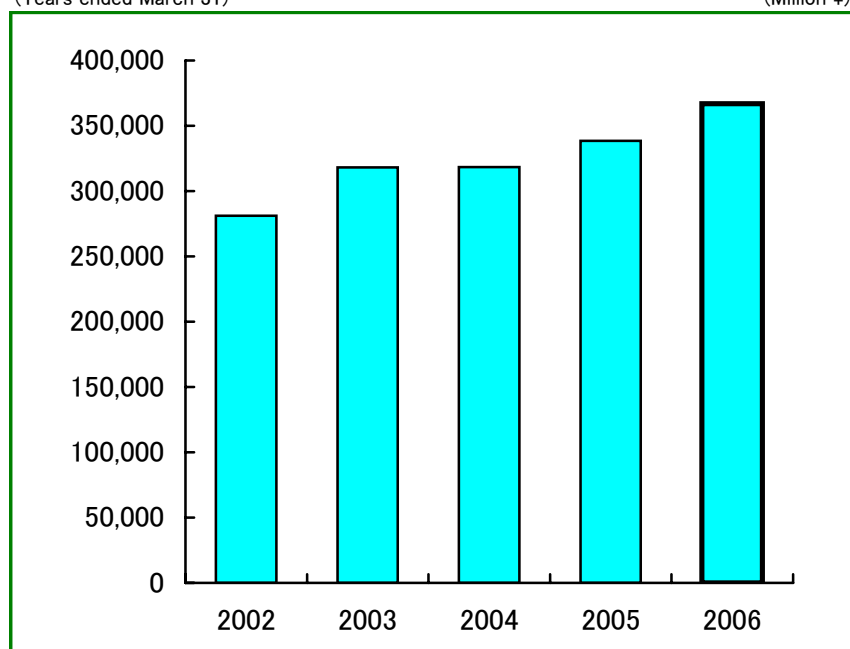
(Years ended March 31)–Consolidated Basis–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	281,207	318,025	318,325	338,450	366,960

(Years ended March 31)

(Million ¥)



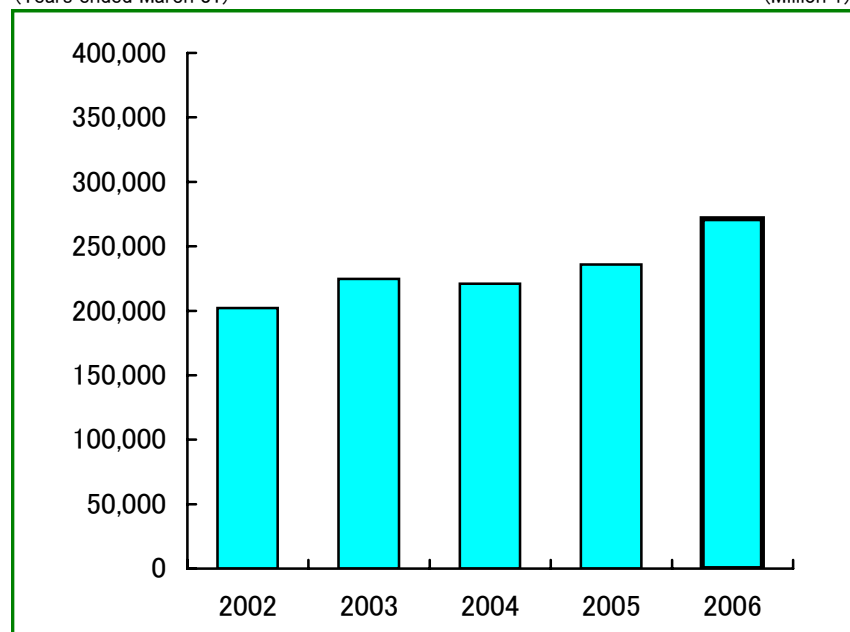
(Years ended March 31)–Parent Only–

(Million ¥)

	2002	2003	2004	2005	2006
Sales	202,074	224,731	220,883	235,983	271,315
Exports	170,559	193,311	184,451	202,405	234,056

(Years ended March 31)

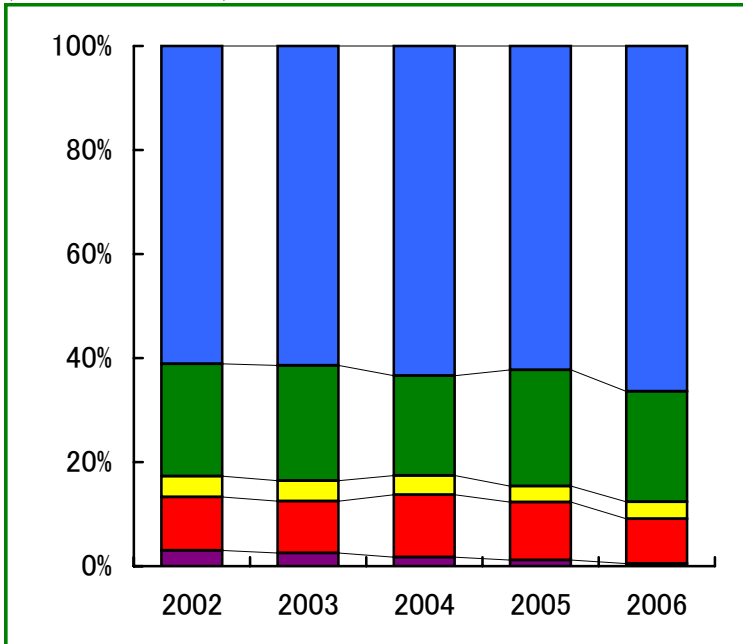
(Million ¥)



### Composites of Consumer Product Sales

-Parent Only-

(Years ended March 31)



	2002	2003	2004	2005	2006
Motorcycles	61.1%	61.4%	63.4%	62.3%	66.4%
ATVs, U/Vs	21.6%	22.2%	19.2%	22.3%	21.2%
Personal Watercraft	4.0%	3.9%	3.7%	3.1%	3.3%
Gasoline Engines	10.3%	10.0%	12.0%	11.1%	8.6%
Automobile Transmissions	3.0%	2.5%	1.7%	1.2%	0.5%

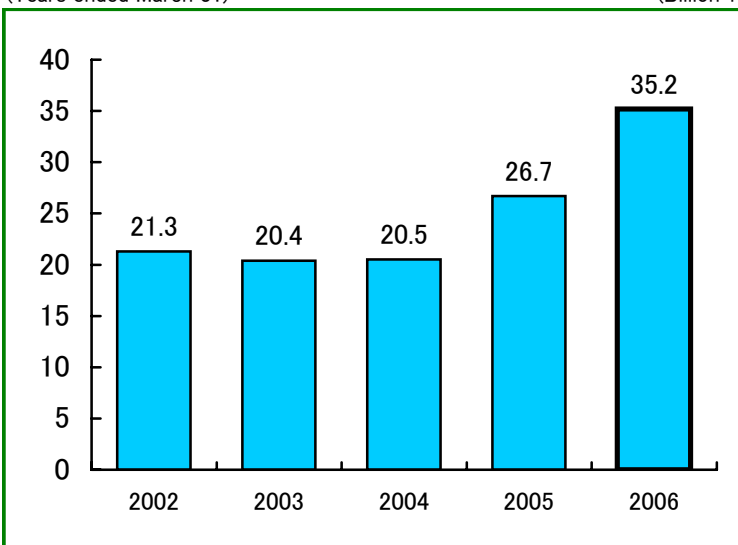
ATVs: All-Terrain Vehicles U/Vs: Utility Vehicles

### Industrial Robot Sales

-Parent Only-

(Years ended March 31)

(Billion ¥)



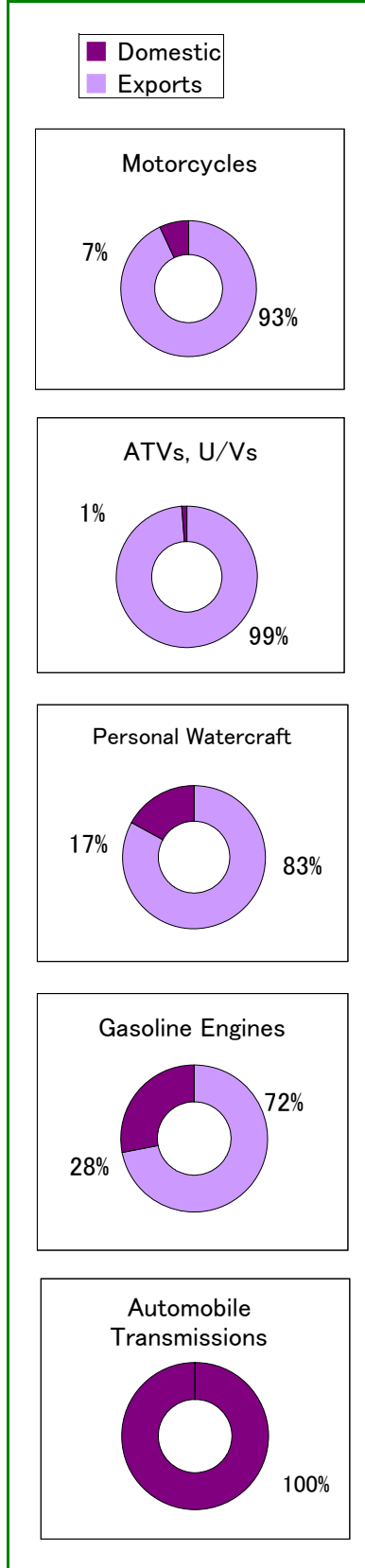
(Billion ¥)

	2002	2003	2004	2005	2006
Sales	21.3	20.4	20.5	26.7	35.2

### Domestic/Export Sales by Product

-Parent Only-

(Year ended March 31, 2006)

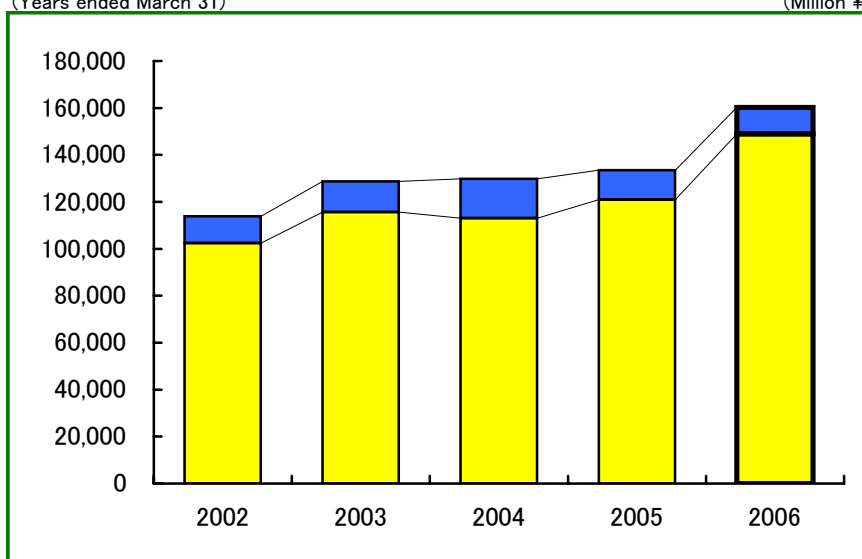


## Motorcycle Sales

-Parent Only-

(Years ended March 31)

(Million ¥)

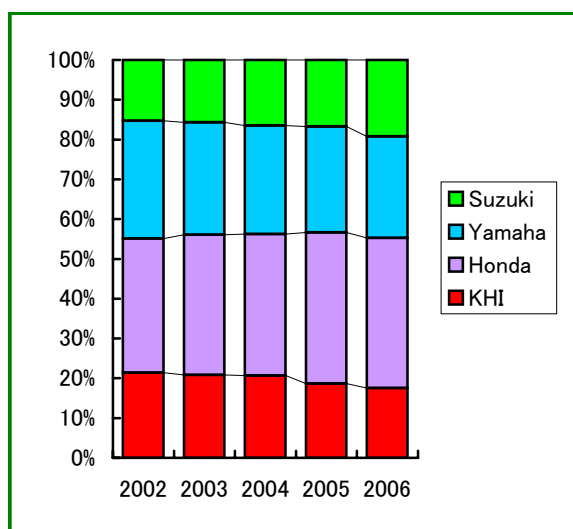


(Million ¥)

	2002	2003	2004	2005	2006
■ Domestic Sales	11,486	13,109	16,774	12,630	11,241
■ Export Sales	102,368	115,569	113,058	120,934	148,937
<b>Total Motorcycle Sales</b>	<b>113,854</b>	<b>128,678</b>	<b>129,832</b>	<b>133,564</b>	<b>160,178</b>

Note: Including sales of spare parts.

## Motorcycle Sales Domestic Share

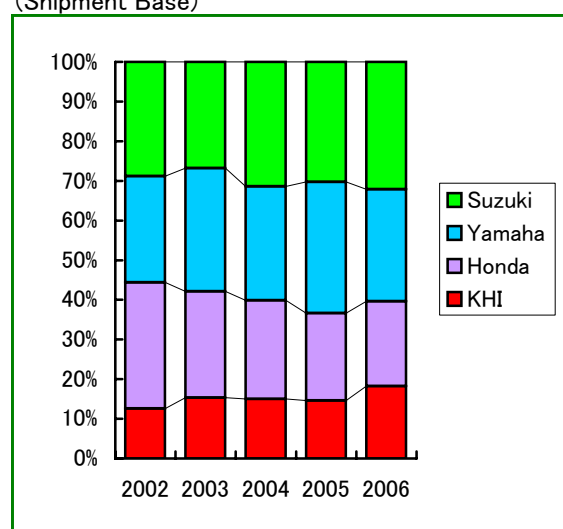


(Years ended March 31)

	2002	2003	2004	2005	2006
<b>KHI</b>	<b>21.4%</b>	<b>20.8%</b>	<b>20.7%</b>	<b>18.7%</b>	<b>17.5%</b>
<b>Honda Motor</b>	<b>33.7%</b>	<b>35.3%</b>	<b>35.5%</b>	<b>37.9%</b>	<b>37.8%</b>
<b>Yamaha Motor</b>	<b>29.6%</b>	<b>28.2%</b>	<b>27.3%</b>	<b>26.7%</b>	<b>25.5%</b>
<b>Suzuki Motor</b>	<b>15.3%</b>	<b>15.7%</b>	<b>16.5%</b>	<b>16.7%</b>	<b>19.2%</b>

## Motorcycle Sales Export Share

(Shipment Base)



(Years ended March 31)

	2002	2003	2004	2005	2006
<b>KHI</b>	<b>12.6%</b>	<b>15.3%</b>	<b>15.0%</b>	<b>14.6%</b>	<b>18.2%</b>
<b>Honda Motor</b>	<b>31.8%</b>	<b>26.8%</b>	<b>24.8%</b>	<b>22.0%</b>	<b>21.4%</b>
<b>Yamaha Motor</b>	<b>26.8%</b>	<b>31.1%</b>	<b>28.7%</b>	<b>33.1%</b>	<b>28.2%</b>
<b>Suzuki Motor</b>	<b>28.8%</b>	<b>26.8%</b>	<b>31.4%</b>	<b>30.2%</b>	<b>32.1%</b>

Note: Engine displacement of more than 251cc.

Source: Japan Automobile Manufacturers Association Inc.

# CONDENSED BALANCE SHEETS

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries

As of March 31

ASSETS	Millions of yen					
	2006	2005	2004	2003	2002	2001
Current assets:						
Cash on hand and in banks	¥37,650	¥44,629	¥43,064	¥61,185	¥91,344	¥77,048
Marketable securities	—	—	—	—	—	—
Receivables	442,033	419,633	383,532	398,243	402,808	431,006
Allowance for doubtful receivables	(3,829)	(6,014)	(6,725)	(5,176)	(5,893)	(5,076)
	438,204	413,619	376,807	393,067	396,915	425,930
Inventories	383,017	332,333	335,064	342,387	372,269	346,567
Deferred tax assets	32,398	20,219	19,429	18,423	16,994	14,922
Other current assets	24,630	26,205	25,116	12,900	25,149	19,830
Total current assets	915,899	837,005	799,480	827,962	902,671	884,297
Investments and long-term loans:						
Investments in securities	67,130	69,972	65,008	52,146	81,222	91,154
other	9,627	9,597	12,831	13,598	14,176	16,064
Total Investments and long-term loans	76,757	79,569	77,839	65,744	95,398	107,218
Property, plant and equipment						
Property, plant and equipment	793,926	786,126	780,895	761,110	774,153	757,818
Accumulated depreciation	(547,707)	(542,960)	(531,973)	(526,758)	(532,636)	(515,925)
Net property, plant and equipment	246,219	243,166	248,922	234,352	241,517	241,893
Intangible and other assets						
Deferred tax assets	28,186	19,260	14,456	10,765	4,917	4,924
Intangible and other assets	17,024	15,473	16,207	10,338	10,572	9,140
	45,210	34,733	30,663	21,103	15,489	14,064
Total assets	¥1,284,085	¥1,149,161	¥1,156,904	¥1,149,161	¥1,255,075	¥1,247,472
LIABILITIES AND SHAREHOLDERS' EQUITY						
LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen					
	2006	2005	2004	2003	2002	2001
Current liabilities:						
Short-term borrowings and current portion of long-term debt	¥162,746	¥146,605	¥188,652	¥201,248	¥243,113	¥228,462
Trade payables	409,942	348,389	286,117	294,769	325,664	326,257
Advances from customers	98,590	106,574	110,900	100,829	111,423	104,194
Income tax payable	19,978	12,276	12,491	7,560	3,347	3,393
Accrued bonuses	15,198	13,958	14,289	19,540	18,954	15,583
Provision for product warranty	4,200	2,551	2,156	2,303	2,479	1,551
Provision for restructuring charges	9,557	—	—	2,260	—	—
Provision for losses on construction contracts	12,613	6,833	5,018	832	80	6,571
Deferred tax liabilities	111	317	188	284	321	457
Other current liabilities	69,724	60,979	57,728	60,566	47,176	49,252
Total current liabilities	802,659	698,482	677,539	690,191	752,557	735,720
Long-term liabilities:						
Long-term debt, less current portion	157,057	207,279	210,819	226,936	248,170	270,605
Retirement and severance benefits	69,113	73,422	64,902	42,368	67,812	57,719
Deferred tax liabilities	3,733	1,980	2,035	2,825	4,338	4,654
Other	8,427	7,154	7,579	6,665	9,284	10,025
Total long-term liabilities	238,330	289,835	285,335	278,794	329,604	343,003
Minority interests	5,508	4,691	3,855	5,591	5,183	4,668
Shareholders' equity:						
Authorized— 3,360,000,000 shares						
Issued— 1,557,714,707 shares						
	92,085	81,427	81,427	81,427	81,427	81,427
Capital surplus	42,094	31,390	31,388	24,683	24,682	24,682
Retained earnings	100,776	88,704	80,469	77,069	64,110	58,452
Net unrealized gains on securities	14,097	16,910	13,266	3,671	5,925	13,091
Foreign currency translation adjustments	(11,426)	(16,843)	(16,283)	(12,225)	(8,407)	(13,571)
Treasury stock, at cost	(38)	(123)	(92)	(40)	(6)	—
Total shareholders' equity	237,588	201,465	190,175	174,585	167,731	164,081
Total liabilities and shareholders' equity	¥1,284,085	¥1,194,473	¥1,156,904	¥1,149,161	¥1,255,075	¥1,247,472



# CONDENSED STATEMENTS OF INCOME

Kawasaki Heavy Industries, Ltd. and consolidated subsidiaries  
Years ended March 31

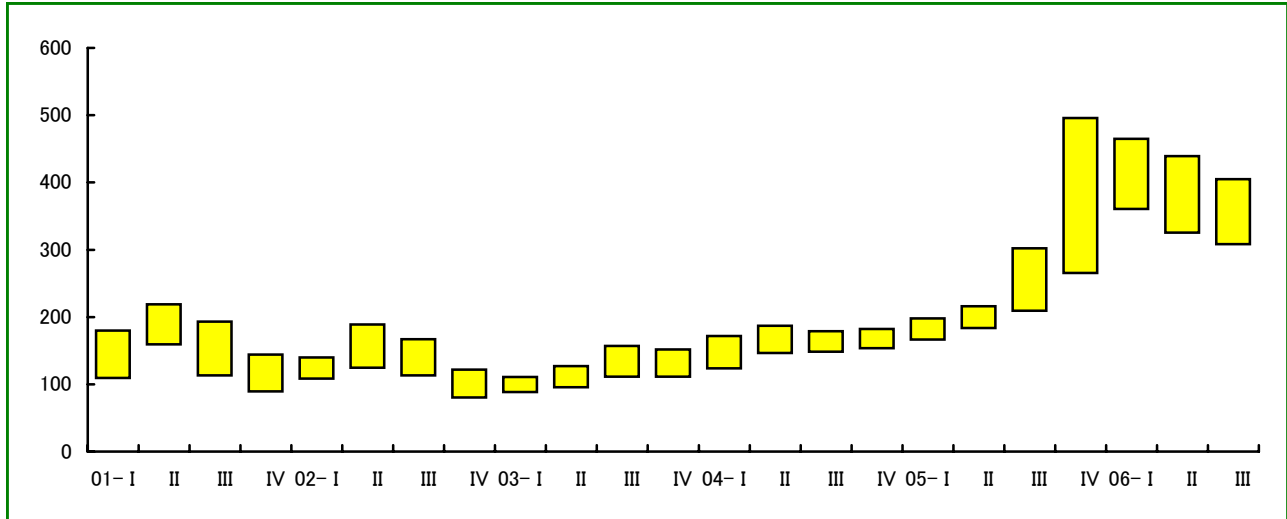
	Millions of yen					
	2006	2005	2004	2003	2002	2001
Net sales	¥1,322,487	¥1,241,592	¥1,160,252	¥1,239,598	¥1,144,534	¥1,060,479
Cost of sales	1,148,547	1,088,219	998,416	1,069,341	977,875	924,522
Gross profit	173,940	153,373	161,836	170,257	166,659	135,957
Selling, general and administrative expenses	132,145	128,629	139,586	139,714	135,348	131,497
Operating income	41,795	24,744	22,250	30,543	31,311	4,460
Other income (expenses):						
Interest and dividend income	3,225	3,240	3,476	4,684	4,798	4,480
Equity in income (loss) of unconsolidated subsidiaries and affiliates	(197)	506	941	(467)	379	(1,586)
Interest expense	(5,377)	(6,296)	(7,274)	(10,291)	(12,146)	(12,779)
Other, net	(16,146)	(1,630)	(8,151)	(7,241)	(8,348)	(12,981)
Income (loss) before income taxes and minority interests	23,300	20,564	11,242	17,228	15,994	(18,406)
Income taxes						
Current	(24,148)	(15,869)	(16,604)	(11,395)	(6,114)	(5,609)
Deferred	17,843	7,374	11,890	7,555	(3,131)	13,309
Minority interests in net (income) loss of consolidated subsidiaries	(528)	(590)	(195)	(366)	(467)	386
Foreign currency translation adjustments	-	-	-	-	-	-
Net income (loss)	¥16,467	¥11,479	¥6,333	¥13,022	¥6,282	(¥10,320)

	Millions of yen					
	2006	2005	2004	2003	2002	2001
Per share amounts (yen):						
Net income (loss)	¥11.2	¥7.9	¥4.4	¥9.3	¥4.5	(¥7.4)
Cash dividends	3.0	2.5	2.0	2.0	-	-
Other data:						
Capital expenditures (Million ¥)	41,724	29,692	41,502	35,165	33,132	32,687
Depreciation (Million ¥)	30,551	31,555	32,590	31,595	31,998	33,303
R&D expenses (Million ¥)	27,040	13,183	14,741	15,494	16,549	17,548
Number of employees	28,922	28,682	29,306	28,642	28,936	29,162

# STOCK INFORMATION

## Stock Price Range

(¥)

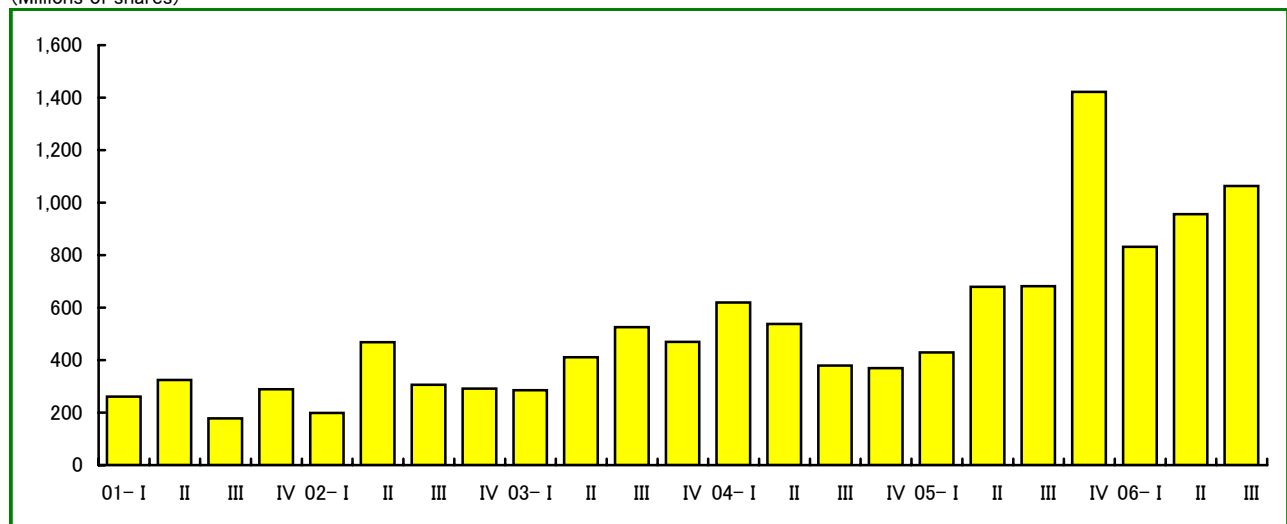


(¥)

	2001				2002				2003				2004				2005				2006		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
High	180	219	193	144	140	189	167	122	111	127	157	152	172	187	179	182	198	216	302	496	465	439	405
Low	109	159	113	89	108	124	113	80	88	95	111	111	123	146	148	153	166	183	209	265	360	325	308

## Stock Trading Volume

(Millions of shares)



(Millions of shares)

	2001				2002				2003				2004				2005				2006		
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
	261	325	178	289	199	468	306	291	285	411	526	469	620	538	379	370	429	679	682	1,422	832	956	1,063

<b>Paid-in Capital</b>	
¥92,084,962,505	
<b>Number of Shares</b>	
Authorized	3,360,000,000 shares
Outstanding	1,557,714,707 shares
(Dilution)	191,446,683 shares)
As of March 31, 2006	

<b>Paid-in Capital</b>	
¥92,106,094,655	
<b>Number of Shares</b>	
Authorized	3,360,000,000 shares
Outstanding	1,557,939,285 shares
(Dilution)	153,874,496 shares)
As of September 30, 2006	

### Stock Listings

Tokyo, Osaka, Nagoya

### Transfer Agent

The Chuo Mitsui Trust & Banking Co., Ltd.  
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Handling Office

The Chuo Mitsui Trust & Banking Co., Ltd., Osaka Branch  
2-21, Kitahama 2-chome, Chuo-ku, Osaka 541-0041, Japan

### ADR (American Depositary Receipt) Information

Ratio: 1 ADR = 4 Ordinary Shares

Exchange: OTC (Over-the-Counter)

Symbol: KWHIY

CUSIP: 486 359 20 1

Depository: The Bank of New York

101 Barclay St., 22 West, New York, NY 10286, U.S.A.

Phone: (212)815-2042 U.S. Toll Free: 888-269-2377 (888-BNY-ADRS)

## ***CORPORATE DATA***

### Registered Office

1-1, Higashikawasaki-cho 3-chome,  
Chuo-ku, Kobe 650-8670, Japan

### Kobe Head Office

Kobe Crystal Tower,  
1-3, Higashikawasaki-cho 1-chome,  
Chuo-ku, Kobe 650-8680, Japan  
Phone: (078)371-9530  
Fax: (078)371-9568

### Tokyo Head Office

World Trade Center Bldg.,  
4-1, Hamamatsu-cho 2-chome,  
Minato-ku, Tokyo 105-6116, Japan  
Phone: (03)3435-2111  
Fax: (03)3436-3037

### Year of Incorporation

1896

*For more information please contact at:*

*IR Desk*

*Finance & Accounting Department*

*Kawasaki Heavy Industries, Ltd.*

*4-1, Hamamatsu-cho 2-chome,*

*Minato-ku, Tokyo 105-6116, Japan*

*Phone: (03)3435-2383*

*Fax: (03)5402-7391*