



October 28, 2005  
(Consolidated)

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

For six months ended September 30, 2005 and 2004 and one year ended March 31, 2005

### Operating results

	Millions of yen			Thousands of U.S. dollars
	Six months ended Sep. 30, 2005	Six months ended Sep. 30, 2004	% Change	Six months ended Sep. 30, 2005
Net sales	¥ 593,579	¥ 537,715	+10%	\$ 5,243,168
Operating income	12,577	6,945	+81%	111,095
Net income (Loss)	5,233	3,365	+56%	46,224
Net income (Loss) per share (Yen)	3.6	2.3		

### Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
<b>As of September 30, 2005</b>	¥ 1,193,901	¥ 207,499	17%
As of March 31, 2005	1,194,473	201,465	17%
As of September 30, 2005	\$ 10,545,897	\$ 1,832,868	—
	Yen / U.S. dollars	Thousand shares	
	Shareholders' equity per share	Number of shares issued and outstanding	
<b>As of September 30, 2005</b>	¥ 143.9	1,442,277	
As of March 31, 2005	139.7	1,442,359	
As of September 30, 2005	\$ 1.27	—	

### Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2005	Six months ended Sep. 30, 2004	Six months ended Sep. 30, 2005
Operating activities	¥ 11,216	¥ 19,816	\$ 99,073
Investing activities	(7,692)	(11,310)	(67,945)
Financing activities	(15,458)	(14,818)	(136,543)
Cash and cash equivalents at end of year	32,513	36,129	287,192

### Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2006	¥ 1,300,000	¥ 14,000

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.

2. All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥113.21=\$1, the rate prevailing as of September 30, 2005, solely for the convenience of the readers.

3. Effective April 1, 2005, Kawasaki Heavy Industries, Ltd. and its consolidated subsidiaries adopted the new accounting standards for impairment of fixed assets ("Opinion on Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the guidance on accounting standard for impairment of fixed assets (the "Financial Accounting Standard Guidance No. 6" issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result of adopting the accounting standards and the guidance, income before income tax and minority interests decreased ¥ 3,008 million .

Accumulated impairment losses are deducted from book values of related fixed assets.

(Consolidated)

**Condensed Consolidated Balance Sheets**

As of September 30 and March 31, 2005

	Millions of yen		Thousands of U.S. dollars
	As of Sep. 30, 2005	As of Mar. 31, 2005	As of Sep. 30, 2005
<b>Assets :</b>			
Current assets :			
Cash on hand and in banks	¥ 32,685	¥ 44,629	\$ 288,711
Receivables, less allowance	375,420	413,619	3,316,138
Inventories	375,367	332,333	3,315,670
Other current assets	53,533	46,424	472,865
Total current assets	837,005	837,005	7,393,384
Investments and long-term loans less allowance	84,250	79,569	744,192
Net property, plant and equipment	239,731	243,166	2,117,578
Intangible and other assets	32,915	34,733	290,743
Total assets	¥ 1,193,901	¥ 1,194,473	\$ 10,545,897
<b>Liabilities and shareholders' equity :</b>			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 145,614	¥ 146,605	\$ 1,286,229
Payables	331,495	348,389	2,928,142
Advances from customers	132,533	106,574	1,170,683
Other current liabilities	91,006	96,914	803,869
Total current liabilities	700,648	698,482	6,188,923
Long-term liabilities :			
Long-term debt, less current portion	194,296	207,279	1,716,244
Others	86,601	82,556	764,959
Total long-term liabilities	280,897	289,835	2,481,203
Minority interests	4,857	4,691	42,903
Shareholders' equity :			
Common stock	81,427	81,427	719,256
Capital surplus	31,390	31,390	277,272
Retained earnings	90,135	88,704	796,175
Net unrealized gains on securities	19,155	16,910	169,199
Foreign currency translation adjustments	(14,467)	(16,843)	(127,789)
Treasury stock	(141)	(123)	(1,245)
Total shareholders' equity	207,499	201,465	1,832,868
Total liabilities and shareholders' equity	¥ 1,193,901	¥ 1,194,473	\$ 10,545,897

**Condensed Consolidated Statements of Operations**

For six months ended September 30, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars
	Six months ended Sep. 30, 2005	Six months ended Sep. 30, 2004	% Change	Six months ended Sep. 30, 2005
Net sales	¥ 593,579	¥ 537,715	+10%	\$ 5,243,168
Cost of sales	518,619	467,661		4,581,035
Gross profit	74,960	70,054		662,133
Selling, general and administrative expenses	62,383	63,109		551,038
Operating income (loss)	12,577	6,945	+81%	111,095
Other income (expenses) :				
Interest and dividend income	2,014	1,790		17,790
Equity in income of unconsolidated subsidiaries and affiliates	(103)	452		(910)
Interest expense	(2,678)	(3,138)		(23,655)
Other, net	(3,617)	894		(31,950)
Income(loss) before income taxes and minority interests	8,193	6,943	+18%	72,370
Income taxes	(2,832)	(3,391)		(25,015)
Minority interests in net income of consolidated subsidiaries	(128)	(187)		(1,131)
Net income(loss)	¥ 5,233	¥ 3,365	+56%	\$ 46,224

## Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2005 and 2004

(Consolidated)

	Millions of yen		Thousands of
	Six months ended Sep. 30, 2005	Six months ended Sep. 30, 2004	U.S. dollars Six months ended Sep. 30, 2005
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 8,193	¥ 6,943	\$ 72,370
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	14,384	15,130	127,056
Decrease (increase) in assets	(6,771)	50,229	(59,809)
Increase (decrease) in liabilities	2,150	(38,645)	18,991
Other	(6,740)	(13,841)	(59,535)
<b>Net cash provided by operating activities</b>	<b>¥ 11,216</b>	<b>¥ 19,816</b>	<b>\$ 99,073</b>
<b>Cash flows from investing activities:</b>			
Acquisition of tangible and intangible assets	(15,305)	(14,437)	(135,191)
Acquisition of investments in securities	(425)	(1,006)	(3,754)
Other	8,038	4,133	71,000
<b>Net cash used for investing activities</b>	<b>¥ (7,692)</b>	<b>¥ (11,310)</b>	<b>\$ (67,945)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	(4,055)	(18,503)	(35,818)
Proceeds from long-term debt	15,503	49,563	136,940
Repayment of long-term debt	(23,189)	(42,920)	(204,832)
Other	(3,717)	(2,958)	(32,833)
<b>Net cash provided by (used for) financing activities</b>	<b>¥ (15,458)</b>	<b>¥ (14,818)</b>	<b>\$ (136,543)</b>
Effect of exchange rate changes	173	105	1,528
<b>Net decrease in cash and cash equivalents</b>	<b>(11,761)</b>	<b>(6,207)</b>	<b>(103,887)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>44,385</b>	<b>42,375</b>	<b>392,059</b>
Decrease in cash and cash equivalents by change of consolidation period of subsidiaries	-	(39)	-
Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries	(111)	-	(980)
<b>Cash and cash equivalents at end of year</b>	<b>¥ 32,513</b>	<b>¥ 36,129</b>	<b>\$ 287,192</b>

(Consolidated)

## Segment information

## (a) Information by industry segment

	Millions of yen				
	Six months ended September 30, 2005				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 53,736	¥ 589	¥ 54,325	¥ 53,561	¥ 764
Rolling Stock, Construction Machinery & Crushing Plant	84,331	465	84,796	82,529	2,267
Aerospace	91,293	951	92,244	86,643	5,601
Gas Turbines & Machinery	69,093	7,150	76,243	74,898	1,345
Plant & Infrastructure Engineering	68,609	6,121	74,730	80,395	(5,665)
Consumer products & Machinery	166,339	2,295	168,634	163,490	5,144
Other	60,178	21,846	82,024	79,021	3,003
Total	593,579	39,417	632,996	620,537	12,459
Eliminations	-	(39,417)	(39,417)	(39,535)	118
Consolidated total	¥ 593,579	¥ -	¥ 593,579	¥ 581,002	¥ 12,577

	Millions of yen				
	Six months ended September 30, 2004				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 44,471	¥ 507	¥ 44,978	¥ 42,092	¥ 2,886
Rolling Stock, Construction Machinery & Crushing Plant	67,600	715	68,315	65,117	3,198
Aerospace	73,460	831	74,291	73,222	1,069
Gas Turbines & Machinery	68,170	8,803	76,973	77,345	(372)
Plant & Infrastructure Engineering	67,463	5,655	73,118	80,259	(7,141)
Consumer products & Machinery	156,490	2,531	159,021	154,219	4,802
Other	60,061	19,730	79,791	77,232	2,559
Total	537,715	38,772	576,487	569,486	7,001
Eliminations	-	(38,772)	(38,772)	(38,716)	(56)
Consolidated total	¥ 537,715	¥ -	¥ 537,715	¥ 530,770	¥ 6,945

	Thousands of U.S. dollars				
	Six months ended September 30, 2005				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 474,658	\$ 5,203	\$ 479,861	\$ 473,112	\$ 6,749
Rolling Stock, Construction Machinery & Crushing Plant	744,908	4,107	749,015	728,990	20,025
Aerospace	806,404	8,400	814,804	765,330	49,474
Gas Turbines & Machinery	610,308	63,157	673,465	661,585	11,880
Plant & Infrastructure Engineering	606,033	54,068	660,101	710,140	(50,039)
Consumer products & Machinery	1,469,296	20,272	1,489,568	1,444,130	45,438
Other	531,561	192,969	724,530	698,004	26,526
Total	5,243,168	348,176	5,591,344	5,481,291	110,053
Eliminations	-	(348,176)	(348,176)	(349,218)	1,042
Consolidated total	\$ 5,243,168	\$ -	\$ 5,243,168	\$ 5,132,073	\$ 111,095

## (b) Information by geographic area

	Millions of yen				
	Six months ended September 30, 2005				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 445,137	¥ 99,957	¥ 545,094	¥ 534,427	¥ 10,667
North America	97,241	6,997	104,238	104,000	238
Europe	36,638	1,888	38,526	37,833	693
Asia	11,307	8,708	20,015	19,286	729
Other Areas	3,256	54	3,310	3,479	(169)
Total	593,579	117,604	711,183	699,025	12,158
Eliminations	-	(117,604)	(117,604)	(118,023)	419
	¥ 593,579	¥ -	¥ 593,579	¥ 581,002	¥ 12,577

	Millions of yen				
	Six months ended September 30, 2004				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 401,293	¥ 83,699	¥ 484,992	¥ 481,348	¥ 3,644
North America	81,000	7,556	88,556	89,620	(1,064)
Europe	40,822	2,032	42,854	41,965	889
Asia	11,993	7,729	19,722	18,707	1,015
Other Areas	2,607	49	2,656	2,791	(135)
Total	537,715	101,065	638,780	634,431	4,349
Eliminations	-	(101,065)	(101,065)	(103,661)	2,596
Consolidated total	¥ 537,715	¥ -	¥ 537,715	¥ 530,770	¥ 6,945

	Thousands of U.S. dollars				
	Six months ended September 30, 2005				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 3,931,958	\$ 882,934	\$ 4,814,892	\$ 4,720,670	\$ 94,222
North America	858,944	61,805	920,749	918,647	2,102
Europe	323,629	16,677	340,306	334,184	6,122
Asia	99,876	76,919	176,795	170,356	6,439
Other Areas	28,761	478	29,239	30,730	(1,491)
Total	5,243,168	1,038,813	6,281,981	6,174,587	107,394
Eliminations	-	(1,038,813)	(1,038,813)	(1,042,514)	3,701
Consolidated total	\$ 5,243,168	\$ -	\$ 5,243,168	\$ 5,132,073	\$ 111,095

## (c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	Six months ended Sep. 30, 2005		Six months ended Sep. 30, 2004		Six months ended Sep. 30, 2005
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 125,730	21.2%	¥ 99,135	18.4%	\$ 1,110,591
Europe	51,991	8.8%	51,794	9.6%	459,244
Asia	105,594	17.8%	69,083	12.8%	932,727
Other Areas	46,077	7.7%	48,835	9.0%	407,004
Total	¥ 329,392	55.5%	¥ 268,847	49.9%	\$ 2,909,566

(Consolidated)

## Net sales, orders and order backlog by industry segment

For six months ended September 30, 2005 and 2004

	Millions of yen				% Change	Thousands of U.S. dollars			
	Six months ended Sep. 30, 2005		Six months ended Sep. 30, 2004			Six months ended Sep. 30, 2005			
<b>Net sales :</b>									
Shipbuilding	¥	53,736	(9%)	¥	44,471	(8%)	+21%	\$	474,658
Rolling Stock, Construction Machinery & Crushing Plant		84,331	(14%)		67,600	(13%)	+25%		744,908
Aerospace		91,293	(15%)		73,460	(14%)	+24%		806,404
Gas Turbines & Machinery		69,093	(12%)		68,170	(13%)	+1%		610,308
Plant & Infrastructure Engineering		68,609	(12%)		67,463	(13%)	+2%		606,033
Consumer products & Machinery		166,339	(28%)		156,490	(29%)	+6%		1,469,296
Other		60,178	(10%)		60,061	(10%)	+0%		531,561
Total	¥	593,579	(100%)	¥	537,715	(100%)	+10%	\$	5,243,168

<b>Orders :</b>									
Shipbuilding	¥	38,469	(7%)	¥	73,031	(15%)	-47%	\$	339,802
Rolling Stock, Construction Machinery & Crushing Plant		77,678	(15%)		37,080	(7%)	+109%		686,141
Aerospace		49,371	(10%)		34,236	(7%)	+44%		436,101
Gas Turbines & Machinery		97,161	(19%)		84,548	(17%)	+15%		858,237
Plant & Infrastructure Engineering		26,285	(5%)		57,443	(11%)	-54%		232,179
Consumer products & Machinery		166,339	(32%)		156,490	(31%)	+6%		1,469,296
Other		61,391	(12%)		60,262	(12%)	+2%		542,275
Total	¥	516,694	(100%)	¥	503,090	(100%)	+3%	\$	4,564,031

	Millions of yen				% Change	Thousands of U.S. dollars			
	As of Sep. 30, 2005		As of Mar. 31, 2005			As of Sep. 30, 2005			
<b>Order backlog :</b>									
Shipbuilding	¥	252,825	(21%)	¥	263,707	(21%)	-4%	\$	2,233,239
Rolling Stock, Construction Machinery & Crushing Plant		297,326	(25%)		300,837	(24%)	-1%		2,626,323
Aerospace		247,671	(21%)		287,441	(23%)	-14%		2,187,713
Gas Turbines & Machinery		194,754	(16%)		163,440	(13%)	+19%		1,720,290
Plant & Infrastructure Engineering		169,345	(14%)		210,160	(17%)	-19%		1,495,848
Consumer products & Machinery		-	(- %)		-	(- %)	-%		-
Other		29,796	(3%)		28,824	(2%)	-3%		263,192
Total	¥	1,191,717	(100%)	¥	1,254,409	(100%)	-5%	\$	10,526,605