



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
	2006	2005		Change
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
	2006	2005	U.S. dollars
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.
 2. All US\$ amounts in these statements represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥ 117.47=\$1, the rate prevailing as of March 31, 2006, solely for the convenience of the readers.
 3. Effective April 1, 2005, Kawasaki Heavy Industries, Ltd. (KHI) 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.
 4. "Other, net" line in Other income (expenses) in the Condensed Consolidated Statement of Operations includes following items;

(1) Gain on contribution of investment securities to the pension trust

KHI additionally contributed its investment securities to the pension trust and this contribution resulted in a gain of 12,901 million yen.

(2) Loss on restructuring commercial aircraft manufacturing business

As our aerospace business has been receiving requests for sharp increase of production of commercial aircrafts including Boeing ones, KHI has concluded it is difficult to accept all the requests.

As a result of reassessment of our corporate resources in this business, KHI has reached a basic agreement related to the commercial conditions with respect to partial transfer of its scope of work of manufacturing "EMBRAER 190" type airplanes to EMBRAER which is our Brazilian co-developer of the airplane.

This transfer gave rise to a loss of 15,815 million yen.

Condensed Consolidated Balance Sheets

As of March 31, 2006 and 2005

(Consolidated)

	Millions of yen		Thousands of
	2006	2005	U.S. dollars 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	<u>915,899</u>	<u>837,005</u>	<u>7,796,876</u>
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	<u>¥ 1,284,085</u>	<u>¥ 1,194,473</u>	<u>\$ 10,931,174</u>
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
Trade payables	409,942	348,389	3,489,759
Advances from customers	98,590	106,574	839,278
Other current liabilities	131,381	96,914	1,118,422
Total current liabilities	<u>802,659</u>	<u>698,482</u>	<u>6,832,885</u>
Long-term liabilities :			
Long-term debt, less current portion	157,057	207,279	1,336,997
Others	81,273	82,556	691,861
Total long-term liabilities	<u>238,330</u>	<u>289,835</u>	<u>2,028,858</u>
Minority interests	5,508	4,691	46,889
Shareholders' equity :			
Common stock	92,085	81,427	783,902
Capital surplus	42,094	31,390	358,338
Retained earnings	100,776	88,704	857,887
Net unrealized gain on securities	14,097	16,910	120,005
Foreign currency translation adjustments	(11,426)	(16,843)	(97,267)
Treasury stock	(38)	(123)	(323)
Total shareholders' equity	<u>237,588</u>	<u>201,465</u>	<u>2,022,542</u>
Total liabilities, minority interests and shareholders' equity	<u>¥ 1,284,085</u>	<u>¥ 1,194,473</u>	<u>\$ 10,931,174</u>

Condensed Consolidated Statements of Operations

For the years ended March 31, 2006 and 2005

(Consolidated)

	Millions of yen		%	Thousands of
	2006	2005		U.S. dollars 2006
Net sales	¥ 1,322,487	¥ 1,241,592	+7%	\$ 11,258,083
Cost of sales	1,148,547	1,088,219		9,777,365
Gross profit	173,940	153,373		1,480,718
Selling, general and administrative expenses	132,145	128,629		1,124,925
Operating income (loss)	41,795	24,744	+69%	355,793
Other income (expenses) :				
Interest and dividend income	3,225	3,241		27,454
Equity in income (loss) of non-consolidated subsidiaries and affiliates	(197)	506		(1,677)
Interest expense	(5,377)	(6,296)		(45,773)
Other, net	(16,146)	(1,631)		(137,448)
Income (loss) before income taxes and minority interests	23,300	20,564	+13%	198,349
Income taxes	(6,305)	(8,495)		(53,673)
Minority interests in net income of consolidated subsidiaries	(528)	(590)		(4,496)
Net income (loss)	<u>¥ 16,467</u>	<u>¥ 11,479</u>	<u>+43%</u>	<u>\$ 140,180</u>

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)

Millions of yen
2006

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 109,697	¥ 1,428	¥ 111,125	¥ 112,833	¥ (1,708)	¥ 105,210	¥ 2,700	¥ 1,990
Rolling Stock, Construction Machinery & Crushing Plant	168,306	917	169,223	160,419	8,804	179,478	2,350	3,272
Aerospace	218,533	2,013	220,546	210,845	9,701	268,871	5,295	12,113
Gas Turbines & Machinery	161,431	16,937	178,368	171,564	6,804	140,900	2,804	2,893
Plant & Infrastructure Engineering	164,506	20,972	185,478	193,972	(8,494)	135,448	1,859	733
Consumer Products & Machinery	366,960	6,759	373,719	353,819	19,900	280,972	11,020	15,480
Other	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	4,872	1,776	1,016
Consolidated total	¥ 1,322,487	¥ -	¥ 1,322,487	¥ 1,280,692	¥ 41,795	¥ 1,284,085	¥ 30,551	¥ 41,724

Millions of yen
2005

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	¥ 87,081	¥ 1,125	¥ 88,206	¥ 87,175	¥ 1,031	¥ 100,996	¥ 2,359	¥ 1,630
Rolling Stock, Construction Machinery & Crushing Plant	171,731	1,445	173,176	165,424	7,752	157,419	2,437	2,629
Aerospace	188,255	1,960	190,215	184,130	6,085	223,010	5,221	8,163
Gas Turbines & Machinery	141,366	19,758	161,124	158,443	2,681	124,063	2,971	2,374
Plant & Infrastructure Engineering	191,012	15,353	206,365	220,823	(14,458)	153,685	1,942	640
Consumer Products & Machinery	338,450	5,036	343,486	326,784	16,702	253,958	11,865	10,191
Other	123,697	43,254	166,951	161,939	5,012	156,040	2,714	3,370
Total	1,241,592	87,931	1,329,523	1,304,718	24,805	1,169,171	29,509	28,997
Eliminations and corporate	-	(87,931)	(87,931)	(87,870)	(61)	25,302	2,046	695
Consolidated total	¥ 1,241,592	¥ -	¥ 1,241,592	¥ 1,216,848	¥ 24,744	¥ 1,194,473	¥ 31,555	¥ 29,692

Thousands of U.S. dollars
2006

	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)	Total assets	Depreciation and amortization	Capital expenditures
Shipbuilding	\$ 933,830	\$ 12,156	\$ 945,986	\$ 960,526	\$ (14,540)	\$ 895,633	\$ 22,985	\$ 16,940
Rolling Stock, Construction Machinery & Crushing Plant	1,432,757	7,806	1,440,563	1,365,617	74,946	1,527,862	20,005	27,854
Aerospace	1,860,330	17,137	1,877,467	1,794,884	82,583	2,288,848	45,075	103,116
Gas Turbines & Machinery	1,374,232	144,181	1,518,413	1,460,492	57,921	1,199,455	23,870	24,628
Plant & Infrastructure Engineering	1,400,409	178,531	1,578,940	1,651,247	(72,307)	1,153,043	15,825	6,240
Consumer Products & Machinery	3,123,861	57,538	3,181,399	3,011,995	169,404	2,391,862	93,811	131,778
Other	1,132,664	398,042	1,530,706	1,474,027	56,679	1,432,996	23,385	35,984
Total	11,258,083	815,391	12,073,474	11,718,788	354,686	10,889,699	244,956	346,540
Eliminations and corporate	-	(815,391)	(815,391)	(816,498)	1,107	41,475	15,119	8,649
Consolidated total	\$ 11,258,083	\$ -	\$ 11,258,083	\$ 10,902,290	\$ 355,793	\$ 10,931,174	\$ 260,075	\$ 355,189

(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

Net sales, orders and order backlog by industry segment

For the years ended March 31, 2006 and 2005

	Millions of yen				% Change	Thousands of U.S. dollars
	2006		2005			2006
Net sales :						
Shipbuilding Rolling Stock, Construction Machinery & Crushing Plant	¥ 109,697	(8%)	¥ 87,081	(7%)	+26%	\$ 933,830
Aerospace	168,306	(13%)	171,731	(14%)	-2%	1,432,757
Gas Turbines & Machinery	218,533	(17%)	188,255	(15%)	+16%	1,860,330
Plant & Infrastructure Engineering	161,431	(12%)	141,366	(12%)	+14%	1,374,232
Consumer Products & Machinery	164,506	(12%)	191,012	(15%)	-14%	1,400,409
Other	366,960	(28%)	338,450	(27%)	+8%	3,123,861
Total	133,054	(10%)	123,697	(10%)	+8%	1,132,664
	1,322,487	(100%)	1,241,592	(100%)	+7%	11,258,083

Orders :						
Shipbuilding Rolling Stock, Construction Machinery & Crushing Plant	128,323	(10%)	155,832	(12%)	-18%	1,092,390
Aerospace	203,165	(15%)	178,369	(14%)	+14%	1,729,505
Gas Turbines & Machinery	229,257	(17%)	214,702	(16%)	+7%	1,951,622
Plant & Infrastructure Engineering	188,068	(14%)	162,700	(12%)	+16%	1,600,987
Consumer Products & Machinery	97,332	(7%)	126,403	(10%)	-23%	828,569
Other	366,960	(27%)	338,450	(26%)	+8%	3,123,861
Total	138,526	(10%)	125,389	(10%)	+10%	1,179,246
	¥ 1,351,631	(100%)	¥ 1,301,845	(100%)	+4%	\$ 11,506,180

	Millions of yen				% Change	Thousands of U.S. dollars
	As of Mar. 31, 2006		As of Mar. 31, 2005			As of Mar. 31, 2006
Order backlog :						
Shipbuilding Rolling Stock, Construction Machinery & Crushing Plant	¥ 289,227	(22%)	¥ 263,707	(21%)	+10%	\$ 2,462,135
Aerospace	346,310	(26%)	300,837	(24%)	+15%	2,948,072
Gas Turbines & Machinery	301,599	(23%)	287,441	(23%)	+5%	2,567,455
Plant & Infrastructure Engineering	195,108	(15%)	163,440	(13%)	+19%	1,660,918
Consumer Products & Machinery	144,147	(11%)	210,160	(17%)	-31%	1,227,096
Other	-	(-%)	-	(-%)	-	-
Total	34,053	(3%)	28,824	(2%)	+18%	289,887
	¥ 1,310,444	(100%)	¥ 1,254,409	(100%)	+4%	\$ 11,155,563