



July 28, 2006

(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

Operating results

	Millions of yen		%	Thousands of
	Three months ended Jun. 30, 2006	Three months ended Jun. 30, 2005		U.S. dollars
			Change	Three months ended Jun. 30, 2006
Net sales	¥ 302,200	¥ 264,080	+14%	\$ 2,622,353
Operating income	10,058	2,440	+312%	87,278
Net income	5,525	1,625	+240%	47,943
Net income per share (Yen)	3.5	1.1		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of June 30, 2006	¥ 1,267,200	¥ 241,726	19%
As of March 31, 2006	1,284,085	237,588	19%
As of June 30, 2006	\$ 10,996,181	\$ 2,097,587	—

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity less minority interests per share	Number of shares issued and outstanding
As of June 30, 2006	¥ 151.7	1,557,492
As of March 31, 2006	152.5	1,557,507
As of June 30, 2006	\$ 1.32	—

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 ¥115.24=\$1, the rate prevailing as of June 30, 2006, solely for the convenience of the readers.
3. Effective April 1, 2006, Kawasaki Heavy Industries, Ltd. and its consolidated subsidiaries adopted a new accounting standard for "Statement of Changes in Net Assets" issued by the Accounting Standards Board of Japan. As a result of adopting the standard, "Minority interests" and "Gains/losses on hedging items" are presented in Shareholders' equity.

(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
Assets :			
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
Liabilities and shareholders' equity :			
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

(Consolidated)

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		Three months ended		% Change	
	Jun. 30, 2006		Jun. 30, 2005			
Net sales :						
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%)		35,568 (14%)	+15%	353,662
Gas Turbines & Machinery		39,064 (13%)		32,915 (12%)	+19%	338,979
Plant & Infrastructure Engineering		24,261 (8%)		26,607 (10%)	-9%	210,526
Consumer products & Machinery		106,692 (35%)		84,281 (32%)	+27%	925,824
Other		34,080 (12%)		27,637 (10%)	23%	295,731
Total	¥	302,200 (100%)	¥	264,080 (100%)	+14%	\$ 2,622,353

	Millions of yen			Thousands of U.S. dollars		
	Three months ended		Three months ended		% Change	
	Jun. 30, 2006		Jun. 30, 2005			
Orders :						
Shipbuilding	¥	23,949 (8%)	¥	23,492 (10%)	+2%	\$ 207,818
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		Three months ended		% Change	
	Jun. 30, 2006		Jun. 30, 2005			
Operating income (loss) :						
Shipbuilding	¥	(2,227)	¥	332		\$ (19,324)
Rolling Stock & Construction Machinery		2,943		229		25,538
Aerospace		588		1,768		5,102
Gas Turbines & Machinery		1,947		48		16,895
Plant & Infrastructure Engineering		(992)		(4,984)		(8,608)
Consumer products & Machinery		5,628		3,203		48,837
Other		2,171		1,844		18,838
Total	¥	10,058	¥	2,440		\$ 87,278