



October 31, 2006
(Consolidated)

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

For six months ended September 30, 2006 and 2005 and one year ended March 31, 2006

Operating results

	Millions of yen			Thousands of U.S. dollars
	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	% Change	Six months ended Sep. 30, 2006
Net sales	¥ 645,852	¥ 593,579	+9%	\$ 5,478,429
Operating income	25,562	12,577	+103%	216,829
Net income	11,414	5,233	+118%	96,819
Earnings per share (Yen)	7.3	3.6		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of September 30, 2006	¥ 1,319,100	¥ 244,170	18%
As of March 31, 2006	1,284,085	237,588	19%
As of September 30, 2006	\$ 11,189,244	\$ 2,071,168	—
	Yen / U.S. dollars	Thousand shares	
	Shareholders' equity per share	Number of shares issued and outstanding	
As of September 30, 2006	¥ 153.4	1,557,731	
As of March 31, 2006	152.5	1,557,507	
As of September 30, 2006	\$ 1.33	—	

Cash flows

	Millions of yen		Thousands of U.S. dollars
	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Six months ended Sep. 30, 2006
Operating activities	¥ (10,767)	¥ 11,216	\$ (91,331)
Investing activities	(26,735)	(7,692)	(226,779)
Financing activities	24,772	(15,458)	210,128
Cash and cash equivalents at end of year	24,894	32,513	211,163

Fiscal year forecast

	Millions of yen	
	Net sales	Net income
One year ending March 31, 2007	¥ 1,430,000	¥ 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 ¥ 117.89=\$1, the rate prevailing as of September 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 "Presentation of Net Assets in the Balance sheet" 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 September 30 and March 31, 2006

	Millions of yen		Thousands of
	As of Sep. 30, 2006	As of Mar. 31, 2006	U.S. dollars As of Sep. 30, 2006
Assets :			
Current assets :			
Cash on hand and in banks	¥ 25,006	¥ 37,650	\$ 212,113
Receivables, less allowance	429,542	438,204	3,643,583
Inventories	425,754	383,017	3,611,451
Other current assets	57,832	57,028	490,559
Total current assets	938,134	915,899	7,957,706
Investments and long-term loans less allowance	86,015	76,757	729,621
Net property, plant and equipment	249,200	246,219	2,113,835
Intangible and other assets	45,751	45,210	388,082
Total assets	¥ 1,319,100	¥ 1,284,085	\$ 11,189,244
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings			
and current portion of long-term debt	¥ 182,746	¥ 162,746	\$ 1,550,140
Payables	404,909	409,942	3,434,634
Advances from customers	111,846	98,590	948,732
Other current liabilities	122,631	131,381	1,040,215
Total current liabilities	822,132	802,659	6,973,721
Long-term liabilities :			
Long-term debt, less current portion	167,003	157,057	1,416,600
Others	85,795	81,273	727,755
Total long-term liabilities	252,798	238,330	2,144,355
Minority interests	-	5,508	-
Shareholders' equity :			
Common stock	92,106	92,085	781,288
Capital surplus	42,110	42,094	357,197
Retained earnings	107,457	100,776	911,502
Net unrealized gains on securities	12,720	14,097	107,897
Gains/losses on hedging items	(3,698)	-	(31,368)
Foreign currency translation adjustments	(11,620)	(11,426)	(98,566)
Treasury stock	(43)	(38)	(365)
Minority interests	5,138	-	43,583
Total shareholders' equity	244,170	237,588	2,071,168
Total liabilities and shareholders' equity	¥ 1,319,100	¥ 1,284,085	\$ 11,189,244

Condensed Consolidated Statements of Operations

For six months ended September 30, 2006 and 2005

	Millions of yen		% Change	Thousands of
	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005		U.S. dollars Six months ended Sep. 30, 2006
Net sales	¥ 645,852	¥ 593,579	+9%	\$ 5,478,429
Cost of sales	555,715	518,619		4,713,843
Gross profit	90,137	74,960		764,586
Selling, general and administrative expenses	64,575	62,383		547,757
Operating income	25,562	12,577	+103%	216,829
Other income (expenses) :				
Interest and dividend income	1,891	2,014		16,040
Equity in income of unconsolidated subsidiaries and affiliates	855	(103)		7,253
Interest expense	(2,912)	(2,678)		(24,701)
Other, net	(5,156)	(3,617)		(43,736)
Income before income taxes and minority interests	20,240	8,193	+147%	171,685
Income taxes	(8,577)	(2,832)		(72,754)
Minority interests in net income of consolidated subsidiaries	(249)	(128)		(2,112)
Net income	¥ 11,414	¥ 5,233	+118%	\$ 96,819

Condensed Consolidated Statements of Cash Flows

For six months ended September 30, 2006 and 2005

(Consolidated)

	Millions of yen		Thousands of
	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	U.S. dollars Six months ended Sep. 30, 2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 20,240	¥ 8,193	\$ 171,685
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	14,879	14,384	126,211
Increase in assets	(34,449)	(6,771)	(292,213)
Increase in liabilities	12,935	2,150	109,721
Other	(24,372)	(6,740)	(206,735)
Net cash provided by (used for) operating activities	¥ (10,767)	¥ 11,216	\$ (91,331)
Cash flows from investing activities:			
Acquisition of tangible and intangible assets	(15,909)	(15,305)	(134,948)
Acquisition of investments in securities	(11,850)	(425)	(100,517)
Other	1,024	8,038	8,686
Net cash used for investing activities	¥ (26,735)	¥ (7,692)	\$ (226,779)
Cash flows from financing activities:			
Decrease in short-term borrowings	39,513	(4,055)	335,168
Proceeds from long-term debt	18,355	15,503	155,696
Repayment of long-term debt	(28,289)	(23,189)	(239,961)
Other	(4,807)	(3,717)	(40,775)
Net cash provided by (used for) financing activities	¥ 24,772	¥ (15,458)	\$ 210,128
Effect of exchange rate changes	118	173	1,001
Net decrease in cash and cash equivalents	(12,612)	(11,761)	(106,981)
Cash and cash equivalents at beginning of year	37,506	44,385	318,144
Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries	-	(111)	-
Cash and cash equivalents at end of year	¥ 24,894	¥ 32,513	\$ 211,163

(Consolidated)

Segment information
(a) Information by industry segment

	Millions of yen				
	Six months ended September 30, 2006				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	¥ 42,107	¥ 1,296	¥ 43,403	¥ 45,456	¥ (2,053)
Rolling Stock & Construction Machinery	86,925	260	87,185	81,040	6,145
Aerospace	114,452	614	115,066	109,968	5,098
Gas Turbines & Machinery	80,509	7,941	88,450	83,629	4,821
Plant & Infrastructure Engineering	52,114	9,068	61,182	64,910	(3,728)
Consumer products & Machinery	189,928	4,318	194,246	183,342	10,904
Other	79,817	20,224	100,041	95,611	4,430
Total	645,852	43,721	689,573	663,956	25,617
Eliminations	-	(43,721)	(43,721)	(43,666)	(55)
Consolidated total	¥ 645,852	¥ -	¥ 645,852	¥ 620,290	¥ 25,562

	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	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

	Thousands of U.S. dollars				
	Six months ended September 30, 2006				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Shipbuilding	\$ 357,172	\$ 10,993	\$ 368,165	\$ 385,580	\$ (17,415)
Rolling Stock & Construction Machinery	737,340	2,205	739,545	687,420	52,125
Aerospace	970,837	5,208	976,045	932,802	43,243
Gas Turbines & Machinery	682,916	67,360	750,276	709,382	40,894
Plant & Infrastructure Engineering	442,056	76,919	518,975	550,598	(31,623)
Consumer products & Machinery	1,611,061	36,628	1,647,689	1,555,195	92,494
Other	677,047	171,550	848,597	811,019	37,578
Total	5,478,429	370,863	5,849,292	5,631,996	217,296
Eliminations	-	(370,863)	(370,863)	(370,396)	(467)
Consolidated total	\$ 5,478,429	\$ -	\$ 5,478,429	\$ 5,261,600	\$ 216,829

(b) Information by geographic area

	Millions of yen				
	Six months ended September 30, 2006				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	¥ 459,768	¥ 120,560	¥ 580,328	¥ 559,793	¥ 20,535
North America	119,598	8,130	127,728	126,669	1,059
Europe	51,015	2,049	53,064	51,291	1,773
Asia	9,171	8,685	17,856	17,447	409
Other Areas	6,300	77	6,377	6,254	123
Total	645,852	139,501	785,353	761,454	23,899
Eliminations	-	(139,501)	(139,501)	(141,164)	1,663
	¥ 645,852	¥ -	¥ 645,852	¥ 620,290	¥ 25,562

	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
Consolidated total	¥ 593,579	¥ -	¥ 593,579	¥ 581,002	¥ 12,577

	Thousands of U.S. dollars				
	Six months ended September 30, 2006				
	External sales	Intersegment sales	Total sales	Operating expenses	Operating income (loss)
Japan	\$ 3,899,975	\$ 1,022,648	\$ 4,922,623	\$ 4,748,435	\$ 174,188
North America	1,014,488	68,963	1,083,451	1,074,468	8,983
Europe	432,734	17,381	450,115	435,075	15,040
Asia	77,793	73,670	151,463	147,994	3,469
Other Areas	53,439	653	54,092	53,049	1,043
Total	5,478,429	1,183,315	6,661,744	6,459,021	202,723
Eliminations	-	(1,183,315)	(1,183,315)	(1,197,421)	14,106
Consolidated total	\$ 5,478,429	\$ -	\$ 5,478,429	\$ 5,261,600	\$ 216,829

(c) Overseas sales

	Millions of yen				Thousands of U.S. dollars
	Six months ended Sep. 30, 2006		Six months ended Sep. 30, 2005		Six months ended Sep. 30, 2006
	Overseas sales	% against net sales	Overseas sales	% against net sales	Overseas sales
North America	¥ 155,019	24.0%	¥ 125,730	21.2%	\$ 1,314,946
Europe	57,932	8.9%	51,991	8.8%	491,407
Asia	96,354	15.0%	105,594	17.8%	817,321
Other Areas	60,221	9.3%	46,077	7.7%	510,824
Total	¥ 369,526	57.2%	¥ 329,392	55.5%	\$ 3,134,498

(Consolidated)

Net sales, orders and order backlog by industry segment

For six months ended September 30, 2006 and 2005

	Millions of yen				Thousands of U.S. dollars	
	Six months ended		Six months ended		% Change	Six months ended
	Sep. 30, 2006		Sep. 30, 2005			
Net sales :						
Shipbuilding	¥ 42,107	(7%)	¥ 53,736	(9%)	-22%	\$ 357,172
Rolling Stock & Construction Machinery	86,925	(13%)	84,331	(14%)	+3%	737,340
Aerospace	114,452	(18%)	91,293	(15%)	+25%	970,837
Gas Turbines & Machinery	80,509	(13%)	69,093	(12%)	+17%	682,916
Plant & Infrastructure Engineering	52,114	(8%)	68,609	(12%)	-24%	442,056
Consumer products & Machinery	189,928	(29%)	166,339	(28%)	+14%	1,611,061
Other	79,817	(12%)	60,178	(10%)	+33%	677,047
Total	¥ 645,852	(100%)	¥ 593,579	(100%)	+9%	\$ 5,478,429
Orders :						
Shipbuilding	¥ 69,507	(9%)	¥ 38,469	(7%)	+81%	\$ 589,592
Rolling Stock & Construction Machinery	156,102	(20%)	77,678	(15%)	+101%	1,324,133
Aerospace	70,175	(9%)	49,371	(10%)	+42%	595,258
Gas Turbines & Machinery	99,313	(13%)	97,161	(19%)	+2%	842,421
Plant & Infrastructure Engineering	95,093	(13%)	26,285	(5%)	+262%	806,625
Consumer products & Machinery	189,928	(25%)	166,339	(32%)	+14%	1,611,061
Other	83,726	(11%)	61,391	(12%)	+36%	710,204
Total	¥ 763,844	(100%)	¥ 516,694	(100%)	+48%	\$ 6,479,294

	Millions of yen				Thousands of U.S. dollars	
	As of		As of		% Change	As of
	Sep. 30, 2006		Mar. 31, 2006			
Order backlog :						
Shipbuilding	¥ 315,263	(22%)	¥ 289,227	(22%)	+9%	\$ 2,674,213
Rolling Stock & Construction Machinery	412,985	(29%)	346,310	(26%)	+19%	3,503,139
Aerospace	256,954	(18%)	301,599	(23%)	-15%	2,179,608
Gas Turbines & Machinery	214,002	(15%)	195,108	(15%)	+10%	1,815,268
Plant & Infrastructure Engineering	187,030	(13%)	144,147	(11%)	+30%	1,586,479
Consumer products & Machinery	-	(- %)	-	(- %)	-%	-
Other	38,726	(3%)	34,053	(3%)	+14%	328,493
Total	¥ 1,424,960	(100%)	¥ 1,310,444	(100%)	+9%	\$ 12,087,200