

Investors Meeting for First Half of Fiscal 2006

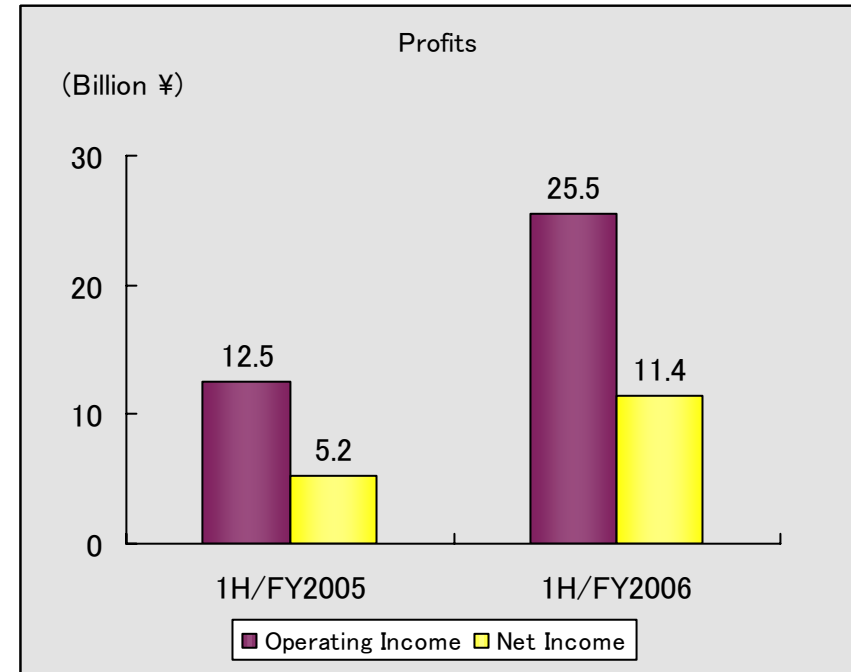
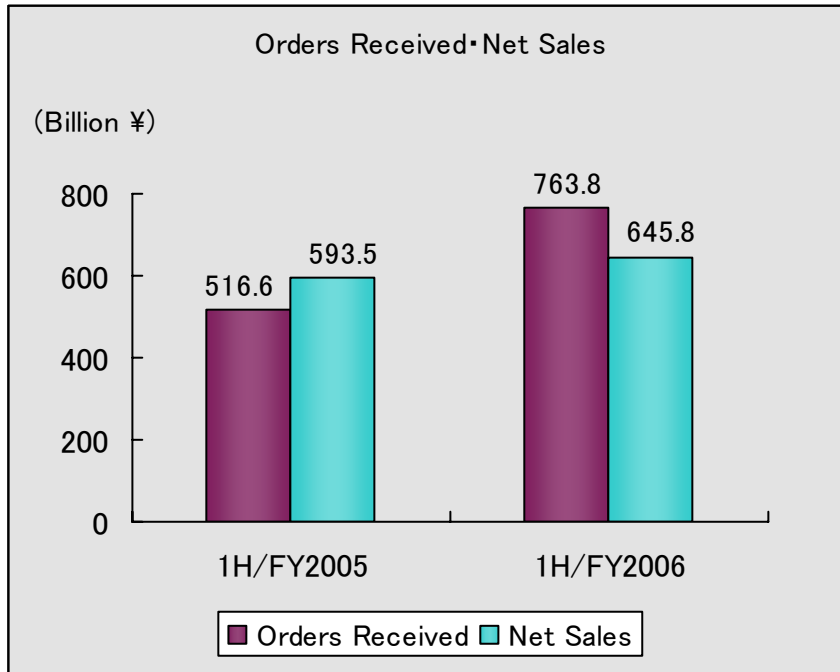
(for the year ending March 31, 2007)

Oct 31, 2006

Kawasaki Heavy Industries, Ltd.



Summary of 1H/FY2006 Results(Consolidated)



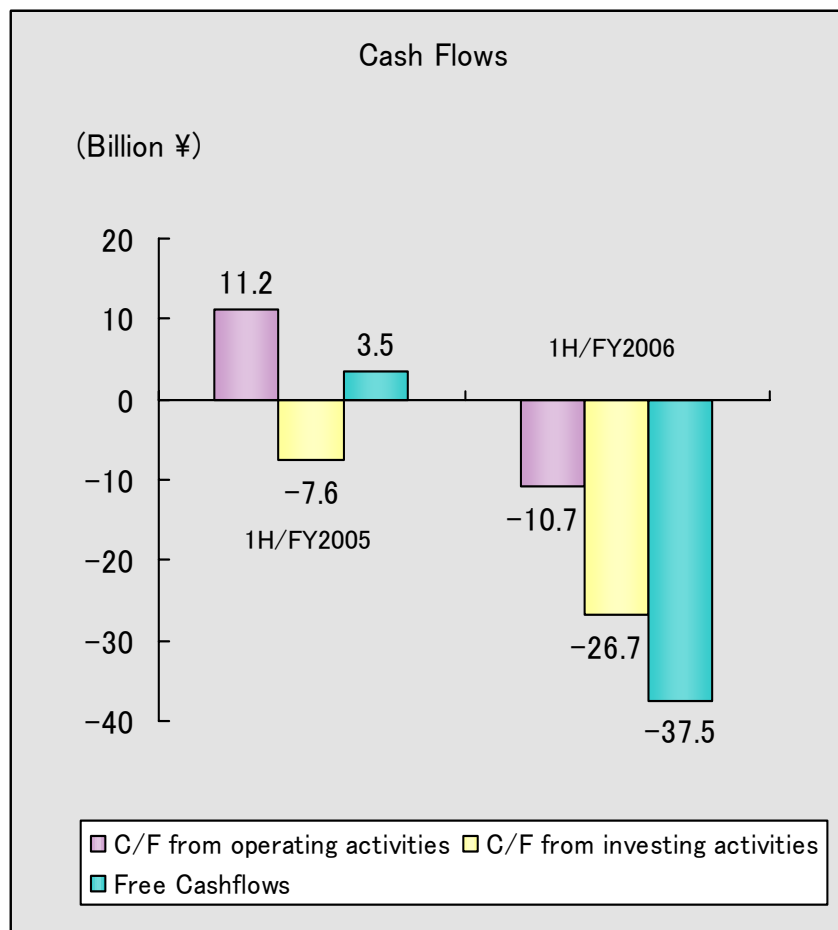
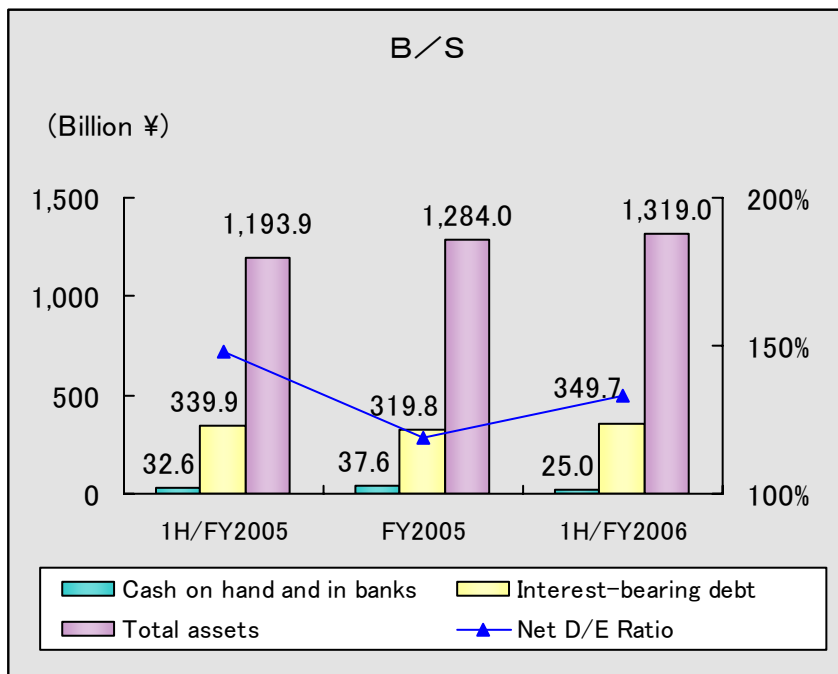
	Actual Exchange Rates	
	1H/FY2005	1H/FY2006
USD/¥	108	115
EUR/¥	136	146

	1H/FY2005	1H/FY2006	(Billion ¥) (b)-(a)
Operating Income	^(a) 12.5	^(b) 25.5	+12.9
Net Income	5.2	11.4	+6.1

Breakdown of Increases/Decreases in Profit for 1H/FY2006 compared to 1H/FY2005

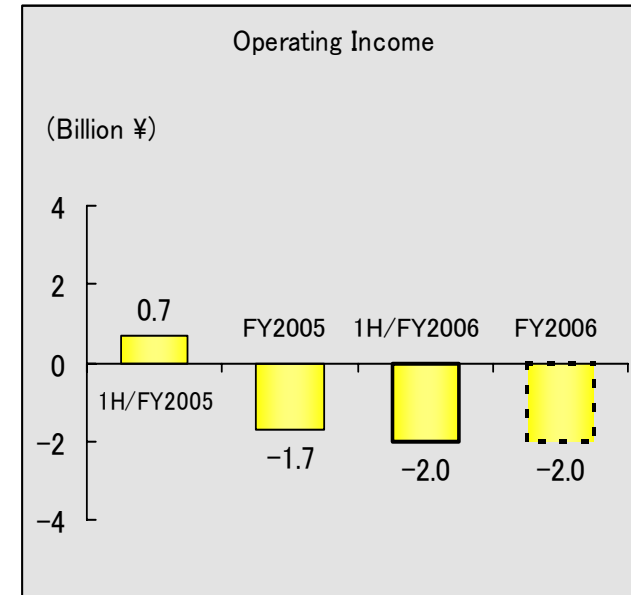
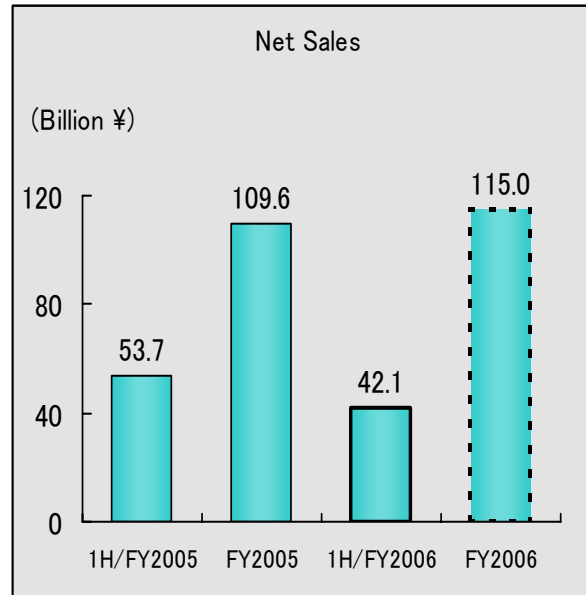
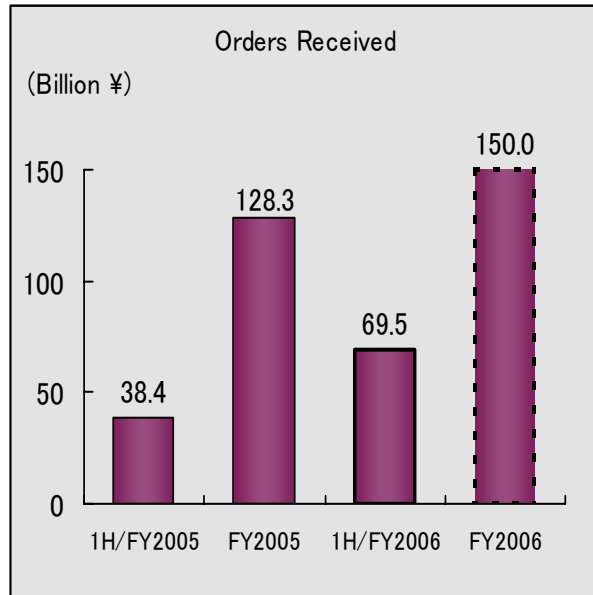
✧ Operating income		(+12.9 billion yen)
Effects of foreign exchange rate movements		+8.2
Effects of sales increase		+5.6
Adverse impact of a rise in material price		-4.4
Effects of cost reduction including fixed cost, etc		+3.5
✧ Non-operating income		(-4.5 billion yen)
Increase in net interest expenses		-0.3
Gain on sales of marketable securities		-3.0
Loss of Foreign exchange		
(1H/FY2005 ¥2.8 billion → 1H/FY2006 ¥3.7 billion)		-0.8
Others		-0.4
✧ Other income		(+3.5 billion yen)
Losses on impairment of fixed assets		
(1H/FY2005 ¥3.0 billion → 1H/FY2006 ¥0)		-3.0
Others		-0.5

Interest-Bearing Debt and Cash Flows



	1H/FY2005	FY2005	1H/FY2006
Net debt	307.2	282.1	324.7
Shareholders' equity	207.4	237.5	239.0
Net D/E Ratio	148%	119%	135%

Shipbuilding



1H/FY2005

LNG carrier	1
Small-sized LNG carrier	1
LPG carrier	1

⇒

1H/FY2006

LNG carrier	1
LPG carriers	2
Bulk carriers	7

1H/FY2005

LNG carriers	3(3)
VLCC	1
Bulk carriers	3
Submarines	2(2)

⇒

1H/FY2006

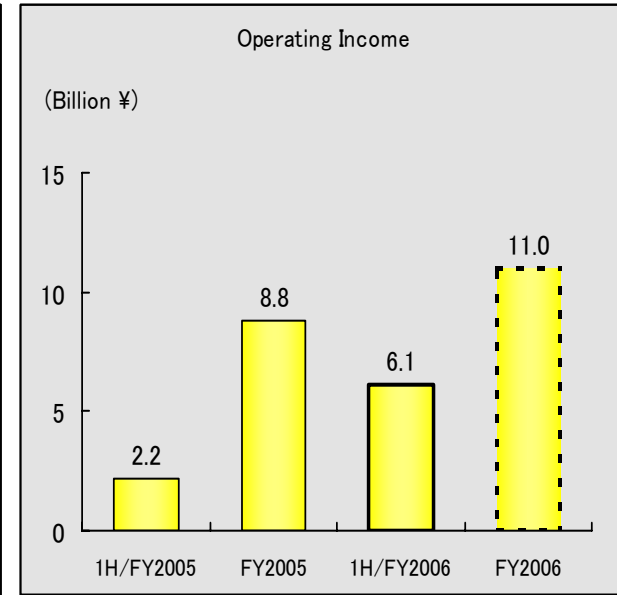
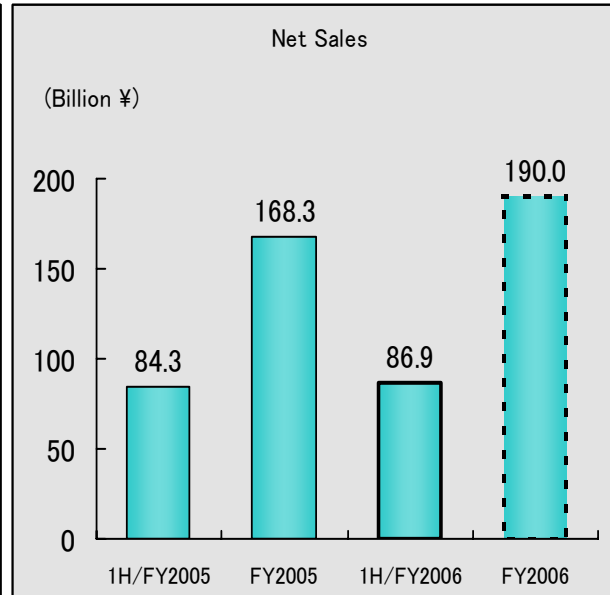
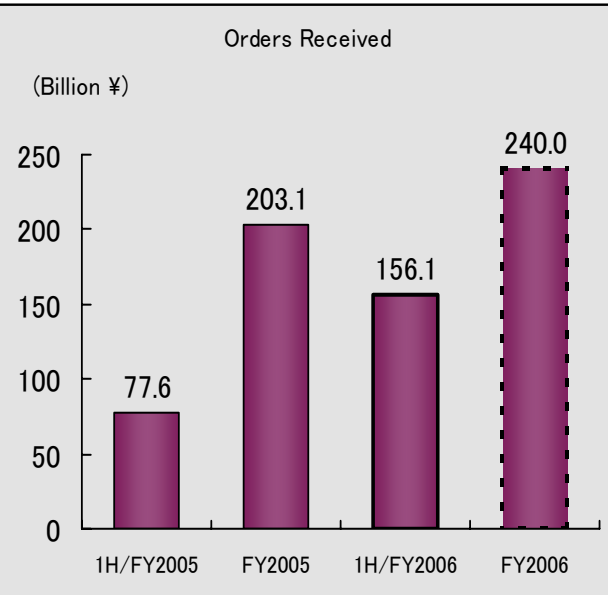
LNG carriers	4(2)
VLCC	1
Bulk carriers	3
Submarines	1(1)

Note: () = Sales units by percentage-of-completion method

**【Business Results for 1H/FY2006
(year-on-year comparison)】**

- * Large orders received of 10 vessels such as LNG carrier, LPG carriers and Bulk carriers
- * Decrease in profit due to adverse impact of sales decrease and a rise in steel price

Rolling Stock



【Business Results for 1H/FY2006 (year-on-year comparison)】

《Orders Received》

- * Increase in orders received of a large-scale project for overseas
 - Passenger cars for New York Metropolitan Transportation Authority's Metro-North Railroad (300 cars/ US\$700mil)

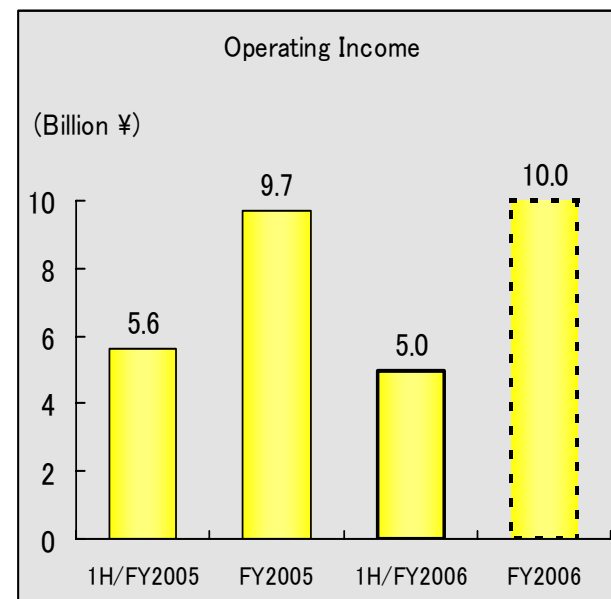
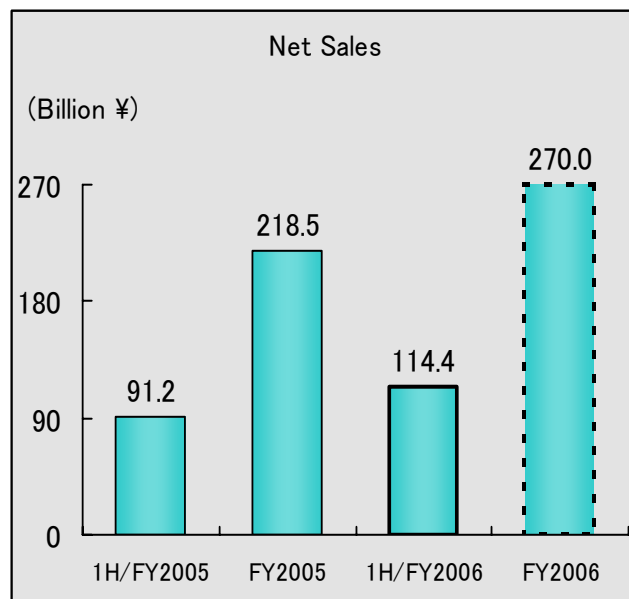
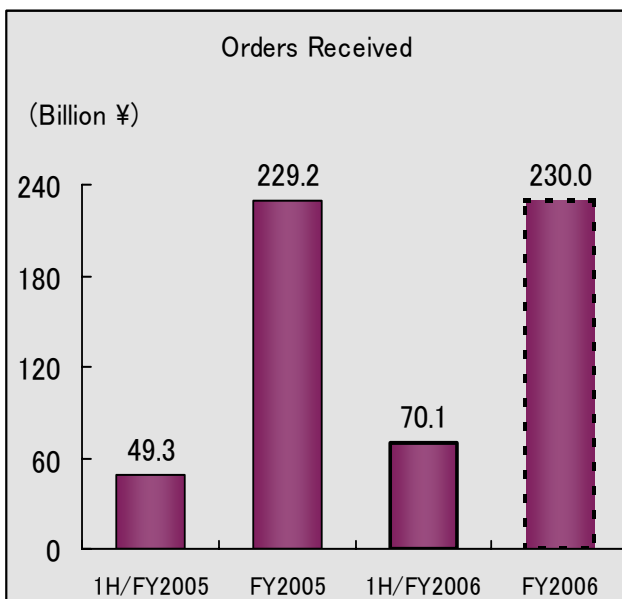
《Operating Income》

- * Increase in profit due to enhancement of profitability of overseas projects

《Net Sales》

- * Keeping a high-level sales owing to a large-scale project for overseas

Aerospace



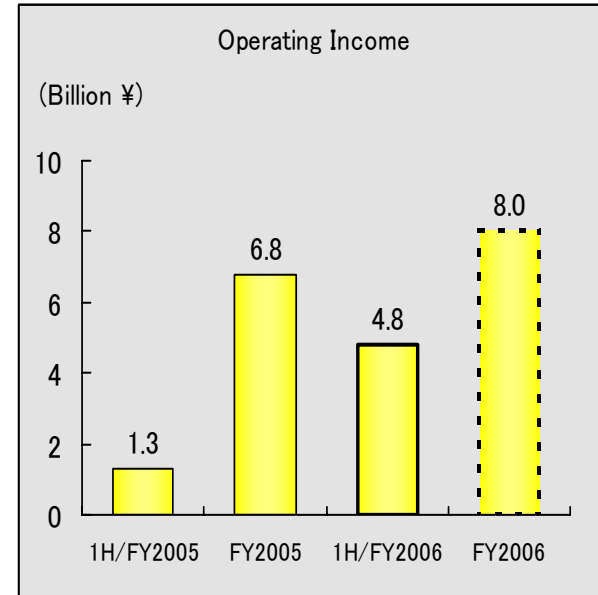
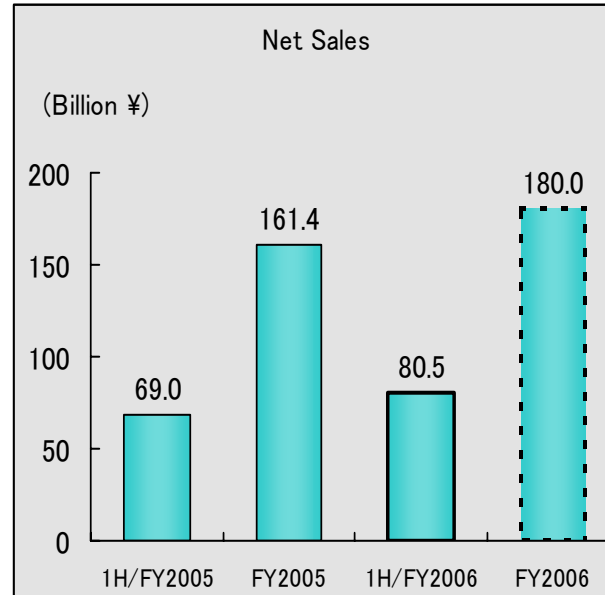
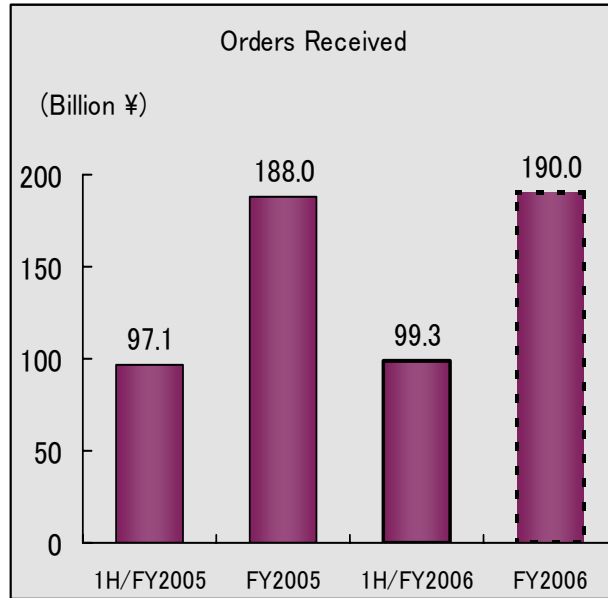
<Sales units for commercial aircraft and component parts>

	Sales units			
	1H/FY2005	FY2005	1H/FY2006	FY2006 Projection
B777	25	49	33	73
B767	7	11	7	13
Embraer170/175	20	39	13	35
Embraer190/195	14	37	35	92

【Business Results for 1H/FY2006 (year-on-year comparison)】

- * Increase in orders received for BOEING business
- * Increase in sales of development of the P-X(Patrol plane) and C-X(Container plane) and BOEING business
- * Decrease in profit due to price hike in materials and cost increase for outsourcing

Gas Turbines & Machinery



【Business Results for 1H/FY2006 (year-on-year comparison)】

《Orders Received》

* Increase in orders received of industrial gas turbines

《Net Sales》

* Increase in sales of commercial aircraft jet engines and industrial gas turbines

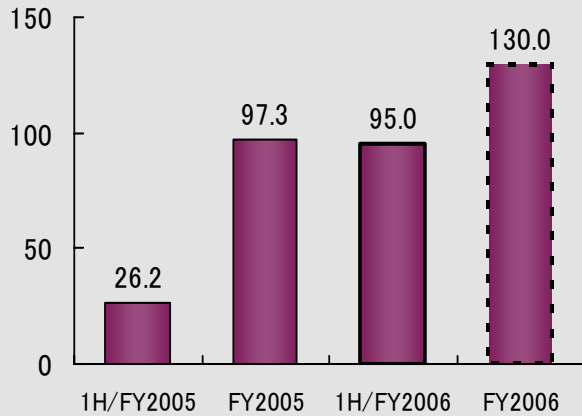
《Operating Income》

* Increase in profit due to sales increase of commercial aircraft jet engines

Plant & Infrastructure Engineering

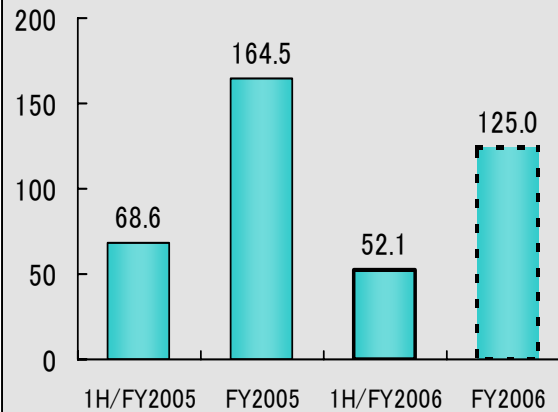
Orders Received

(Billion ¥)



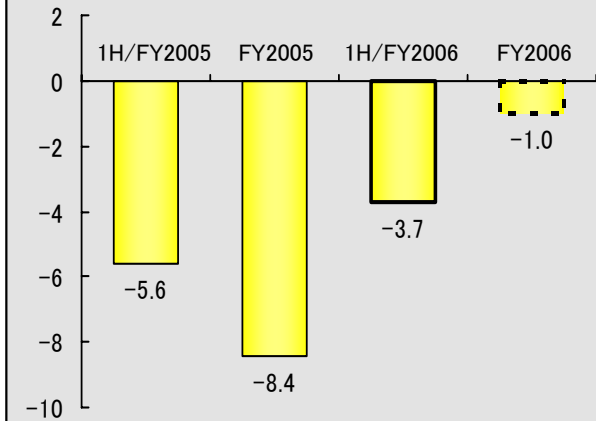
Net Sales

(Billion ¥)



Operating Income

(Billion ¥)



【Business Results for 1H/FY2006 (year-on-year comparison)】

《Orders Received》

- * Increase in orders received of a large-scale project for overseas

[Large-scale orders received]

- Ferronickel plant/ Korea
- Urea production facility/ Pakistan
- Cement plant/ Vietnam

《Net Sales》

- * Decrease in sales of industrial plants for overseas

[Large-scale sales]

1H/FY2006

- Refuse incineration plant/ Tokyo city
- Refuse incineration plant/ Kishiwada & Kaizuka city

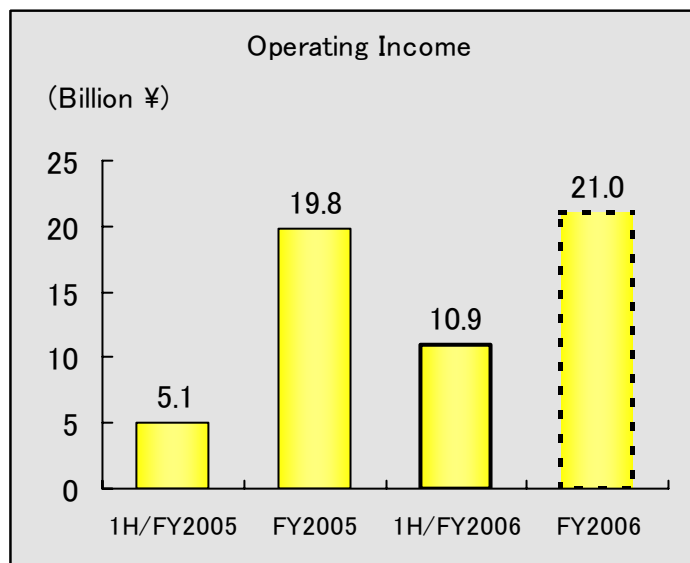
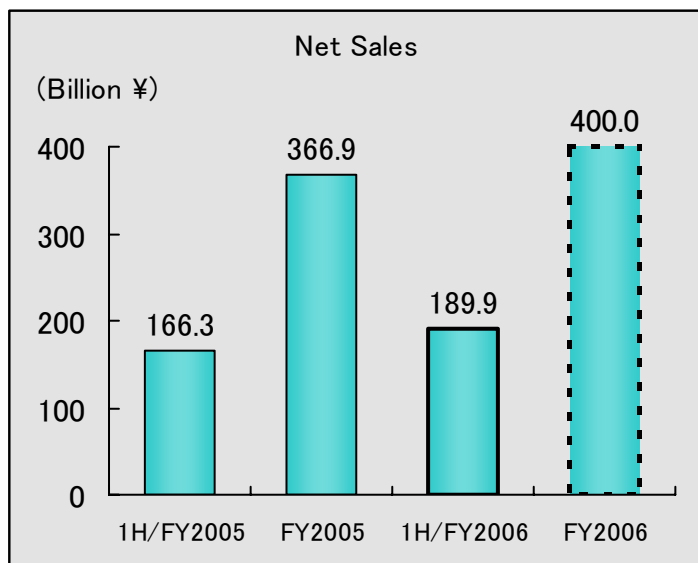
1H/FY2005

- Coal-thermal power plant/ Philippines
- Fertilizer plant/ Iran

《Operating Income》

- * Return to profitability of plant engineering business unit
- * Increase in losses from environmental engineering business unit

Consumer Products & Machinery



<Geographical Sales for Consumer Products>

(Thousands of Unit / Billion ¥)

Region	1H/FY2005		FY2005		1H/FY2006		FY2006(Projection)	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Japan	17	10.5	26	17.1	13	9.1	23	16.1
NorthAmerica	109(47)	68.5	240(120)	159.5	123(61)	85.2	278(160)	188.1
Europe	38	30.9	88	68.0	52	42.7	97	74.1
Others	83	15.6	174	33.4	58	15.2	145	33.1
Total	247	125.6	528	278.0	246	152.2	543	311.4

【Business Results for 1H/FY2006
(year-on-year comparison)】

* Increase in profit due to sales increase of motorcycles for U.S. and European market and industrial robots

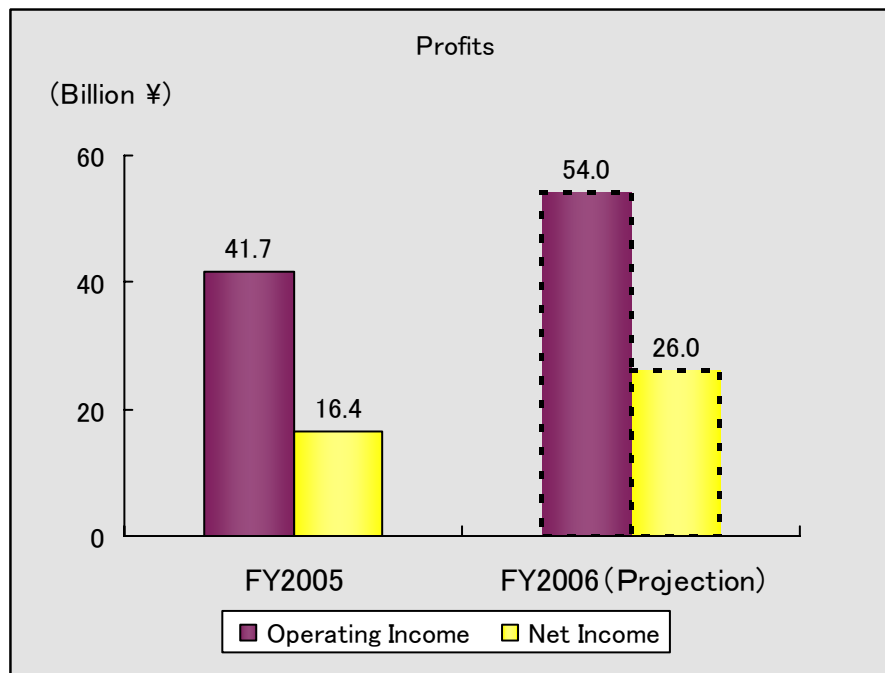
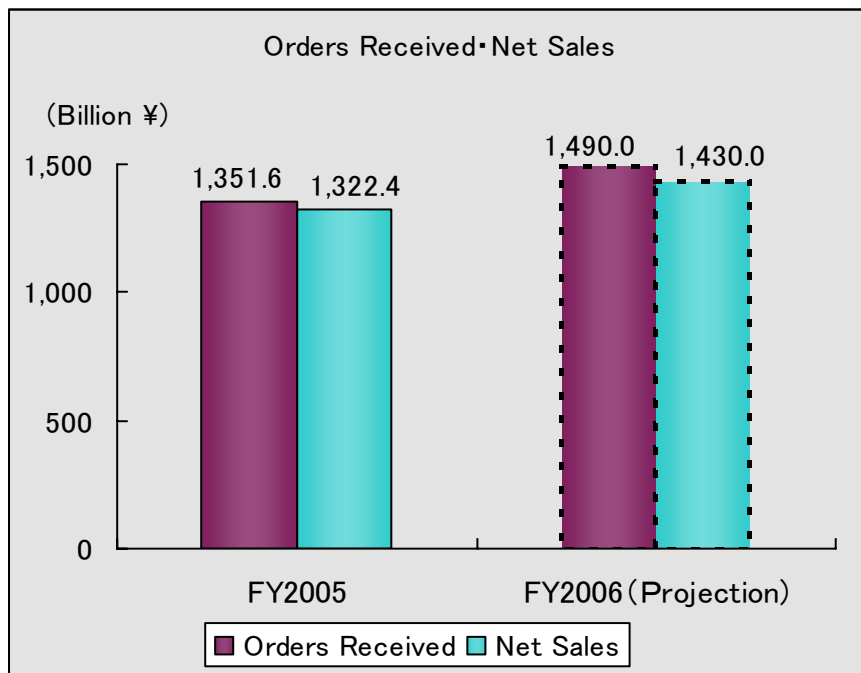
- Note
- Sales units consist of Motorcycle, All-Terrain Vehicles (ATV), Utility Vehicles (MULE), Personal Water Craft (Jet Ski) and parts for these products.
 - Domestic sales include OEM supply.
 - () represents Motorcycle sales unit.

R&D/Capital Expenditures/Number of Employees

(Billion ¥ / Persons)

	1H/FY2005 Actual	FY2005 Actual	1H/FY2006 Actual	FY2006 Projection	
R&D	10.9	28.2	14.3	34.0	
Capital Expenditures	17.8	41.7	17.4	43.0	
Depreciation and Amortization	14.3	30.5	14.8	31.0	
	Domestic	22,963	22,663	23,090	22,800
	Overseas	6,061	6,259	6,371	6,600
Number of Employees	29,024	28,922	29,461	29,400	

Outlook for FY2006



	FY2005 Actual exchange rates	FY2006 Planned exchange rates	
		As of April	As of October
USD/¥	112	110	110
EUR/¥	139	130	130

(Billion ¥)

	FY2005 Actual	FY2006 Projection	
		As of April	As of October
Operating Income	41.7	54.0	54.0
Net Income	16.4	26.0	26.0

Outlook for FY2006 by Segment

(Billion ¥)

	FY2005 Actual		FY2006 Projection			
			As of April		As of October	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Shipbuilding	109.6	-1.7	115.0	-2.0	115.0	-2.0
Rolling Stock	168.3	8.8	175.0	10.0	190.0	11.0
Aerospace	218.5	9.7	270.0	10.0	270.0	10.0
Gas Turbines & Machinery	161.4	6.8	175.0	7.5	180.0	8.0
Plant & Infrastructure Engineering	164.5	-8.4	125.0	1.0	125.0	-1.0
Consumer Products & Machinery	366.9	19.8	390.0	21.0	400.0	21.0
Others	133.0	6.7	140.0	6.5	150.0	7.0
Total	1,322.4	41.7	1,390.0	54.0	1,430.0	54.0

USD/¥	112	110	110
EUR/¥	139	130	130

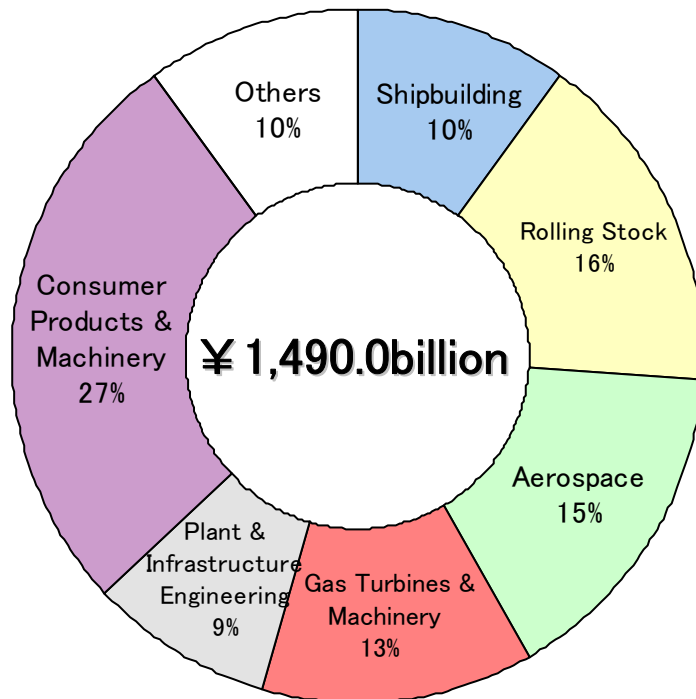
Outlook of Orders Received for FY2006

(Billion ¥)

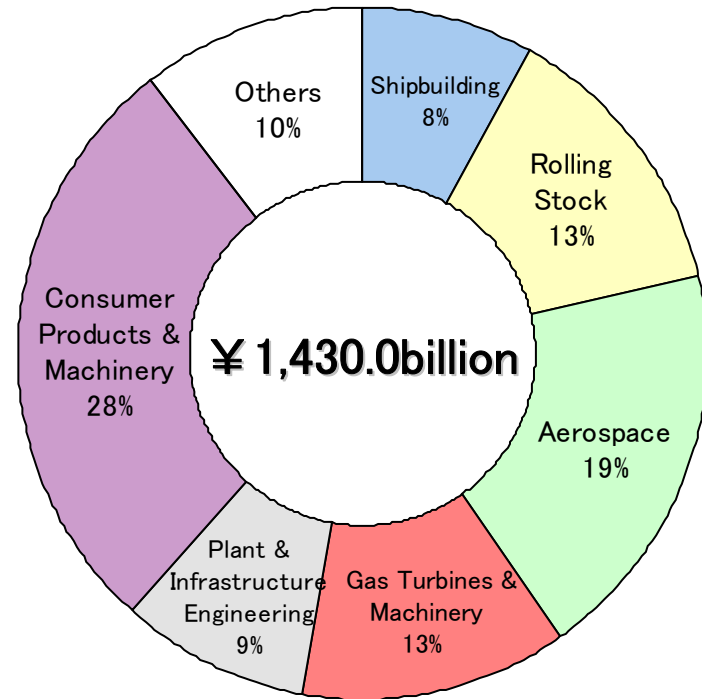
	FY2005 Actual	FY2006 Projection	
		As of April	As of October
Shipbuilding	128.3	120.0	150.0
Rolling Stock	203.1	180.0	240.0
Aerospace	229.2	230.0	230.0
Gas Turbines & Machinery	188.0	190.0	190.0
Plant & Infrastructure Engineering	97.3	100.0	130.0
Consumer Products & Machinery	366.9	390.0	400.0
Others	138.5	140.0	150.0
Total	1,351.6	1,350.0	1,490.0

Orders Received & Net Sales (FY2006 Projection)

Orders Received



Net Sales



Kawasaki, let the good times roll !

Cautionary Statement

The performance outlook and the forecasts stated in this material were prepared by Kawasaki Heavy Industries, Ltd. (hereinafter, KHI) based on the circumstances at the release point, and include potential risks and uncertain factors that relate to economic conditions, foreign currency exchange rates, tax rules, regulations and other factors. Accordingly, please note that the actual operating results, financial position, and business deployment of KHI may sometimes differ considerably from the descriptions in the present projections.