



January 31, 2006

(Consolidated)

KAWASAKI HEAVY INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
FLASH CONSOLIDATED FINANCIAL RESULTS OF THE THIRD QUARTER (Unaudited)

For nine months ended December 31, 2005 and 2004 and one year ended March 31, 2005

Operating results	Millions of yen		%	Thousands of
	Nine months ended	Nine months ended		U.S. dollars
	Dec. 31, 2005	Dec. 31, 2004		Nine months ended Dec. 31, 2005
Net sales	¥ 889,550	¥ 819,747	+9%	\$ 7,534,090
Operating income	22,030	11,162	+97%	186,584
Net income	8,427	6,840	+23%	71,373
Net income per share (Yen)	5.8	4.7		

Financial condition

	Millions of yen / Thousands of U.S. dollars		Ratio of shareholders' equity to total assets
	Total assets	Shareholders' equity	
As of December 31, 2005	¥ 1,259,154	¥ 222,852	18%
As of March 31, 2005	1,194,473	201,465	17%
As of December 31, 2005	\$ 10,664,470	\$ 1,887,457	—

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity per share	Number of shares issued and outstanding
As of December 31, 2005	¥ 150.2	1,483,578
As of March 31, 2005	139.7	1,442,359
As of December 31, 2005	\$ 1.27	—

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 ¥118.07=\$1, the rate prevailing as of December 31, 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 December 31 and March 31, 2005

	Millions of yen		Thousands of U.S. dollars
	As of Dec. 31, 2005	As of Mar. 31, 2005	As of Dec. 31, 2005
Assets :			
Current assets :			
Cash on hand and in banks	¥ 25,970	¥ 44,629	\$ 219,954
Receivables, less allowance	389,034	413,619	3,294,944
Inventories	419,403	332,333	3,552,156
Other current assets	61,191	46,424	518,260
Total current assets	<u>895,598</u>	<u>837,005</u>	<u>7,585,314</u>
Investments and long-term loans less allowance :	92,283	79,569	781,596
Net property, plant and equipment :	241,001	243,166	2,041,170
Intangible and other assets :	30,272	34,733	256,390
Total assets	<u>¥ 1,259,154</u>	<u>¥ 1,194,473</u>	<u>\$ 10,664,470</u>
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 185,071	¥ 146,605	\$ 1,567,468
Payables	364,324	348,389	3,085,661
Advances from customers	130,958	106,574	1,109,156
Other current liabilities	85,381	96,914	723,139
Total current liabilities	<u>765,734</u>	<u>698,482</u>	<u>6,485,424</u>
Long-term liabilities :			
Long-term debt, less current portion	173,259	207,279	1,467,426
Others	92,033	82,556	779,478
Total long-term liabilities	<u>265,292</u>	<u>289,835</u>	<u>2,246,904</u>
Minority interests	5,276	4,691	44,685
Shareholders' equity :			
Common stock	85,210	81,427	721,691
Capital surplus	35,220	31,390	298,298
Retained earnings	93,329	88,704	790,455
Net unrealized gains on securities	22,022	16,910	186,516
Foreign currency translation adjustments	(12,900)	(16,843)	(109,257)
Treasury stock	(29)	(123)	(246)
Total shareholders' equity	<u>222,852</u>	<u>201,465</u>	<u>1,887,457</u>
Total liabilities and shareholders' equity	<u>¥ 1,259,154</u>	<u>¥ 1,194,473</u>	<u>\$ 10,664,470</u>

Condensed Consolidated Statements of Operations

For nine months ended December 31, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars
	Nine months ended Dec. 31, 2005	Nine months ended Dec. 31, 2004	% Change	Nine months ended Dec. 31, 2005
Net sales	¥ 889,550	¥ 819,747	+9%	\$ 7,534,090
Cost of sales	<u>772,183</u>	<u>715,352</u>		<u>6,540,044</u>
Gross profit	117,367	104,395		994,046
Selling, general and administrative expenses	<u>95,337</u>	<u>93,233</u>		<u>807,462</u>
Operating income (loss)	22,030	11,162	+97%	186,584
Other income (expenses) :				
Interest and dividend income	2,976	2,605		25,205
Equity in income (losses) of unconsolidated subsidiaries and affiliates	(146)	637		(1,237)
Interest expense	(4,277)	(4,745)		(36,224)
Other, net	<u>(7,348)</u>	<u>3,894</u>		<u>(62,233)</u>
Income (loss) before income taxes and minority interests	13,235	13,553	-2%	112,095
Income taxes	(4,295)	(6,076)		(36,377)
Minority interests in net loss (income) of consolidated subsidiaries	(513)	(637)		(4,345)
Net income (loss)	<u>¥ 8,427</u>	<u>¥ 6,840</u>	<u>+23%</u>	<u>\$ 71,373</u>

(Consolidated)

Net sales, orders and operating income (loss) by industry segment

For nine months ended December 31, 2005 and 2004

	Millions of yen				% Change	Thousands of U.S. dollars
	Nine months ended Dec. 31, 2005		Nine months ended Dec. 31, 2004			Nine months ended Dec. 31, 2005
	¥		¥			\$
Net sales :						
Shipbuilding	¥ 82,285	(9%)	¥ 64,256	(8%)	+28%	\$ 696,917
Rolling Stock, Construction Machinery & Crushing Plant	115,029	(13%)	108,090	(13%)	+6%	974,244
Aerospace	131,065	(15%)	122,224	(15%)	+7%	1,110,062
Gas Turbines & Machinery	108,991	(12%)	96,856	(12%)	+13%	923,105
Plant & Infrastructure Engineering	96,963	(11%)	95,465	(12%)	+2%	821,233
Consumer products & Machinery	262,004	(30%)	243,655	(30%)	+8%	2,219,057
Other	93,213	(10%)	89,201	(10%)	4%	789,472
Total	¥ 889,550	(100%)	¥ 819,747	(100%)	+9%	\$ 7,534,090

	Millions of yen				% Change	Thousands of U.S. dollars
	Nine months ended Dec. 31, 2005		Nine months ended Dec. 31, 2004			Nine months ended Dec. 31, 2005
	¥		¥			\$
Orders :						
Shipbuilding	¥ 56,154	(7%)	¥ 139,660	(16%)	-60%	\$ 475,599
Rolling Stock, Construction Machinery & Crushing Plant	119,526	(14%)	114,819	(13%)	+4%	1,012,332
Aerospace	87,816	(11%)	77,293	(9%)	+14%	743,762
Gas Turbines & Machinery	139,291	(16%)	116,808	(14%)	+19%	1,179,732
Plant & Infrastructure Engineering	72,466	(9%)	76,600	(9%)	-5%	613,755
Consumer products & Machinery	262,004	(31%)	243,655	(28%)	+8%	2,219,056
Other	97,595	(12%)	90,118	(11%)	+8%	826,586
Total	¥ 834,852	(100%)	¥ 858,953	(100%)	-3%	\$ 7,070,822

	Millions of yen				% Change	Thousands of U.S. dollars
	Nine months ended Dec. 31, 2005		Nine months ended Dec. 31, 2004			Nine months ended Dec. 31, 2005
	¥		¥			\$
Operating income (loss) :						
Shipbuilding	¥ (140)		¥ 709			\$ (1,186)
Rolling Stock, Construction Machinery & Crushing Plant	3,640		5,923			30,829
Aerospace	6,583		3,120			55,755
Gas Turbines & Machinery	3,240		234			27,442
Plant & Infrastructure Engineering	(6,755)		(11,814)			(57,212)
Consumer products & Machinery	10,710		9,144			90,709
Other	4,752		3,846			40,247
Total	¥ 22,030		¥ 11,162			\$ 186,584