

Notice Concerning Revision of the Outlook for Performance  
and Report of Extraordinary Items for Fiscal Year Ended March 31, 2006

Kawasaki Heavy Industries, Ltd.(KHI) today has announced revision of the outlook for performance published on October 28, 2005 and recognition of extraordinary items for the fiscal year ended March 31, 2006 as follows.

1. Revision of the Outlook for Performance (Consolidated)

(Millions of yen)

	Net sales	Net income
Previous forecast announced on October 28, 2005(A)	1,300,000	14,000
Revised forecast announced today (B)	1,322,400	16,400
Change (B) - (A)	22,400	2,400
% Change	1.7%	17.1%
Results for the previous fiscal year (for reference only)	1,241,591	11,478

2. Reasons for the Revision

There is no large change in the forecast of net sales.

Despite extraordinary items notified below, net income is expected to improve due to cost reduction and the effects of yen depreciation.

3. Report of extraordinary items

KHI expects following extraordinary items in the fiscal year ended March 31, 2006.

(1) Gain from extraordinary items

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

The total amount of gains from extraordinary items is expected to be 13,177 million yen including 276 million yen of a gain on sale of stocks of a subsidiary.

(2) Loss from extraordinary items

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 decided to partially transfer 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 composed of expected charges on us for the transfer and a loss on impairment of work in process etc.

The total amount of losses from extraordinary items is expected to be 20,762 million yen including 3,007 million yen of a loss on impairment of fixed assets.

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