



January 31, 2007

(Consolidated)

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

For nine months ended December 31, 2006 and 2005 and one year ended March 31, 2006

Operating results	Millions of yen			Thousands of U.S. dollars	
	Nine months ended	Nine months ended	%	Nine months ended	
	Dec. 31, 2006	Dec. 31, 2005		Dec. 31, 2006	
Net sales	¥ 1,001,128	¥ 889,550	+13%	\$ 8,404,365	
Operating income	44,650	22,030	+103%	374,831	
Net income	23,074	8,427	+174%	193,703	
Earnings per share (Yen)	14.8	5.8			

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, 2006	¥ 1,364,833	¥ 262,206	19%
As of March 31, 2006	1,284,085	237,588	19%
As of December 31, 2006	\$ 11,457,630	\$ 2,201,192	—

	Yen / U.S. dollars	Thousand shares
	Shareholders' equity less minority interests per share	Number of shares issued and outstanding
As of December 31, 2006	¥ 164.2	1,563,462
As of March 31, 2006	152.5	1,557,507
As of December 31, 2006	\$ 1.38	—

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 ¥ 119.12=\$1, the rate prevailing as of December 31, 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 December 31 and March 31, 2006

	Millions of yen		Thousands of U.S. dollars
	As of Dec. 31, 2006	As of Mar. 31, 2006	As of Dec. 31, 2006
Assets :			
Current assets :			
Cash on hand and in banks	¥ 27,999	¥ 37,650	\$ 235,048
Receivables, less allowance	440,225	438,204	3,695,643
Inventories	442,788	383,017	3,717,159
Other current assets	68,203	57,028	572,557
Total current assets	979,215	915,899	8,220,407
Investments and long-term loans less allowance :	94,928	76,757	796,910
Net property, plant and equipment :	247,949	246,219	2,081,507
Intangible and other assets :	42,741	45,210	358,806
Total assets	¥ 1,364,833	¥ 1,284,085	\$ 11,457,630
Liabilities and shareholders' equity :			
Current liabilities :			
Short-term borrowings and current portion of long-term debt	¥ 196,738	¥ 162,746	\$ 1,651,595
Trade payables	392,169	409,942	3,292,217
Advances from customers	121,477	98,590	1,019,786
Other current liabilities	108,672	131,381	912,291
Total current liabilities	819,056	802,659	6,875,889
Long-term liabilities :			
Long-term debt, less current portion	195,143	157,057	1,638,205
Others	88,428	81,273	742,344
Total long-term liabilities	283,571	238,330	2,380,549
Minority interests	-	5,508	-
Shareholders' equity :			
Common stock	92,629	92,085	777,610
Capital surplus	42,630	42,094	357,874
Retained earnings	119,117	100,776	999,974
Treasury stock	(53)	(38)	(444)
Net unrealized gains on securities	16,432	14,097	137,944
Gains/losses on hedging items	(3,999)	-	(33,570)
Foreign currency translation adjustments	(10,051)	(11,426)	(84,376)
Minority interests	5,501	-	46,180
Total shareholders' equity	262,206	237,588	2,201,192
Total liabilities and shareholders' equity	¥ 1,364,833	¥ 1,284,085	\$ 11,457,630

Condensed Consolidated Statements of Operations

For nine months ended Dec 31, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars
	Nine months ended Dec. 31, 2006	Nine months ended Dec. 31, 2005	% Change	Nine months ended Dec. 31, 2006
Net sales	¥ 1,001,128	¥ 889,550	+13%	\$ 8,404,365
Cost of sales	858,905	772,183		7,210,419
Gross profit	142,223	117,367		1,193,946
Selling, general and administrative expenses	97,573	95,337		819,115
Operating income	44,650	22,030	+103%	374,831
Other income (expenses) :				
Interest and dividend income	2,974	2,976		24,966
Equity in income (loss) of unconsolidated subsidiaries and affiliates	1,617	(146)		13,574
Interest expense	(4,776)	(4,277)		(40,094)
Other, net	(8,725)	(7,348)		(73,245)
Income before income taxes and minority interests	35,740	13,235	+170%	300,032
Income taxes	(12,193)	(4,295)		(102,358)
Minority interests in net income of consolidated subsidiaries	(473)	(513)		(3,971)
Net income	¥ 23,074	¥ 8,427	+174%	\$ 193,703

(Consolidated)

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

For nine months ended December 31, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars		
	Nine months ended		Nine months ended		% Change	
	Dec. 31, 2006		Dec. 31, 2005			
Net sales :						
Shipbuilding	¥ 79,964	(8%)	¥ 82,285	(10%)	-3%	\$ 671,289
Rolling Stock & Construction Machinery	142,149	(14%)	115,029	(12%)	+24%	1,193,327
Aerospace	175,371	(18%)	131,065	(14%)	+34%	1,472,222
Gas Turbines & Machinery	124,558	(12%)	108,991	(12%)	+14%	1,045,651
Plant & Infrastructure Engineering	72,390	(7%)	96,963	(10%)	-25%	607,707
Consumer products & Machinery	286,825	(29%)	262,004	(32%)	+9%	2,407,866
Other	119,871	(12%)	93,213	(10%)	29%	1,006,303
Total	¥ 1,001,128	(100%)	¥ 889,550	(100%)	+13%	\$ 8,404,365

	Millions of yen			Thousands of U.S. dollars		
	Nine months ended		Nine months ended		% Change	
	Dec. 31, 2006		Dec. 31, 2005			
Orders :						
Shipbuilding	¥ 125,445	(11%)	¥ 56,154	(10%)	+123%	\$ 1,053,097
Rolling Stock & Construction Machinery	187,467	(17%)	119,526	(4%)	+57%	1,573,766
Aerospace	130,203	(12%)	87,816	(8%)	+48%	1,093,041
Gas Turbines & Machinery	149,440	(13%)	139,291	(26%)	+7%	1,254,533
Plant & Infrastructure Engineering	104,564	(9%)	72,466	(6%)	+44%	877,803
Consumer products & Machinery	286,825	(26%)	262,004	(35%)	+9%	2,407,866
Other	128,020	(12%)	97,595	(11%)	+31%	1,074,716
Total	¥ 1,111,964	(100%)	¥ 834,852	(100%)	+33%	\$ 9,334,822

	Millions of yen			Thousands of U.S. dollars		
	Nine months ended		Nine months ended		% Change	
	Dec. 31, 2006		Dec. 31, 2005			
Operating income (loss) :						
Shipbuilding	¥ (2,458)		¥ (140)			\$ (20,634)
Rolling Stock & Construction Machinery	12,612		3,640			105,876
Aerospace	8,253		6,583			69,283
Gas Turbines & Machinery	6,402		3,240			53,744
Plant & Infrastructure Engineering	(3,923)		(6,755)			(32,933)
Consumer products & Machinery	16,677		10,710			140,001
Other	7,087		4,752			59,495
Total	¥ 44,650		¥ 22,030			\$ 374,832