Kawasaki

April 4, 2001

Revision of the Outlook for Performance for Fiscal Year ending March 31, 2001

Kawasaki Heavy Industries, Ltd.(the Company) today has announced revised financial forecasts for fiscal year ending March 31, 2001 as follows:

1. Revision of the Outlook for Performance

(1) Parent Company Performance

(Millions of yen)

	Net sales	Net loss
Previous forecast announced on November 22, 2000 (A)	870,000	12,000
Revised forecast announced today (B)	850,000	13,000
Change (B) – (A)	(20,000)	(1,000)
% Change	(2.2%)	–

(2) Consolidated Performance

(Millions of yen)

	Net sales	Net loss
Previous forecast announced on November 22, 2000 (A)	1,080,000	14,000
Revised forecast announced today (B)	1,060,000	11,000
Change (B) – (A)	(20,000)	3,000
% Change	(1.8%)	–

(3) Reasons for the Revision of the Outlook for Performance

(Please refer to pages 2, 3 and 4.)

2. Suspension of the Dividend for the Fiscal Year

The Board of Directors decided at a meeting held on April 3, 2001 that, in view of the outlook for performance outlined above, the cash dividend for the fiscal year (April 1, 2000 to March 31, 2001) would be suspended. A formal decision on this matter will be made at the Annual General Meeting of Shareholders to be held near the end of June 2001.

Reasons for the Revision of the Outlook for Performance

1. Parent Company Performance

Sales are expected to decline owing to changes in the timing of delivery of machinery and structural steel products as well as the drop in shipments of motorcycles and other consumer products. Nevertheless, as a result of the decline in the value of the yen, which has improved the profitability of exports, and the positive impact of reductions in fixed costs intended to lower the breakeven point, recurring loss is expected to show a sharp decrease from a loss of ¥18.0 billion in the previous forecast to a loss of ¥4.5 billion in the forecast announced today.

Net loss for the fiscal year is forecast to be approximately the same as previously announced. Factors influencing profitability will include losses arising from the sale of the Company's equity interest in Kawasaki Rail Car, Inc. (KRC), a U.S. subsidiary engaged in the manufacturing of rolling stock, to Kawasaki Motors Manufacturing Corp., U.S.A. (KMM) (please refer to Note 1 below for details). Three other factors expected to influence profitability will be a provision for estimated losses on uncompleted contracts (Note 2), expenses for making structural improvements in the Company's business operations (Note 3), and special losses arising from the revaluation of securities accompanying the introduction of new accounting standards for financial instruments.

2. Consolidated Performance

Virtually the same factors influencing the performance of the parent company will have an impact on consolidated profitability, but losses arising from the sale of the stock of U.S. subsidiary KRC have already been taken into account in the consolidated figures and no further recognition is needed. For this reason, net loss will show an improvement from the outlook previously announced.

Note 1: Sale of KRC Stock to KMM

1) Objectives

As part of activities to strengthen its position in the U.S. rolling stock business, where strong demand is anticipated, the Company decided to manufacture rolling stock at the plant of KMM, which has a strong track record in manufacturing of motorcycles and other consumer products, as well as at the facilities of KRC. (Production at KMM is expected to begin in fall 2001.)

Following this, the Company will have two production centers for rolling stock in the United States, and, by repositioning KRC under KMM, KRC will have ready access to the manufacturing systems and know-how accumulated by KMM. Through coordinated management of these two production facilities for rolling stock in the United States, the Company will be able to increase efficiency and flexibility and aim for the optimal division of functions and allocation of management resources.

2) Outline of the Stock Transaction

All KRC shares held by the Company were sold to KMM (as of March 30, 2001), and KRC thus became a wholly owned subsidiary of KMM.

Book value of shares: $77 million (approximately ¥9.5 billion)
Sale price: $40 million (¥5.0 billion)
Loss on the transaction: $37 million (¥4.5 billion)

Facts about KRC and KMM

	Location in the United States	Date of establishment	Number of Employees
KRC	New York	February 17, 1989	246
KMM	Nebraska	December 18, 1981	1,435

Note: Number of employees as of December 31, 2000

Note 2: Provision for Estimated Losses on Uncompleted Contracts

To enhance the Company's financial position and achieve a significantly better intertemporal allocation of profit and losses, the Company sets aside a provision for losses on contracts based on the identification of those projects ongoing at the end of the fiscal year for which substantial losses are viewed as likely and for which reasonable estimates of such losses can be calculated. The provision will be approximately ¥6.0 billion.

Note 3: Expenses for Making Structural Improvements in the Company's Business Operations

The Company will report about ¥3.5 billion in expenses related to the following activities undertaken during the fiscal year to achieve improvements in its business operations.

Consolidation of production facilities for structural steel products, to be completed by the end of March 2001. (The Chiba and Sodegaura plants, both in Chiba Prefecture, will be consolidated into the Harima Plant in Hyogo Prefecture and the Noda Plant in Chiba Prefecture.)

Additional retirement allowances accompanying the implementation of the Company's early retirement plan, the Second Life Preparation System. This plan was completed at the end of December 2000.