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Outlook for Performance

for the First Six-Month Period of the Fiscal Year Ending March 31, 2002

Kawasaki Heavy Industries, Ltd. (the Company) today has announced its financial forecast for the first half of fiscal year ending March 31, 2002 as follows:

Parent Company Performance

(Millions of yen)

	Net sales	Net income (loss)
Interim results for the first six-month period of the fiscal year ended March 31, 2001 (A)	340,332	(8,394)
Interim forecast for the first six-month period of the fiscal year ending March 31, 2002 (B)	375,000	1,500
Change (B) - (A)	34,668	9,894
% Change	10.2%	-

Consolidated Performance

(Millions of yen)

	Net sales	Net income (loss)
Interim results for the first six-month period of the fiscal year ended March 31, 2001 (A)	454,528	(12,357)
Interim forecast for the first six-month period of the fiscal year ending March 31, 2002 (B)	490,000	(1,500)
Change (B) - (A)	35,472	10,857
% Change	7.8%	-

The Outlook for Performance for the First Six-Month Period of the Fiscal Year Ending March 31, 2002

1. Parent Company Performance

Sales are expected to increase as compared to the same period of the previous year due to increases in sales in the Shipbuilding, Gas Turbines & Machinery, and Plant & Infrastructure Engineering segments. Profitability is also forecast to improve sharply due to: a) an increase in sales, b) the positive impact of reductions in fixed costs intended to lower the breakeven point, and c) the decline in the value of the yen compared to the same period of the previous year. In particular, the Shipbuilding Segment is expected to return to profitability due to these three factors.

2. Consolidated Performance

Virtually the same factors influencing the performance of the parent company will have a positive impact on consolidated sales and profitability. However, the improvement in profit will be partially offset by the increase in sales promotion expenses for motorcycles by US and European subsidiaries in the Consumer Products & Machinery Segment to cope with sluggish sales in these markets.

There are no changes in the full-year financial forecasts on both a parent-only and a consolidated basis for the fiscal year ending March 31, 2002.

(Millions of yen)

	Parent Company Performance		Consolidated Performance	
	Net sales	Net income	Net sales	Net income
Fiscal year forecast announced on May 18, 2001	940,000	5,000	1,160,000	7,000

The Outlook for Consolidated Performance for the Fiscal Year Ending March 31, 2002

1. Full-Year Forecast

Sales in the Plant & Infrastructure Engineering Segment will decline due to changes in the timing of delivery of some contracts. However, sales in Shipbuilding are expected to increase. Consequently, total sales are expected to be ¥1,160 billion, unchanged from the forecast announced on May 18.

The forecast of net income of ¥7 billion is also unchanged. This is because improved performance in Shipbuilding as well as changes in the exchange rate from 110 yen to 115 yen to the dollar will be offset by a decline in profit in Plant & Infrastructure Engineering accompanying a decrease in sales and the increase of sales promotion expenses to adjust inventories for motorcycles by US and European subsidiaries in the Consumer Products & Machinery Segment.

2. Forecast for the Second Half

Sales in the second half of this financial year are expected to increase sharply, to ¥670 billion from ¥490 billion in the first half. This is mainly due to increases in the Aerospace and the Plant & Infrastructure Engineering segments.

Net income will also improve due to increased sales, and a decrease in sales promotion expenses by US and European subsidiaries in the Consumer Products & Machinery Segment.

Outlook for Consolidated Performance by Segment

(Billions of yen)

	Forecast announced on May 18, 2001		Forecast revised today	
	Net sales	Operating income (loss)	Net sales	Operating income
Shipbuilding	85	(3)	90	1
Rolling Stock	135	4	135	4
Aerospace	160	11	160	11
Gas Turbines & Machinery	170	6	170	6
Plant & Infrastructure Engineering	225	1	220	0
Consumer Products & Machinery	285	8	285	5
Other	100	1	100	1
Total	1,160	28	1,160	28