FOR RELEASE: September 30, 2016

Notice Regarding Revised Forecast of Operating Results for First Half and Full Year of Fiscal 2016, Determination of Dividends from Retained Earnings (Interim Dividends), and Revised Forecast of Year-End Dividends

Tokyo, September 30, 2016—Kawasaki Heavy Industries, Ltd. (hereinafter, "KHI"), hereby announces that the Board of Directors resolved, at a meeting held today, to revise its forecast of operating results for the first half (April 1, 2016 – September 30, 2016) and full year (April 1, 2016 – March 31, 2017) of fiscal 2016 and its forecast of year-end dividends announced on July 29, 2016, and determined its interim dividends for fiscal 2016, as outlined below.

1. Revised forecast of operating results

(1) Revised forecast of consolidated operating results for the first half of fiscal 2016
(April 1, 2016 – September 30, 2016)

	Net sales	Operating income	Recurring profit	Net income attributable to owners of parent	Earnings per share

2. Determination of dividends from retained earnings and revised forecast of year-end dividends

(1) Dividends from retained earnings (interim dividends)

	Amount determined (interim dividends for fiscal 2016)

currencies since the beginning of the current fiscal year is expected to have a significantly negative impact on both sales and profit. Taking into account the fluctuations in foreign exchange rates of developing market currencies in addition to the U.S. dollar and euro, we are forecasting a negative impact of approximately ¥26.0 billion in operating income for fiscal 2016. This amount includes roughly ¥3.0 billion in provision for losses on construction contracts associated with revisions to our exchange rate assumptions.

These forecasts are based on exchange rate assumptions of ¥102/USD and ¥114/euro for fiscal 2016.

(2) Adverse impact of losses in the Ship & Offshore Structure segment

Excluding the effect of fluctuations in foreign exchange rates, operating income in the Ship & Offshore Structure segment is expected to be negatively impacted by approximately ¥13.0 billion in fiscal 2016 for the following reasons:

(i) With regard to the drillship construction work for Enseada Indústria Naval S.A. (hereinafter, “Enseada”), our local joint venture in Brazil, approximately ¥5.0 billion in trade receivables were not recognized as a loss in the third quarter of fiscal 2015. However, the entire amount will be recorded as a loss in the second quarter of fiscal 2016 due to the following factors:

- Under the judicial reorganization (hereinafter, “JR,” similar to proceedings in Japan under the Corporate Reorganization Act) plan announced on August 12 by Sete Brasil, the investment company that is effectively placing drillship orders with Enseada, there was no clear indication of specific measures regarding additional fund procurement for the continuation of construction, and considering the outlook for Brazil’s economy and the faltering crude oil prices, we have determined that more time will be required to gain approval for the plan.
- Conditions for the Marine-related market have weakened further compared with the third quarter of fiscal 2015, and we have determined that the asset value of the ships themselves has significantly declined.

(ii) As for the offshore work vessel destined for Norway, we are currently moving to the detailed design stage based on the basic design, but we expect a negative effect of approximately ¥6.0 billion in operating income for fiscal 2016 for the following reasons:

significant amount, and this is expected to have