

**Revision of the Outlook for performance for the fiscal year ending March 31,2018
and Recording of Loss on the Rolling Stock Business**

Tokyo, March 30, 2018- Kawasaki Heavy Industries, Ltd. (hereinafter, "KHI") hereby announces it has revised its full-year consolidated business forecast for the Fiscal Year ending March 31, 2018 as follows.

1. Revision of the outlook for performance of Fiscal Year Ending March 31, 2018 (Consolidated)

	Net sales (Mil. yen)	Operating income (Mil. yen)	Recurring profit (Mil. Yen)	Profit attributable to owners of parent (Mil. yen)	Earnings per share (Yen)
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In this contract, we have been working based on the assumption that the Railroads would exercise options on up to 250 cars in addition to the base order for 92 cars. The design verification testing for the prototype cars are currently underway in the U.S., and the production cars of the base order are being produced sequentially at the U.S. factory. However, we anticipate that approximately 13.0 billion yen will be recorded as a provision for loss on order construction contracts due to the following factors.

q It has become clear that the number of the cars on the options to be exercised will be significantly reduced than originally expected, and hence the reductions of the project costs and the cost effectiveness in productions will not be achieved as expected.

r On the other hand, the project costs have increased due to schedule delays caused by design requirements and change requests of the Railroads.

s We have had discussions with the Long Island Rail Road regarding price adjustments and extensions of time to the contract caused by design requirements and change requests of the base order and the conditions of the option through the mediation process. However, we have not yet to reach an agreement as of today (March 30).

Further, we are continuing to negotiate with the Long Island Rail Road regarding the issues related to above.

(2) Expenses for replacing N700 series Shinkansen bogie frame

As we announced on February 28, we committed to replace the bogie frames of N700 series where it was found that the plate thickness of the bottom side frame was less than the specified value and that the frame was suspected to have some kind of flaw through ultrasonic detections.

Although we are still discussing with the customer regarding the method of the replacement of those bogie frames, we expect that the cost associated with replacing the bogie frames will be about 1.0 billion yen, and we will record it in the provision for product warranty. Please refer to "Notice Regarding Establishment of Companywide Quality Control Committee" announced today (March 30) regarding our measure on preventing a similar reoccurrence.

(3) Efforts for improving the profit at the Rolling Stock Business

Currently, in the Rolling Stock Business, we are working to more thoroughly take up profitable contracts only. Based on that policy, we expect to secure earnings from 2021 to 2025 by the supply of the new generation subway cars type R211, for the New York City Transit awarded in January 2018 (maximum number of the cars up to 1,612 with the total contract value of approximately U.S.\$3.7 billion including options on 1,077 cars).

In addition, in the future we expect our performance records of the delivol