FOR RELEASE：March 30, 2018

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) ※
Previous forecast announced on January 31, 2018 (A)	1,590,000	62,000	55,500	33,500	200.54
Revised forecast announced today (B)	1,575,000	53,000	38,500	23,000	137.68
Change (B-A)	(15,000)	(9,000)	(17,000)	(10,500)	ー
Change (in %)	(0.9)	(14.5)	(30.6)	(31.3)	ー
Results for fiscal year ended March 31, 2017 (for reference only)	1,518,830	45,960	36,671	26,204	15.68

※As the Company carried out a share consolidation with a 10:1 ratio of common shares with an effective date of October 1, 2017, the calculation of earnings per share factors the impact of this share consolidation in consideration.

2. Reasons for the revision

Compared with the previously announced figures (January 31, 2018) we now forecast that net sales will be 1,575.0 billion yen, down by 15.0 billion yen and expect to see higher operating income at the Aerospace and Gas Turbine & Machinery Businesses. However, we expect that the recording of losses in the Rolling Stock Business will reduce operating income by about 14.0 billion yen and the appreciation of the yen will cause operating income to fall by approximately 2.0 billion yen. As a result, we forecast that operating income will be 53.0 billion yen, down by 9.0 billion yen. With regards to recurring profit, in addition to the forecasted fall in operating income we have recorded exchange losses of about 3.0 billion yen and transferred about 3.0 billion yen to extraordinary income as proceeds from selling some fixed assets. Therefore, we forecast that compared with the previously announced figures, recurring profit will be 38.5 billion yen, down by 17.0 billion yen and profit attributable to owners of the parent will be 23.0 billion yen, down by 10.5 billion yen.

3. Recording of losses in the Rolling Stock Business

(1) Deteriorated profit in U.S. rolling stock projects

Through the U.S. subsidiary Kawasaki Rail Car, Inc., in 2013 we secured the contract for M-9 type commuter trains jointly procured by the Long Island Rail Road and the Metro-North Railroad (collectively hereinafter the “Railroads”) under the Metropolitan Transportation Authority.

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.

① 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.
② On the other hand, the project costs have increased due to schedule delays caused by design requirements and change requests of the Railroads.
③ 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 ③above.

(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 delivered vehicles will contribute to more opportunities of securing the following orders of new vehicles, spare parts and refurbishments both in Japan and overseas; new solution providing business such as the track condition monitoring system for North American freight operators is materializing; and demands for mass rapid transit railways and high-speed railways will also expand in Asia. Considering these factors, in the Rolling Stock Business we will assign more resources to business areas with better profitability, while further strengthening our cost competitiveness and making fundamental changes in our business structure.

4. Others

KHI does not change the annual dividend forecast due to the revision of this outlook.

End of documents