

Three Major Shipping Companies Revised Upward Earnings Forecasts—Significant Improvement in Financial Structure Boosts Their Creditworthiness

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the revisions to earnings forecasts for the full fiscal year ending March 2022 by three major shipping companies: Nippon Yusen Kabushiki Kaisha (security code: 9101), Mitsui O.S.K. Lines, Ltd. (security code: 9104) and Kawasaki Kisen Kaisha, Ltd. (security code: 9107).

- (1) At the time of the announcement of financial results for the second quarter of the fiscal year ending March 2022 (FY2021), the three major shipping companies revised their full fiscal year earnings forecasts. The ordinary profit for FY2021 is expected to increase sharply to 710 billion yen (3.3 times year-on-year) for Nippon Yusen Kabushiki Kaisha ("NYK"), 480 billion yen (3.6 times year-on-year) for Mitsui O.S.K. Lines, Ltd. ("MOL"), and 390 billion yen (4.4 times year-on-year) for Kawasaki Kisen Kaisha, Ltd. ("K Line"). This is mainly due to higher-than-expected freight rates for containerships and a significant improvement in earnings at Ocean Network Express Pte. Ltd. ("ONE"), a company established through the integration of the liner container businesses of the three companies. In addition, accumulation of profit led to an increase in equity capital, and the equity ratio as of the end of the second quarter of FY2021 (after evaluation of equity content of hybrid products for MOL and K Line, MOL's ratio at the end of the second quarter of FY2021 reflects the replacement of such hybrid products in October 2021) was 43.1% (29.4% at the end of FY2020) for NYK, 38.2% (about 30%; same as above) for MOL, and 42.0% (26.2%; same as above) for K Line.
- (2) Over the past 10 years, each company's equity capital has been severely impaired due to repeated posting of net losses, and their financial structure has been deteriorating. However, as each company will post record profits in FY2021, their equity capital will be rapidly restored. JCR believes that the significant improvement in the financial structure of the three companies this time can be positively evaluated in rating judgment. JCR will closely examine their future performance and investment prospects, and reflect them in their ratings.

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<Reference>

Issuer: Nippon Yusen Kabushiki Kaisha

Long-term Issuer Rating: A- Outlook: Stable

Issuer: Mitsui O.S.K. Lines, Ltd.

Long-term Issuer Rating: A- Outlook: Stable

Issuer: Kawasaki Kisen Kaisha, Ltd.

Long-term Issuer Rating: BBB- Outlook: Stable

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