

Kawasaki Kisen Kaisha's Financial Results for FY2016 – No Immediate Impact on Rating; JCR will Watch Degree of Future Earnings Improvement

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Kawasaki Kisen Kaisha, Ltd. (security code: 9107)'s announcement on the financial results for the fiscal year ended March 2017 and earnings forecasts for the fiscal year ending March 2018.

- (1) Kawasaki Kisen Kaisha, Ltd. (the "Company") announced today its financial results for the fiscal year ended March 2017 (FY2016). Its ordinary income and net Income attributable to owners of the parent company were 52.3 billion yen and 139.4 billion yen both in the red, which were forecasted at 47.0 billion yen and 94.0 billion yen as of January 31, 2017. The downturn of the net Income attributable to owners of the parent company was due to provision for an expected future loss to be incurred as a containership business restructuring related loss and also for loss on charter contract. The Company, on the other hand, expects its ordinary income and net Income attributable to owners of the parent company for FY2017 both to be 21.0 billion yen. The net Income attributable to owners of the parent company will turn into the black for the first time in 3 years in FY2017.
- (2) Its financial structure as of March 31, 2017 worsened more than JCR's assumption due to the increased extraordinary loss. Meanwhile, its earnings in and after FY2017 will improve, supported by factors such as recovery of shipping market and effects from restructuring including this restructuring. Given this expectation, JCR does not consider it is necessary to immediately change the rating for the Company. Considering that a tough business environment will continue into the future, the Company recorded the provision for the losses this time. It is impossible to have an optimistic view on outlook for the earnings over a medium term. If improvements of earnings and financial structure further delay, downward pressure on the Company's rating may intensify. JCR will continue to watch trend of shipping market, degree of earnings recovery, progress of business integration of containership business by 3 Japanese shipping companies.

Masayoshi Mizukawa, Tadashi Ono

<Reference>

Issuer: Kawasaki Kisen Kaisha, Ltd.

Long-term Issuer Rating: BBB Outlook: Negative

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