

Kawasaki Kisen's Revision of Earning Forecasts – Already Reflected in the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement made by Kawasaki Kisen Kaisha, Ltd. (security code: 9107) regarding a revision made to its full-year earnings forecasts for the fiscal year ending March 2019.

- (1) Kawasaki Kisen Kaisha, Ltd. (the "Company") announced on March 7, 2019, that the Company has revised its forecast of consolidated financial results for the fiscal year ending March 2019 (FY2018). Revised forecasts indicate a deficit in ordinary income of 46 billion yen (previous forecasts: a deficit of 28 billion yen) and a deficit in net income attributable to the parent's shareholder of 100 billion yen (previous forecasts: a deficit of 20 billion yen). The Company made this revision due to the recording of losses incurred by the termination of charter vessel lease contracts in terms of the extraordinary gain or loss and the change in the timing of recording capital gain which was originally scheduled in FY2018, in addition to loss provisions associated with charter vessels in terms of operating profit and loss.
- (2) JCR announced on February 13, 2019, the affirmation of the BBB- long-term issuer rating on the Company with Stable outlook. This revision was made as a part of measures to improve its profit structure, and will work as a supporting factor for its business recovery after FY2019. Meanwhile, its core capital may further be damaged as it continues to put priority on spending expenses for structural reform. There is large room for improvement in terms of the level of its core capital and the equity capital ratio, etc., and JCR still considers that the Company is in immediate need of strengthening its financial base. JCR has already reflected this in the rating in February 2019 and thinks that it is not necessary to make an immediate revision to its rating. Going forward, JCR will closely monitor the degree of recovery in its earnings as well as its efforts to strengthen its financial base.

Masayoshi Mizukawa, Tadashi Ono

<Reference>

Issuer: Kawasaki Kisen Kaisha, Ltd.

Long-term Issuer Rating: BBB- Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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