

March 7, 2018

Notice on Provision for Losses and Extraordinary Losses
from Business Structural Reforms,
and Revised Forecast of Financial Results for Fiscal Year 2018.

Kawasaki Kisen Kaisha, Ltd. ("K" LINE) announces today to carry out business structural reforms, mainly for profitability improvement and reduction of fleets being effected for the exposure to risks from market conditions, for upcoming financial results ending March 2019, by considering the largely changeable business environment. As to the cost of the business structural reforms, "K" Line estimates approximately 65 billion yen followed with provision for loss related to containerships chartering to OCEAN NETWORK EXPRESS PTE. LTD. ("ONE"), the Company's equity-method affiliate, as well as chartering cancellation of containerships and dry bulkers. With this implementation of the business structural reforms and changes of other extraordinary income or losses, "K" LINE announces that the forecast of consolidated financial results for fiscal year ending March 2019 has been revised as set forth below.

1) Provision for Losses (Operating Expenses) and Chartering Cancellation (Extraordinary Losses)

ONE already settled the teething problems, which had occurred immediately after the commencement of the services, and hereafter has been steadily under the improvement of liftings and space utilization; however, the forecast of consolidated financial results for fiscal year ending March 2019 is estimated to record loss with regret. Under such situation, "K" LINE considered the business structural reforms for the purpose to improve our own fundamental profitability through next fiscal year onwards and, as a result, "K" LINE determined to record the provision for losses of approximately 15 billion yen, as rationally estimable amount, regarding loss related to containerships chartering as well as to carry out cancelling chartering contracts for some of uneconomical containerships and small and medium sized dry bulkers to reduce the exposure to risks from market fluctuation. "K" LINE estimates about 50 billion yen as extraordinary losses with respect to these chartering cancellations. On top of that, it is expected that some of extraordinary profit, originally scheduled to be recorded in current period, is to be accounted in next period due to the change of the timing implementation; thus, "K" LINE has revised the forecast of consolidated financial results ending March 2019.

2) Revision of Consolidated Financial Results for the Full Year

(April 1, 2018 – March 31, 2019)

	Full Year				
	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income attributable to owners of parent (million yen)	Net income per share (yen)
Forecast announced previously on January 31, 2018 (A)	840,000	(5,000)	(28,000)	(20,000)	△ 214.43
Revised forecast (B)	840,000	(21,000)	(46,000)	(100,000)	△ 1,072.13
Change (B – A)	-	(16,000)	(18,000)	(80,000)	△ 857.70
Change (%)	-	-	-	-	-
Reference: Consolidated results for prior fiscal year (fiscal year ended March 31, 2018)	1,162,025	7,219	1,962	10,384	111.13

3) Reason for the Revision

As listed in previous clause, “K” LINE has revised the forecast of consolidated financial results ending March 2019 because of provision for losses regarding chartering in operating loss, reflection of impact by dry bulker’s weaken market conditions, extraordinary losses related to cancellation of chartering contracts, as well as the change of the timing implementation for extraordinary profit by assets’ sale such as fleets to subsequent period, which results in expansion of net loss attributable to owners of parent.

Kawasaki Kisen Kaisha, Ltd. Web Page URL: <https://www.kline.co.jp/en/index.html>

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Kawasaki Kisen Kaisha, Ltd. (“K” LINE)

Note: The forecasts of financial results set forth in this document were calculated based on available information at the time of announcement. Actual results may differ from the forecast because of various factors such as future developments in the business environment.