

April 1, 2016

Revised Forecast of Financial Results and Business Structural Reforms

Kawasaki Kisen Kaisha, Ltd. (“K” Line) announces that based on recent performance, the forecast of consolidated financial results for fiscal year ending March 2016 that we announced on January 29, 2016, has been revised as set forth below.

Also, with respect to this, “K” Line announces estimation of costs arisen from implementation of business structural reform and other factors in the fourth quarter.

1) Revision of Consolidated Financial Results for the Full Year
 (April 1, 2015 - March 31, 2016)

	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 29, 2016 (A)	1,275,000	11,000	7,000	5,000	5.33
Revised forecast (B)	1,250,000	7,000	1,000	(50,000)	(53.35)
Change (B – A)	Δ 25,000	Δ 4,000	Δ 6,000	Δ 55,000	Δ 58.68
Change (%)	Δ 2.0%	Δ 36.4%	Δ 85.7%	-	-
Reference: Consolidated results for prior fiscal year (fiscal year ended March 31, 2015)	1,352,421	47,988	48,980	26,818	28.60

2) Reason for the Revision

Under the circumstances of the slowdown in the Chinese economy becoming clearer with adjustment of surplus facilities, and emerging economies having deteriorated with fall in resource prices, the decline in demand expanded the imbalance between supply and demand in shipping capacity. This resulted in more sluggish market than expected in dry bulk business, and also no progress in freight rate restoration in containership business, so we made downward revisions in operating income and ordinary income for the full year as aforementioned. Furthermore, due to the losses arisen from implementation of business structural reform in dry bulk business, plus additional loss on valuation of investment securities, and so on, we made large downward revision in net income attributable to owners of parent for the full year from the previous forecast, which amounts to roughly 50 billion yen loss as aforementioned.

3) Costs of Business Structural Reforms and other losses

aaa) Estimation of Costs

As a result of the stagnation in cargo movement in dry bulk business due to the slowdown in the Chinese economy becoming clearer, and decline in demand for resources, market conditions reached their lowest level ever. On the other hand, resource prices and their

demand, such as crude oil and iron ore, show signs of recovery; however, we expect it will take additional time for improvement in the supply and demand balance. In response to our business environment facing such structural changes, we determined to perform business structural reform to accelerate the rationalization of “K” Line Group’s fleet sizes, mainly small and medium-size vessels to reduce the exposure to risks from market conditions. We estimate roughly 50 billion yen of losses for this purpose, consisting of additional disposal of some of our own fleet, early termination of charter agreements, impairment loss of some of our dry bulk vessels, and so on.

bbb) Total amount of loss on valuation of investment securities during Fiscal Year ending March 31, 2016


We recorded the loss on valuation of investment securities by the impairment accounting process during the fourth quarter of fiscal year ending March 31, 2016, for investment securities classified as “available-for-sale securities” where market value showed no prospects for recovery as a result of significant declines .

The total amount of the loss on valuation of investment securities during the Fourth Quarter of Fiscal Year ending March 31, 2016 (January 1, 2016 - March 31, 2016)	8,365 (million yen)
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※ We have applied the reversal method for valuation of investment securities at the end of each quarter.

※ “K” Line ‘s date for settlement of accounts is March 31.

Review of “K” Line Group’s medium-term management plan:

“  Value for our Next Century”

We recognize our business environment is facing structural changes, so we determined to not only implement business structural reform in dry bulk business but also a fundamental review of management’s plans for swift response to such changes.

We are currently proceeding with review of the “K” Line Group’s medium-term management plan “ Value for our Next Century” released in March 2015, and are planning to announce a revised management plan at same timing as release of the forecast for consolidated results for the full year ending March 31, 2017.

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.

For further information, please contact:

Masahiro Murosaki

General Manager, Corporate Planning Group

Tel: +81-3-3595-5594 Fax: +81-3-3595-5175

Kiyoshi Tokonami

General Manager, IR & PR Group

Tel: +81-3-3595-5189 Fax: +81-3-3595-5001

Kawasaki Kisen Kaisha, Ltd. ("K" Line)