

## MIRA INFORM REPORT

Report No. :	535119
Report Date :	16.10.2018

### IDENTIFICATION DETAILS

Name :	KAWASAKI HEAVY INDUSTRIES LTD
Registered Office :	Kobe Crystal Tower, 1-1-3 Higashi-Kawasakicho Chuoku Kobe 560-8680
Country :	Japan
Financials (as on) :	31.03.2018
Date of Incorporation :	October 1986
Com. Reg. No.:	1400-01-003719
Legal Form :	Limited Company
Line of Business :	Manufacturing of heavy electric machinery & engineering works
No. of Employees :	16,423

### RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

MIRA's Rating :	A++
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Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default

Maximum Credit Limit :	Yen 30,277.2 Million
Status :	Excellent
Payment Behaviour :	Regular
Litigation :	Clear

### NOTES :

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

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**ECGC Country Risk Classification List**

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Japan	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**JAPAN - ECONOMIC OVERVIEW**

Over the past 70 years, government-industry cooperation, a strong work ethic, mastery of high technology, and a comparatively small defense allocation (slightly less than 1% of GDP) have helped Japan develop an advanced economy. Two notable characteristics of the post-World War II economy were the close interlocking structures of manufacturers, suppliers, and distributors, known as keiretsu, and the guarantee of lifetime employment for a substantial portion of the urban labor force. Both features have significantly eroded under the dual pressures of global competition and domestic demographic change.

Measured on a purchasing power parity basis that adjusts for price differences, Japan in 2017 stood as the fourth-largest economy in the world after first-place China, which surpassed Japan in 2001, and third-place India, which edged out Japan in 2012. For three postwar decades, overall real economic growth was impressive - averaging 10% in the 1960s, 5% in the 1970s, and 4% in the 1980s. Growth slowed markedly in the 1990s, averaging just 1.7%, largely because of the aftereffects of inefficient investment and the collapse of an asset price bubble in the late 1980s, which resulted in several years of economic stagnation as firms sought to reduce excess debt, capital, and labor. Modest economic growth continued after 2000, but the economy has fallen into recession four times since 2008.

Japan enjoyed an uptick in growth since 2013, supported by Prime Minister Shinzo ABE's "Three Arrows" economic revitalization agenda - dubbed "Abenomics" - of monetary easing, "flexible" fiscal policy, and structural reform. Led by the Bank of Japan's aggressive monetary easing, Japan is making modest progress in ending deflation, but demographic decline - a low birthrate and an aging, shrinking population - poses a major long-term challenge for the economy. The government currently faces the quandary of balancing its efforts to stimulate growth and institute economic reforms with the need to address its sizable public debt, which stands at 235% of GDP. To help raise government revenue, Japan adopted legislation in 2012 to gradually raise the consumption tax rate. However, the first such increase, in April 2014, led to a sharp contraction, so Prime Minister ABE has twice postponed the next increase, which is now scheduled for October 2019. Structural reforms to unlock productivity are seen as central to strengthening the economy in the long-run.

Scarce in critical natural resources, Japan has long been dependent on imported energy and raw materials. After the complete shutdown of Japan's nuclear reactors following the earthquake and tsunami disaster in 2011, Japan's industrial sector has become even more dependent than before on imported fossil fuels. However, ABE's government is seeking to restart nuclear power plants that meet strict new safety standards and is emphasizing nuclear energy's importance as a base-load electricity source. In August 2015, Japan successfully restarted one nuclear reactor at the Sendai Nuclear Power Plant in Kagoshima prefecture, and several other reactors around the country have since resumed operations; however, opposition from local governments has delayed several more restarts that remain pending. Reforms of the electricity and gas sectors, including full liberalization of Japan's energy market in April 2016 and gas market in April 2017, constitute an important part of Prime Minister Abe's economic program.

Under the Abe Administration, Japan's government sought to open the country's economy to greater foreign competition and create new export opportunities for Japanese businesses, including by joining 11 trading partners in the Trans-Pacific Partnership (TPP). Japan became the first country to ratify the TPP in December 2016, but the United States signaled its withdrawal from the agreement in January 2017. In November 2017 the remaining 11 countries agreed on the core elements of a modified agreement, which they renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan also reached agreement with the European Union on an Economic Partnership Agreement in July 2017, and is likely seek to ratify both agreements in the Diet this year.

Source : CIA

## **COMPANY NAME AND SUMMARY**

### **KAWASAKI HEAVY INDUSTRIES LTD**

**REGD NAME:** Kawasaki Jyukogyo KK

**MAIN OFFICE:** Kobe Crystal Tower, 1-1-3 Higashi-Kawasakicho Chuoku Kobe 560-8680 JAPAN

Tel: 078-371-9530 Fax: 078-371-9566

**URL:** <http://www.khi.co.jp/>

E-Mail address: (through the URL to each division)

**ACTIVITIES:** Mfg of heavy electric machinery & engineering works

**BRANCHES:** Tokyo, Sapporo, Sendai, Hyogo, Akashi, other (Tot 12)

**OVERSEAS:** China, Taipei, Seoul, Jakarta, Singapore, Kuala Lumpur, Bangkok, USA, Brazil, UK, Netherlands, other  
(Subsidiaries): USA, Canada, Brazil, UK, Germany, Netherlands, Korea, China, including Hong Kong), Thailand, Philippines, Indonesia, Australia, other

**FACTORIES:** Kobe, Akashi, Hyogo, Gifu, other (Tot 11)

**OVERSEAS:** USA, Brazil, UK, China, Philippines, Indonesia, Thailand (--subsidiaries)

**OFFICERS:** YOSHINORI KANEHANA, PRES Shigeru Murayama, ch  
Kenji Tomita, v pres Masanori Ishikawa, v pres  
Kazuo Ohta, mgn dir Tatsuya Watanabe, mgn dir

Yen Amount: In million Yen, unless otherwise stated

<b>SUMMARY:</b>	FINANCES	FAIR	A/SALES	Yen 1,574,242 M
	PAYMENTS	REGULAR	CAPITAL	Yen 104,484 M
	TREND	STEADY	WORTH	Yen 466,042 M
	STARTED	1896	EMPLOYES	16,423

## **COMMENT**

MFR OF HEAVY ELECTRIC MACHINERY & ENGINEERING WORKS.

FINANCIAL SITUATION CONSIDERED FAIR AND GOOD FOR ORDINARY BUSINESS ENGAGEMENTS.

MAX CREDIT LIMIT: YEN 30,277.2 MILLION, 30 DAYS NORMAL TERMS.

## **HIGHLIGHTS**

The subject company was established originally in 1878 by Shozo Kawasaki for mfg Western-style oceangoing steel ships, on his account, and was incorporated in 1986. This is a comprehensive heavy electric machinery mfg

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& engineering company, with strength in railroad rolling stocks, motorcycles and medium-sized gas turbines. Also major shipbuilder. Since incorporated spun off various divisions, such as steel, transportation, etc into independent firms, which now constitute its main group firms. Particularly strong in railway rollingstock, where the company is one of the domestic market leaders and has a solid record in the US as well. Also focusing operations in Asia including Taiwan & Singapore. The aircraft business is mainly the contract mfg of parts & components for Boeing. Manufactures submarine & aircraft (transport aircraft, patrol aircraft & helicopters) for the Self Defense Forces as well. Strengthening industrial robots also in the medical field such as surgery supporting apparatus. In the shipbuilding business, has JV with Chinese firms for container vessels 6 others.

## **FINANCIAL INFORMATION**

The sales volume for Mar/2018 fiscal term amounted to Yen 1,574,242 million, a 3.65% up from Yen 1,518,830 million in the previous term. The recurring profit was posted at Yen 43.225 million and the net profit at Yen 28,915 million, respectively, compared with Yen 36.671 million recurring profit and Yen 26.204 million net profit, respectively, a year ago.

For the current term ending Mar 2019 the recurring profit is projected at Yen 71,500 million and the net profit at Yen 48,000 million, respectively, on a 5.45% rise in turnover, to Yen 1,660,000 million.

The financial situation is considered FAIR to GOOD and good for ORDINARY business engagements. Max credit limit is estimated at Yen 30,277.2 million, on 30 days normal terms.

## **REGISTRATION**

**Date Registered:** Oct 1986  
**Regd No.:** 1400-01-003719 (Kobe-Chuoku)  
**Legal Status:** Limited Company (Kabushiki Kaisha)  
**Authorized:** 3,360 million shares  
**Issued:** 1,670,805,320 shares  
**Sum:** Yen 104,484 million

**Major shareholders (%):** Master Trust Bank of Japan T (5.5), Japan Trusty Services T (3.8), Nippon Life Ins (3.4), JFE Steel (2.7), Mizuho Bank (2.4), Company's Kyoeikai Assn (2.1), Sompo Japan Nipponkoa Ins (1.8), Employees' S/Holding Assn (1.7), Japan Trustee Services T5 (1.7); foreign owners (26.3).

**No. of shareholders:** 106,128

**Listed on the S/Exchange (s) of:** Tokyo

Nothing detrimental is known as to the commercial morality of executives.

**Related companies:** Kawasaki Shipyard, Kawasaki Precision Machinery, NIPPI Corp, Kawasaki Thermal Engineering, Kawasaki Motors Corp, Kawasaki Safety Service Ind, Kawaju Shoji, other

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## **OPERATION**

**Activities:** Comprehensive heavy electric machinery mfg & engineering works:

**(Sales breakdown by divisions):**

**Shipbuilding (6%):** new-building ships, ship repairs, ship remodeling, other;

**Railway Rolling Stock (9%):** railway rolling stocks, civil-engineering machinery & equipment, snow plow, crushing machines;

**Aerospace (21%):** aircraft, spacecraft, other;

**Gas Turbine & Machinery (17%):** jet engines, multi-purpose gas turbines, generating machinery;

**Industrial Plants, Environment & Steel Structure (8%):** industrial machinery & plants, boilers, environmental machinery & equipment, steel structures;

**Others (39%):** hydraulic equipment, fire-preventive equipment, medical equipment, management of welfare facilities, other.

**Overseas Sales Ratio (57%)**

**Clients:** [Mfrs, wholesalers, airlines, ministry] Sojitz Corp, Marubeni Corp, Sumitomo Corp, Itochu Corp, JR West Japan, Kawasaki Machine Systems, Kawasaki Motors Corp USA, Ministry of Defense, Okada Industry, other  
Domestic areas of activities: Nationwide

**Suppliers:** [Mfrs, wholesalers] Sojitz Corp, Sumitomo Corp, Sojitz Aerospace, Itochu Corp, Marubeni Corp, Kawasho Corp, Fujitsu Ltd, Maeda Construction, Itochu Aviation, Kawaju Finance, Mitsubishi Heavy Ind, Fuji Heavy Ind, Hikari Alfax Inc, Shimadzu Corp, other.

**Payment record:** Regular

**Location:** Business area in Kobe. Office premises at the caption address are leased and maintained satisfactorily.

**Bank References:**

Mizuho Bank (Uchisaiwaicho)

SMBC (Kobe)

Relations: Satisfactory

## **FINANCES**

**(In Million Yen)**

Terms Ending:	31/03/2019	31/03/2018	31/03/2017	31/03/2016
Annual Sales	1,660,000	1,574,242	1,518,830	1,541,096
Recur. Profit	71,500	43,225	36,671	93,229
Net Profit	48,000	28,915	26,204	46,043

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**KAWASAKI HEAVY INDUSTRIES LTD - 535119**

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Total Assets		1,785,028	1,687,363	1,620,468
Current Assets		1,148,322	1,077,835	1,017,903
Current Liabs		869,643	843,441	767,711
Net Worth		466,042	437,247	431,368
Capital, Paid-Up		104,484	104,484	104,484
Div.P.Share(₹)		30.00	3.00	2.00
<b>&lt;Analytical Data&gt;</b>	(%)	(%)	(%)	(%)
S.Growth Rate	5.45	3.65	-1.44	3.69
Current Ratio	..	132.05	127.79	132.59
N.Worth Ratio	..	26.11	25.91	26.62
R.Profit/Sales	4.31	2.75	2.41	6.05
N.Profit/Sales	2.89	1.84	1.73	2.99
Return On Equity	..	6.20	5.99	10.67

Notes: Forecast (or estimated) figures for the 31/03/2019 fiscal term.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.97
UK Pound	1	INR 97.08
Euro	1	INR 85.49
Yen	1	INR 0.65

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	NIS
<b>Report Prepared by :</b>	SYL

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)