

“K”LINE Vision 2008⁺

March 2006

Kawasaki Kisen Kaisha, Ltd.

Agenda

- Background of “K”LINE Vision 2008⁺
 - Performance for Fiscal 2004 and 2005
 - Drastic change in business environments
- “K”LINE Vision 2008⁺
 - (Revised) Profit Targets
 - Division-wise Summary
- Theme of “K”LINE Vision 2008⁺

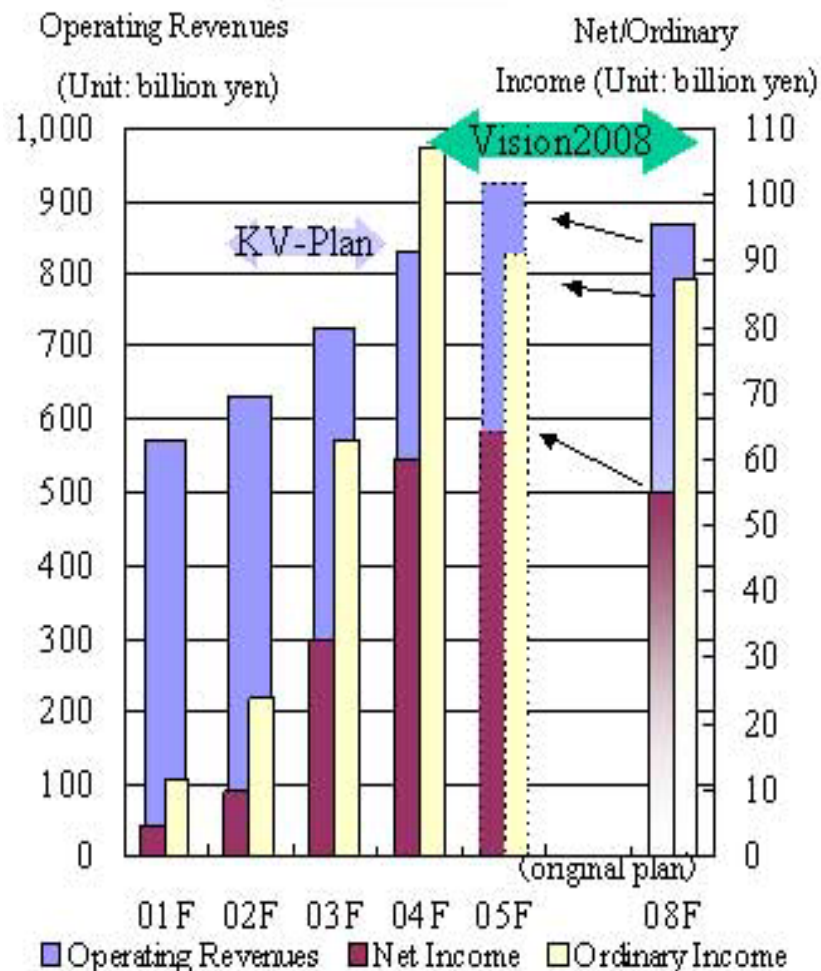
Sustainable growth and establishment of a stable profitability structure (continued)

 - Measures to support systematic expansion of business scale (new)
 - Response to change in business environments (new)
- “K”LINE Vision 2008⁺ =Business Environments and Business Strategy =
 - Business Environments
 - Business Strategy

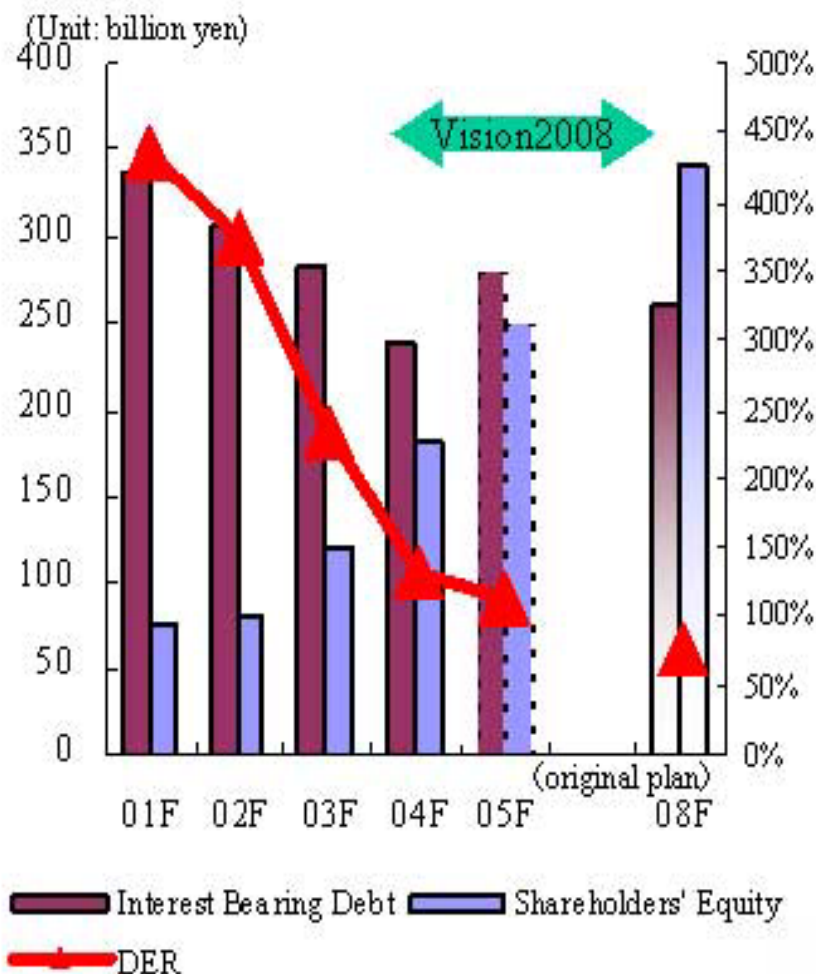
Background of “K”LINE Vision 2008 +

- Performance for Fiscal 2004 and 2005
- Drastic change in business environments

Profit Trends



Major Financial Indices



Bunker Oil Price Fluctuation



Bunker oil price change
Original plan \$170/MT
=> \$300/MT

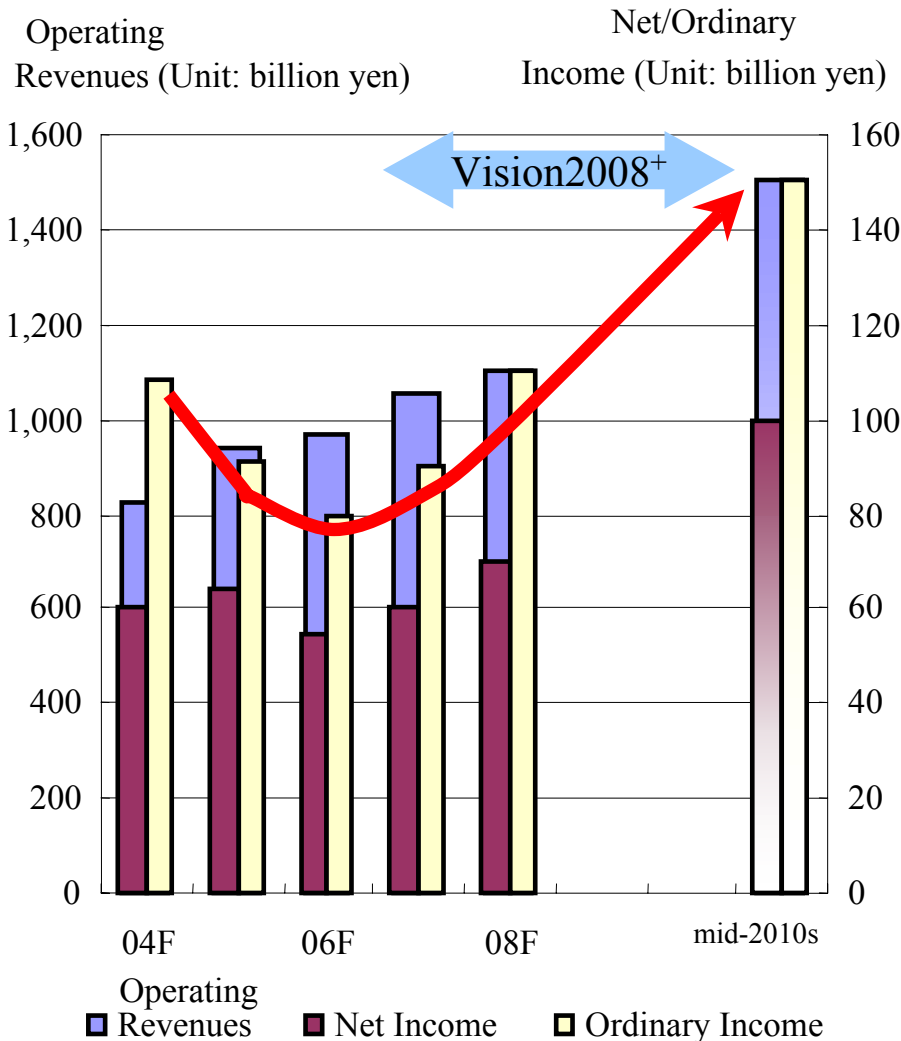
Impact of \$10/MT up is 3 bln
yen
a year at Ordinary Income
=> - 39 billion yen a year

“K”LINE Vision 2008⁺

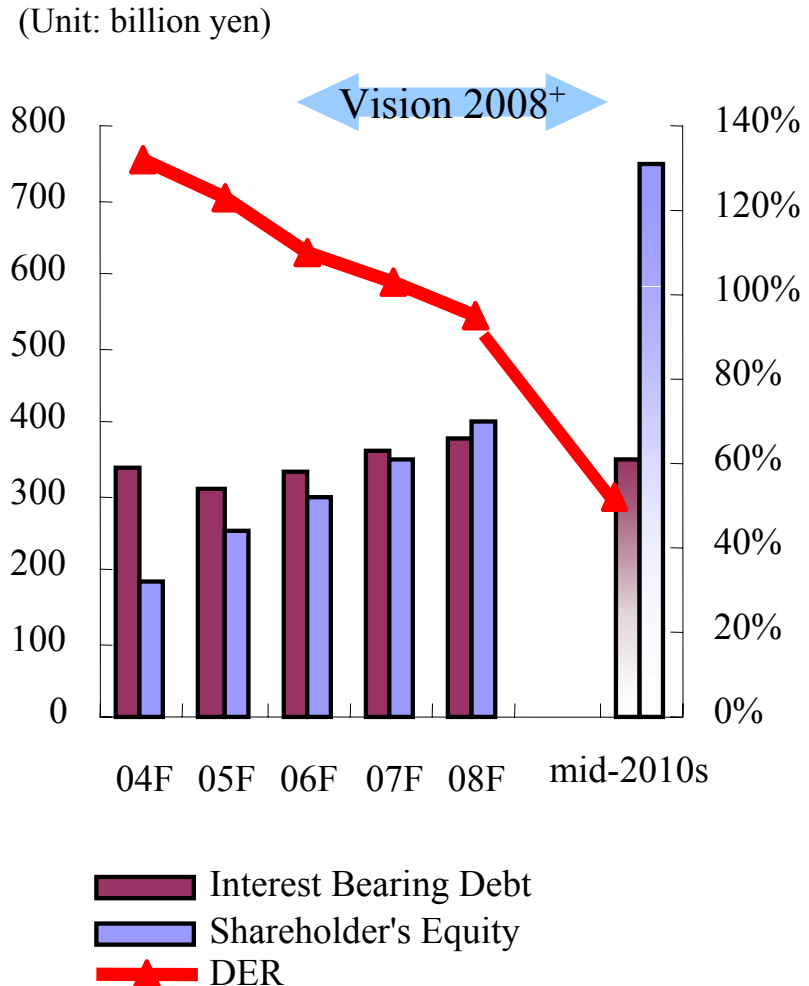
- (Revised) Profit Targets
- Division-wise Summary

“K”LINE Vision 2008+
- (Revised) Profit Targets -

Profit Targets



Shareholder's Equity Reinforcement



<Outline>

Containership Business :

Loading cargo volume growing at double-digits a year with delivery of new ships

Average freight rate is expected to decline in Fiscal 06 and then recover

Car Carrier Business : Revenue increase through cargo volume growth

Dry Bulk Business: On the premise that market calming down moderately

Revenue increase through business expansion in general

Energy Transportation and Tanker Business :

In LNG & Tanker divisions revenue increase through business expansion

Freight Forwarding / Harbor Transportation Business :

Revenue increase through business expansion

Theme of “K”LINE Vision 2008⁺

Sustainable growth and establishment of a stable profitability structure
(continued)

- Measures to support systematic expansion of business scale (new)
- Response to changes in business environments (new)

< Sustainable growth and establishment of a stable profitability structure >

- Measures to support systematic expansion of business scale
 - Fleet upgrading plan achieving maximum investment efficiency
 - Ship operation administration structure supporting safety in navigation
 - Developing into one of the best and strongest global management organizations
 - Re-construction of system and organization for flexible and quick decision-making

- Response to changes in business environments
 - CSR & environmental measures
 - Reform of cost structure
 - Risk management

- Measures to support systematic expansion of business scale -

< Fleet upgrading plan achieving maximum investment efficiency >

Establishment fleet of 500 ships : adding 192 ships with 800 bln yen investment

	Start of original plan	2004-5F		2006F		2007F		2008F		Investments Total
		added	Mar '06	added	Mar '07	added	Mar '08	added	Mar '09	
Container	64	11	78	6	83	3	86	7	90	27
Bulk Carrier	137	30	151	29	165	10	173	14	185	83
PCTC	70	15	84	8	90	4	94	5	90	32
LNG	24	6	30	2	32	3	35	13	48	24
Tanker	17	3	20	4	23	5	28	4	31	16
Others	49	3	46	3	52	3	52	1	54	10
Total	361	68	409	52	445	28	468	44	498	192

* Purchase of secondhand vessels is counted in 'added' in each year

No. of vessels as of the end of each fiscal year is net base excluded charter-backed or sold

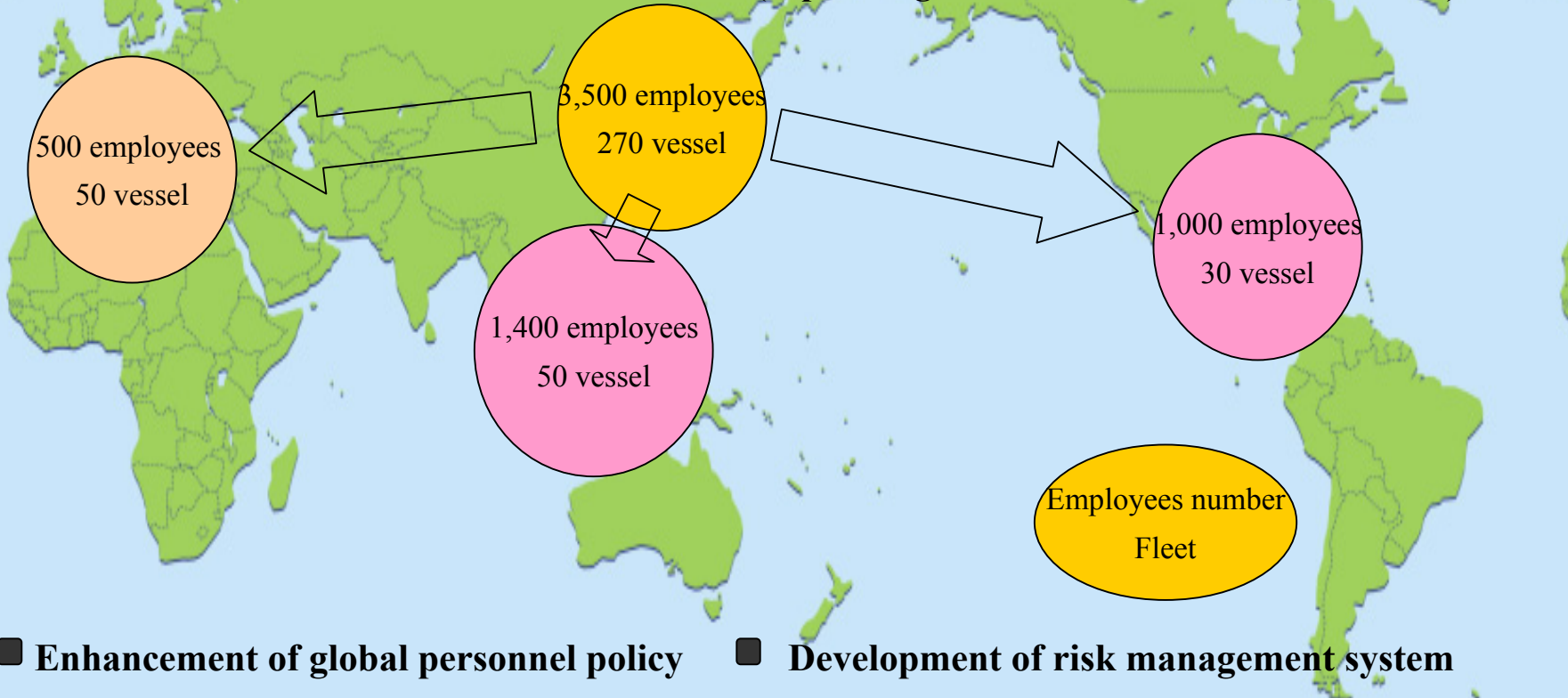
< Ship operation administration structure supporting safety in navigation >

- Group ship management companies’ global expansion and raising competitiveness
 - No.1 quality
 - Strengthening in-house management system and overseas development
- Securing and cultivating marine technical personnel on a global basis
 - Building-up “K”Line standard (concept of “K”Line Maritime Academy)
 - Upgrading training facilities and enhancement in training system
 - Supporting maritime colleges and training institutions
 - Reinforcement of cooperation with overseas manning companies
 - Concept of ships for training



- < Developing into one of the best and strongest global management organizations >
- < Re-construction of system and organization for flexible and quick decision-making >

- Delegation of authority to overseas bases
- Promotion of rapid decision-making and strengthening of system for executing business (Separating executive officers from the Board)



- Enhancement of global personnel policy
- Development of risk management system

Response to changes in business environments (new)

[CSR&Environmental measures]

- Reorganization Environmental Committee to Social & Environmental Committee
- Setting up CSR Division and formulation of action plan



Basic Policies in promoting CSR activities

“**Social Responsibility**”: We comply with all laws and regulations, respect social precepts, practice fair business activities, and make diligent efforts for safety in navigation and cargo operations as well as environmental preservation.

“**Social Contribution**”: We contribute to society through our group business activities. And, as a “Good Corporate Citizen” we positively serve the community.

Specific efforts

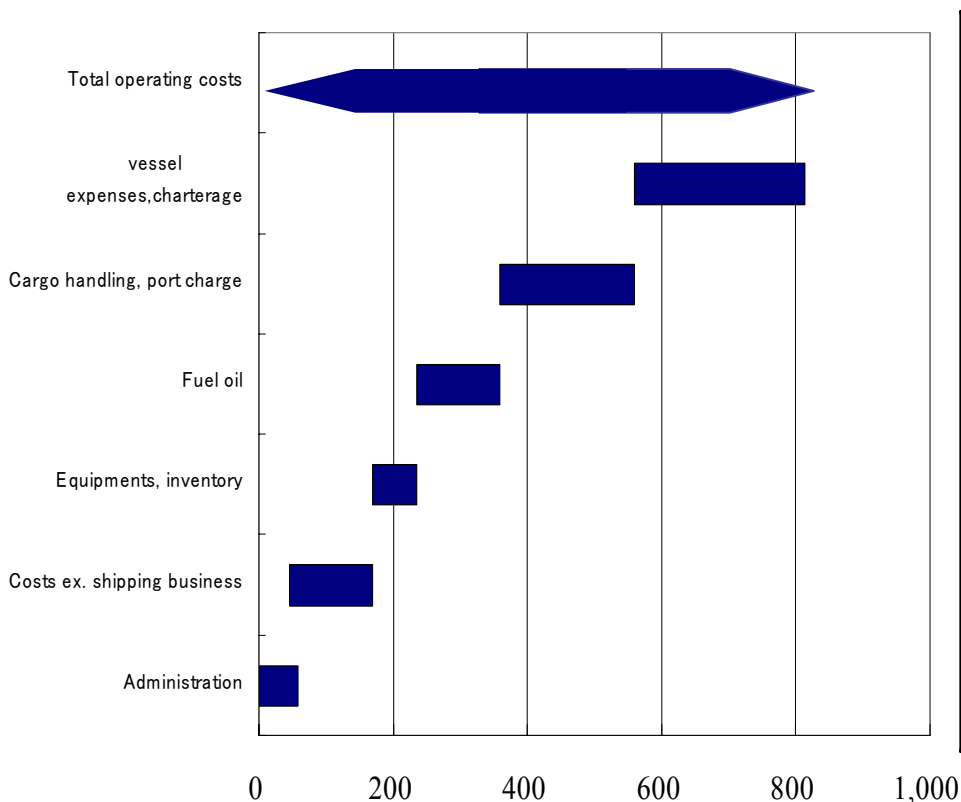
- Establishment of fund for society and environmental programs
- Support for tree-planting program
- Disaster relief

[Reform of Cost Structure]

Cost Structure Committee (tackling on global basis)

Present state of cost structure

(prospected cost for 05FY: 830 billion yen)



Examples

- Replacing high-cost chartered ships with newbuildings
- Various measures to reduce docking costs
- Diminishing costs due to longer-term contracts, or running businesses on our own basis (esp. container terminals)
- Navigation with most economical speed, fuel-oil hedge through futures
- Improvement in fuel-efficiency (Additive or equipments to save fuel consumption, PBCF, etc.)
- **Leaf Picking**
- **Strict cost management by monitoring every cost item**

“K”LINE Vision 2008⁺

Business Environments and Medium Range
Business Strategy

- Business Environments -

[Business Environments]

International division of labour /Enlargement of FTA

- Increasing resource and energy transportation driven mainly by China/BRICs
- Change in supply network
- Population growth

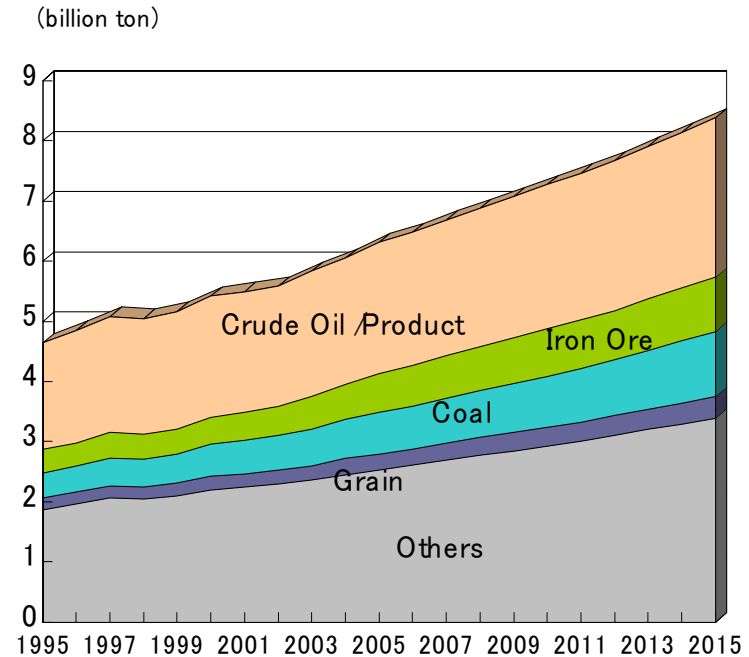
[Global Seaborne Transportation]

- Approx. 6 billion tons for 2005 in total
- Crude and refined products amounted 2billion tons
- Iron ore and coking coal make up about 1/3 of dry bulk cargoes
- Iron ore volume increases 26million tons a year
- Coking coal volume increases 10 million tons a year
- Grain volume is prospected to grow at 2.5% per annum

[Risk factors]

- War, terrorism
- Bird flu
- Drastic change in social & economic system in China
- Sharp downturn in the U.S. economy
- Further hike in fuel oil price

Global Seaborne Transportation



Medium Range Business Strategy – Containership Business

[Business Environments]

International division of labour, Enlargement of FTA, and population growth sustain growth of containership market

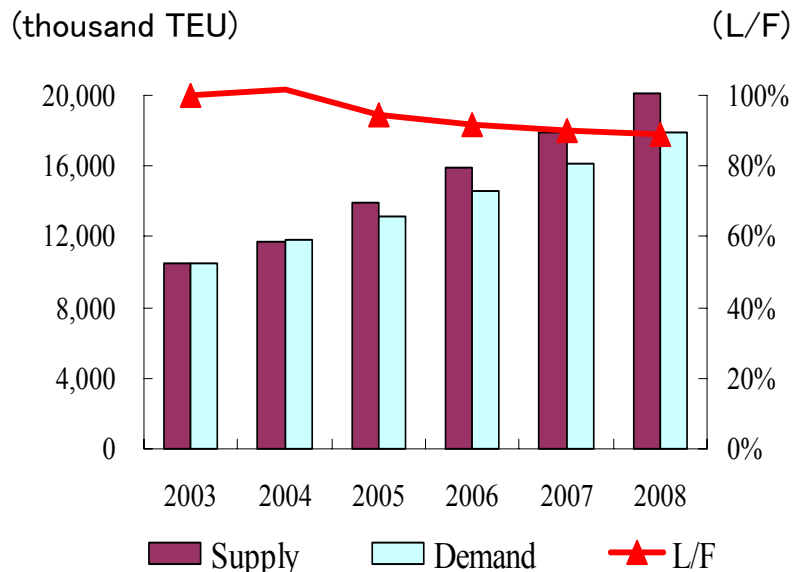
[Business Strategy]

- Improvement in portfolio of containership services
(enhancement in North-South loops, routes for emerging countries)
- Stabilization of cost and enhancement of cost-competitiveness by upgrading a fleet of vessels
- Expansion of multi-year contracts to stabilize freight rates and costs
- Proper response to globalization of customers by reinforcing service networks
- Action to environmental issues, improvement in transportation quality and technique, IT enhancement
- Aggressive entry into terminal business service

[Prospect of Containership Movement]

Shipping route	2006	2007	2008
Asia - North America	11%	11%	11%
Asia – E.U.	13%	13%	13%
Atlantic ocean	3%	2%	3%
Average	10%	10%	10%

[Supply and Demand in East-West Trunk Lines]



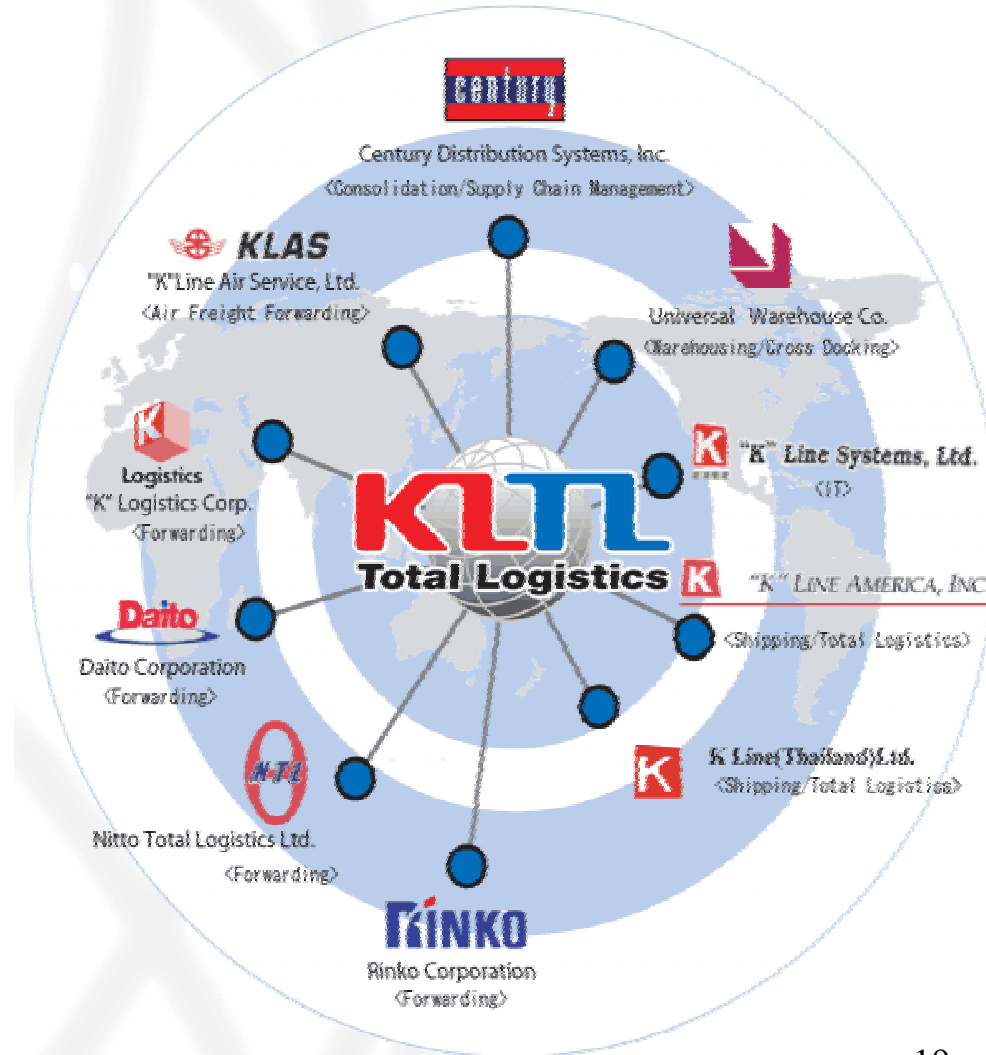
[Business Environments]

- Acceleration of business tie-up or M&A
- Intensified competition against integrators

[Business Strategy]

- Consolidation of logistic services provided by group companies meeting local requirement
- Active capital investment for enhancement of air cargo business
- Active capital investment in freight forwarding and harbor transportation throughout Asia, including China

K LINE TOTAL LOGISTICS LINK



[Business Environments]

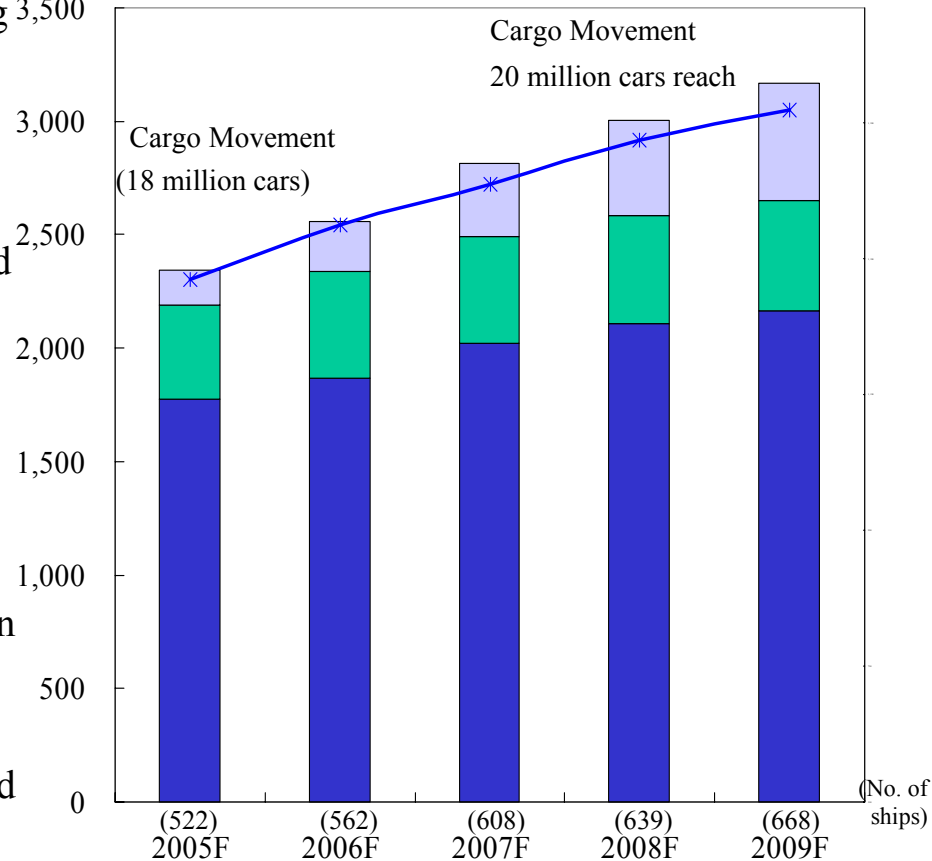
- Annual car sales in the world was over 61 million units in 2005
- Further expansion focused on BRICS or emerging countries
- Global marine transportation for 2005 was 18 million, and over 20 million cars are expected for 2008, including used cars.
- Hereafter, import to Russia and Eastern Europe, and also export from India and China are expected to increase.

[Business Strategy]

- Systematic upgrading of fleet to be capable of responding to market growth
- Accurate response to diversification in trading types
- Deployment of marketing staff by entrenchment in local areas and further enhancement of activities by overseas bases
- Constant efforts for ensuring safe and stable transportation, and providing globally uniform and highest quality services

Global Shipping Capacity and Cargo Movement

(Unit : 1000 cars) **Prospects**

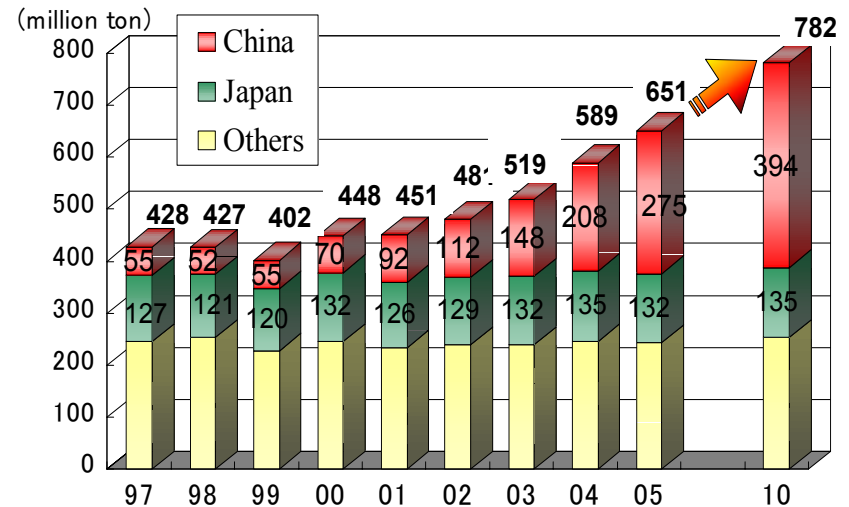


1. Capacity is counted as total of car carriers operated in the market
2. Age of vessels ■ under 20 ■ over 20 ■ over 25
3. Cargo movement is calculated based on 5% growth annually after 2005

[Business Environments]

- **Continuous expansion of world crude steel production**
 - 1130 million tons (2005)
 - 1200 million tons (2007) <approx>
 - 1300 million tons (2010) <approx>
- **Increase in crude steel production and iron ore import in China**
 - 350 million ton (2005)
 - 450 – 500 million tons (2008 - 10)
- **In India, Brazil, Eastern Europe, Turkey: Increase of steel product demand**
 - >> Increase in coal & iron ore transportation

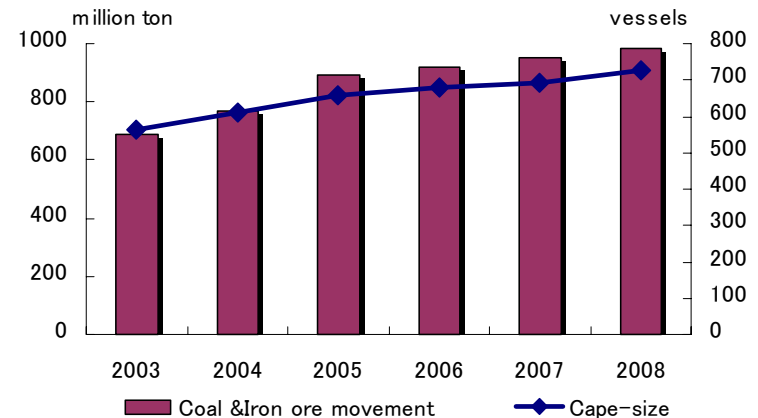
Seaborne Iron Ore Trade



[Business Strategy]

- **World top class cape-size operator**
 - Operating 100 cape-size fleet
 - Annual loading cargo volume 100 million tons (World share 10%)
- **Global business expansion**
 - Enhancement of overseas bases; London, Singapore and Shanghai
- **High quality transportation and differentiated customer service**

Supply and Demand for Cape-size



Medium Range Business Strategy– General Bulk Carrier

[Business Environments]

- Increase of soybean and feed movements for Asia
- Increase of coal movements for European region and for Asia, especially China
- Steady demand for Panamax, and Handy-max
- Promotion of scrapping Small-handy
- Growing demand of wood-chip carriers for China

[Business Strategy]

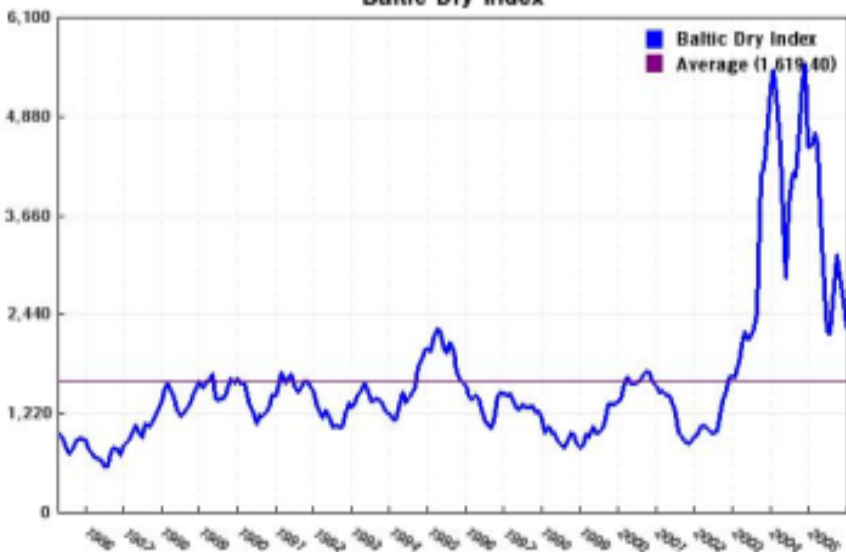
- Establishment of the most competitive fleet possible
- Expanding base of customers
- Advance to businesses in Europe, expansion in Asia

Schedule of Delivery

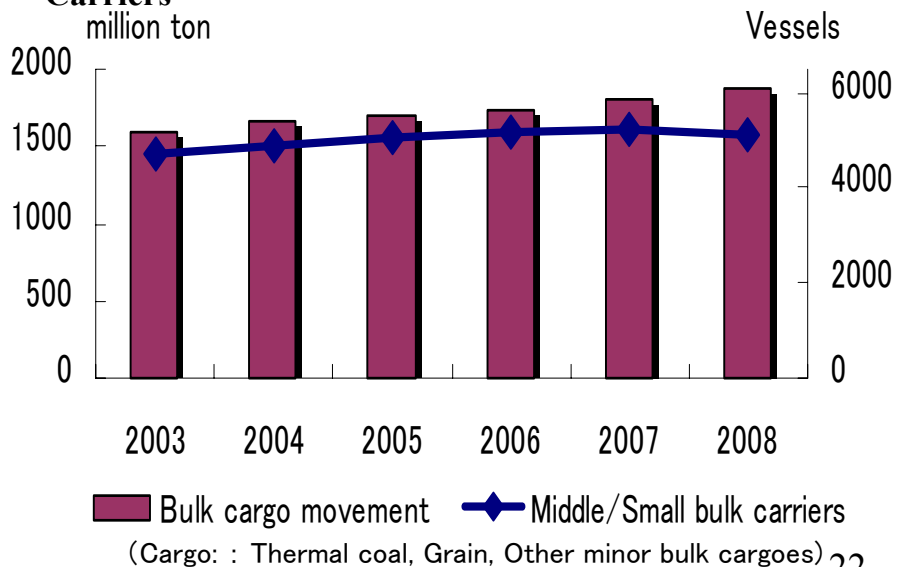
		No.	m.Dwt	No.	m.Dwt	2006	2007	2008+
Panamax	60-100' dwt	1,299	93.7	265	21.1	9.2	7.6	4.3
Handymax	40-60' dwt	1,402	66.4	228	12.1	5.7	4	2.5
Handysize	10-40' dwt	2,769	74.1	167	4.6	2	1.5	1.1
Total Fleet		5,470	234.2	660	37.8	16.9	13.1	7.9

(Resource: Clarkson Research Studies)

Baltic Dry Index



Supply & Demand for Middle / Small-size Bulk Carriers



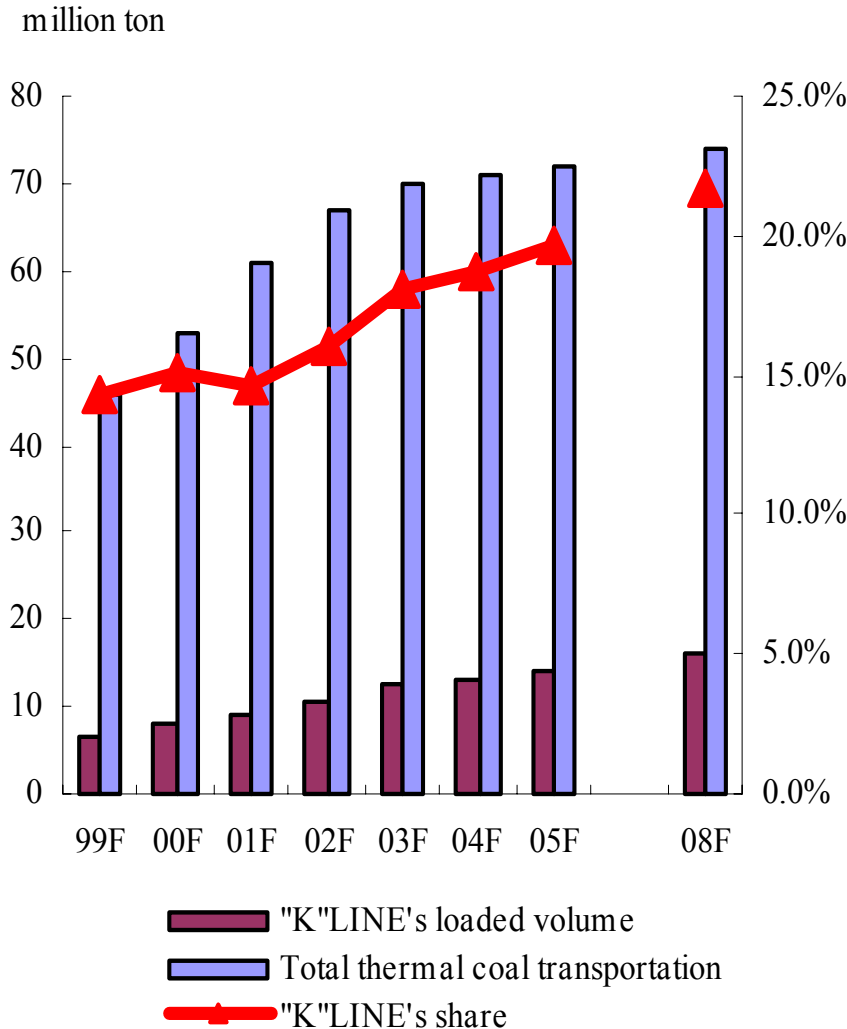
[Business Environments]

- Thermal coal market scale in Japan:
70 - 75 million ton
- Thermal coal shipment to China, India and Europe areas is enhanced

[Business Strategy]

- Enhancement of fleet centering on Corona-type
- Participation in thermal coal businesses for Asia and Europe area
- As a member of ‘coal chain’, strengthening ship management system directly-connected to safe navigation

Thermal Coal Shipment for Japan



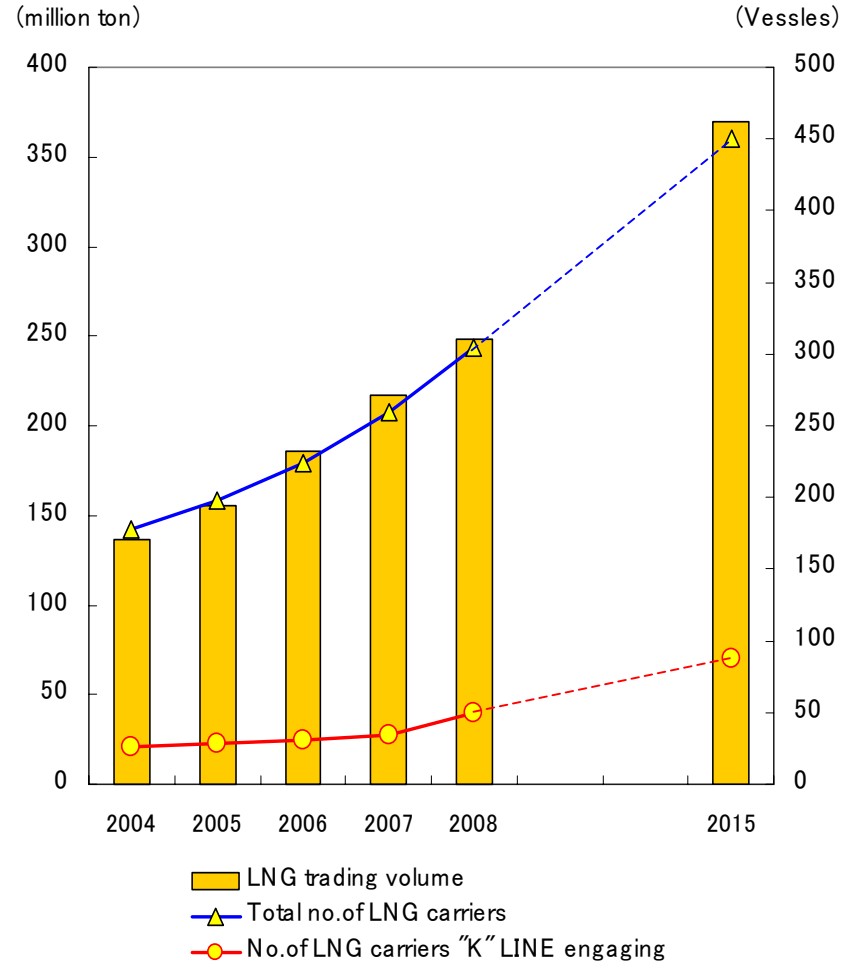
[Business Environments]

- Rapid growth of ship demand for E.U. and the U.S.
- Increase of spot type cargo, and middle or short term vessel charter contracts
- New operators and ship-owners entering market along with increase of new projects

[Business Strategy]

- Securing long-term stable profit by enlargement of fleet owned and in our own ship management system
- Establishment and enhancement of global business structure (operation and ship management)
- Positive engagement of “market-creating” business model (CNG carriers, etc.)

World LNG Supply-Demand Forecast



(Source) LNG demand/No. of LNG carriers :

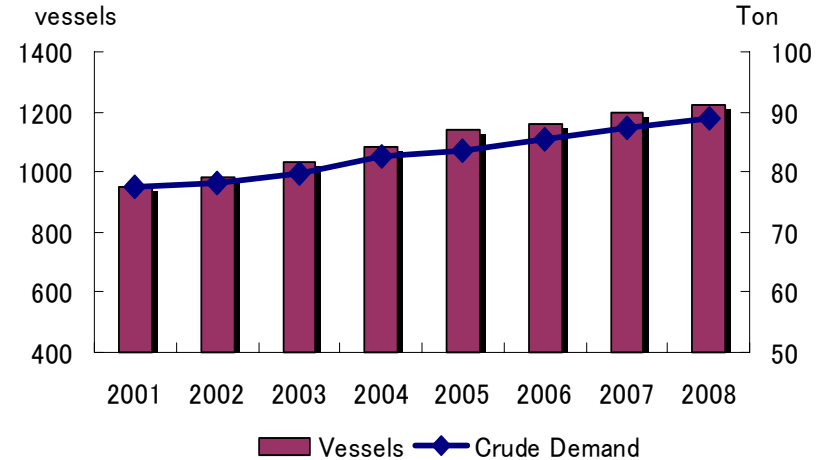
[Business Environments]

- Continuous increase in oil demand
- As market is volatile, stable transition in general
- Over capacity risk is limited. (lack of shipyard, ship price hike, restriction on single-hull tankers)

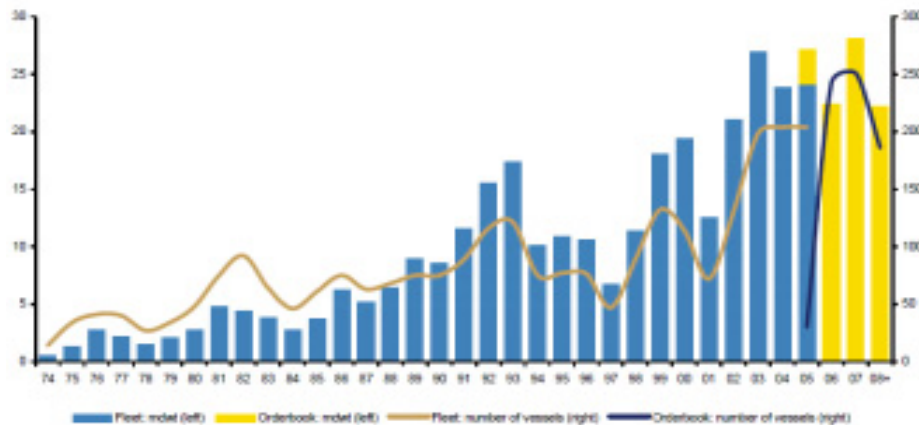
[Business Strategy]

- Aiming at the first-class global tanker operator based on safe navigation
- VLCC : to operate under middle or long-term contracts
- AFRAMAX : Securing of COA (Contract of Affreightment)
- Product Tanker : Combined use of transportation contract and hedging scheme

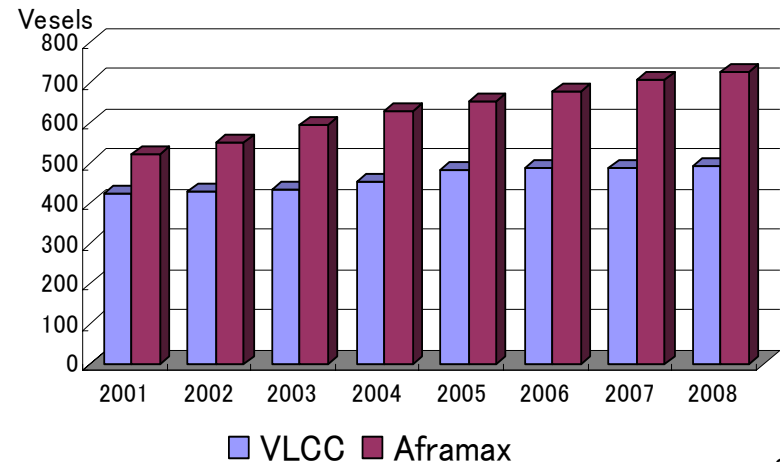
Supply & Demand for Crude Oil Tanker



Tanker fleet age profile



Number of VLCC/AFRAMAX Tankers



“K”LINE Vision 2008⁺

- Long term Business Environments

and Long term Vision -

[Business environments/World-wide seaborne transportation in 2010 or later]

• **Business Environments**

- International division of labor/Enlargement of FTA
- Increasing resources and energy transportation driven mainly by China/BRICs
- Change in supply network
- Population growth

• **World-wide seaborne transportation**

- **Container** : Approx. yearly 9% of cargo growth is prospected
- **PCTC** : Global car transportation by sea is expected to break 25 million a year for the mid-2010s.
- **Dry bulk** : **Iron ore** : Approx. 3% annual growth is predicted. 900 million tons for the mid-2010s.
Coking coal : 4-5% annual growth is predicted. 300 million tons for the mid-2010s.
Thermal coal : 4-5 % annual growth is predicted. 750 million tons for the mid-2010s.
Grain : Approx. 3% annual growth is predicted.
- **Tanker** : For oil demand, approx. 2% annual growth is predicted
- **LNG carriers** : 370 million tons of trade volume and 450 LNG carriers are predicted for the mid-2010s

[Containership Business]

- Operating Revenues : 740 billion yen
- Fleet : 120 vessels
- Loading Volume : 4.5 million TEU
- Market share 7%

[Freight Forwarding/Harbor Transportation Business]

- Consolidation of logistic services provided by group companies meeting local requirement
- Active capital investment for enhancement of air cargo business
- Active capital investment in freight forwarding and harbor transportation throughout Asia, including China

[Car Carrier Business]

Securing 15% of share in the global car transportation by sea

- Fleet : 110 vessels
- No. of cars transported : 4 million units



[Bulk Carrier Business]

- Re-organization and enhancement of dry bulk business fields
- Acceleration of global business involvement
 - Expand participation in developing markets in Asia, Europe and BRICET
- Provide highest quality service corresponding to customers' diversified needs
- Establishment of the most competitive fleet possible
- Reinforcement of Corona-series fleet with overseas deployment for thermal coal transportation



[Energy Resource Business]

LNG Carrier

- Establishment of business management system flexibly responding to market demand
- Entry into businesses with emerging export/import countries
- Jointly owned fleet : 90 vessels



Tanker

- Excellent & Global Operator
 - Safety navigation/high quality service
 - Entry into worldwide businesses
- Fleet : 60 vessels



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 - Risk management