

# Financial Highlights

## Brief Report for 3rd Quarter FY2014

30 January 2015

Kawasaki Kisen Kaisha, Ltd.

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# A. Financial Highlights for 3rd Quarter FY2014

# A-1. Financial Results for 3rd Quarter FY2014



(unit : billion yen)

	2014			2013 Accumulated	Comparison with FY2013
	1H	3Q	Accumulated		
Operating Revenues	659.8	355.3	1,015.1	918.0	97.1
Operating Income	24.9	15.4	40.3	24.1	16.2
Ordinary Income	25.9	20.4	46.2	29.2	17.0
Net Income	21.2	11.8	33.0	15.7	17.3
Exchange Rate	¥102.52	¥112.34	¥105.80	¥98.54	¥7.26
Bunker Price	\$611	\$544	\$588	\$626	▲ \$38

Major Financial Indices

Unit: Billion yen/%

	2014 3Q	2013 4Q	Comparison
	End Dec 2014	End March 2014	
Shareholder's Equity	446.5	388.8	57.7
Cash and Deposits	201.8	236.4	▲ 34.6
Interest-bearing Debt	560.5	643.8	▲ 83.3
DER	126%	166%	-40%
NET DER	80%	105%	-24%
Equity Ratio	35.4%	31.0%	4%

(unit : billion yen)

		2014			2013 Accumulated	Comparison with FY2013
		1H	3Q	Accumulated		
Containership Business	Operating Revenues	329.5	174.3	503.8	436.4	67.4
	Ordinary Income	9.5	8.7	18.2	▲ 1.1	19.3
Bulk Shipping Business	Operating Revenues	292.5	159.4	451.9	428.5	23.5
	Ordinary Income	17.5	15.2	32.7	34.3	▲ 1.6
Offshore Energy E&P	Operating Revenues	18.6	11.3	29.9	25.8	4.1
	Ordinary Income	▲ 0.6	▲ 3.5	▲ 4.1	▲ 3.1	▲ 1.0
Other	Operating Revenues	19.2	10.2	29.4	27.3	2.0
	Ordinary Income	1.8	1.4	3.2	3.4	▲ 0.3
Adjustment	Operating Revenues	-	-	-	-	-
	Ordinary Income	▲ 2.3	▲ 1.5	▲ 3.8	▲ 4.3	0.5
Total	Operating Revenues	659.8	355.3	1,015.1	918.0	97.1
	Ordinary Income	25.9	20.3	46.2	29.2	17.0

## 【2014 3Q Free CF】

+54.1 bil yen

(Operating CF 68.0 / Investment CF ▲13.9)

## 【Effect of exchange rate and bunker price in 2014 3Q】

Devalue 7.26 Yen/ US\$ ⇒ +5.1 billion yen (YoY)

Low bunker price \$38/mt ⇒ +3.7 billion yen(YoY)

# A-2. Key Points of 3Q Accumulated Results

<Y on Y Comparison>

3Q Accumulated : Revenue Increase (+ 97.1 billion yen) / Profit Increase (+17.0 billion yen)

(Unit: billion yen)

Variation Factors	FY2014 3Q Accumulated Comparison with 2013	
Exchange Rate	5.1	Exchange rate 7.26 yen /\$ depreciated
Bunker Oil Price	3.7	Bunker Price \$38/MT lower than 2013
Market Volatility	1.7	Freight recovered in Container but declined in Drybulk
Cost Increase/Decrease	12.1	Cost saving and income improvement(A-5 of this material)
Others	▲ 5.6	Loss from bunker swap settlements and others
Total	17.0	

# A-3. Estimate for Yearly FY2014

(Unit:billion yen)

	2014			2013	Comparison with FY2013	Previous Estimate*	Comparison with Previous Estimate
	Accumulated	4Q	FY	FY		FY	
Operating Revenues	1051.1	334.9	1350.0	1224.1	125.9	1250.0	100.0
Operating Income	40.3	5.7	46.0	28.9	17.1	36.0	10.0
Ordinary Income	46.2	1.8	48.0	32.5	15.5	34.0	14.0
Net Income	33.0	▲ 8.0	25.0	16.5	8.5	21.5	3.5
Exchange Rate	¥105.80	¥116.85	¥108.56	¥99.75	¥8.81	¥103.76	¥4.80
Bunker Price	\$588	\$478	\$560	\$626	▲ \$66	\$601	▲ \$41

(Unit:billion yen)

		2014		
		Accumulated	4Q	FY
Containership Business	Operating Revenues	503.8	176.2	680.0
	Ordinary Income	18.2	0.3	18.5
Bulk Shipping Business	Operating Revenues	451.9	143.2	595.0
	Ordinary Income	32.7	6.3	39.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	29.9	7.1	37.0
	Ordinary Income	▲ 4.1	▲ 1.4	▲ 5.5
Other	Operating Revenues	29.4	8.6	38.0
	Ordinary Income	3.2	▲ 0.8	2.5
Adjustment	Operating Revenues	-	-	0.0
	Ordinary Income	▲ 3.8	▲ 2.7	▲ 6.5
Total	Operating Revenues	1,015.1	334.8	1,350.0
	Ordinary Income	46.2	1.8	48.0

\*Previous Estimate= Estimate as of Oct 2014

## 【Premises in 4Q】

Exchange Rate ¥ 116.85/\$

Bunker Price \$478/MT

(This is K-Line's average bunker cost expectation)

## 【Sensitivity against Ordinary Income in 4Q】

Exchange Rate : ± ¥1/\$ ⇒ ± 0.2 bln yen

Bunker Price : ± \$10/MT ⇒ ± 0.3 bln yen

## 【Dividend Plan】

Interim: 2.5 / Year-end : 2.5 yen per share

# A-4. Key Points of FY2014

## <Y on Y Comparison>

FY : Revenue Increase(+ 125.9 billion yen) / Profit Increase(+ 15.5 billion yen)

(Unit:billion yen)

Variation Factors	FY2014 FY Estimate Comparison with 2013	
Exchange Rate	7.9	Exchange rate 8.81 yen/\$ depreciated
Bunker Oil Price	8.6	Bunker Price \$66/MT lower than 2013
Market Volatility	▲ 4.0	Freight decline mainly in Drybulk
Cost Increase/Decrease	16.9	Cost saving is going well(A-5 of this material)
Others	▲ 13.9	Loss from bunker swap settlements and others
Total	15.5	

## <Comparison with Previous Estimate as of Oct 2014>

FY : Revenue Increase(+ 100.0 billion yen) / Profit Increase(+ 14.0 billion yen)

(Unit:billion yen)

Variation Factors	FY2014 FY Estimate Comparison with Previous Estimate as of Oct 2014	
Exchange Rate	3.9	Exchange rate 4.8yen/\$ depreciated
Bunker Oil Price	5.3	Bunker Price \$41/MT lower than Estimate
Market Volatility	7.8	Market recovery in Container and Oil tanker
Cost Increase/Decrease	▲ 0.1	
Others	▲ 2.9	Loss from bunker swap settlements and others
Total	14.0	

# A-5. Progress of Cost Saving Plan

- Original target for Cost Saving in FY2014 as of April 13.1 billion yen
- Actual accumulated results as of end of 3Q FY2014 12.1 billion yen
- In full year additional 3.8 billion yen of Cost Saving against original target is expected, as a total 16.9 billion yen of Cost Saving is expected in FY 2014.

(Billion yen)

	Original Target through the year			Accumulated results		Achievement rate	Updated Estimate through the year	Achievement rate
	1H	2H	3Q	1H	3Q			
Containership Business: Business Restructuring, Operational Cost Saving and Earning Improvement	7.7	5.6	6.2	2.8	9.0	117%	12.5	162%
Bulk Shipping Business and Others	5.4	2.9	1.0	2.1	3.1	57%	4.3	80%
<b>Total</b>	<b>13.1</b>	<b>8.5</b>	<b>7.2</b>	<b>4.9</b>	<b>12.1</b>	<b>92%</b>	<b>16.9</b>	<b>129%</b>



## B. Division-wise Trends

# B-1. Division-wise Trends

## -Containership Business-

### <14F 3Q Accumulated Results> Y on Y Comparison: Revenue Increased/Profit Turned to Black

Stable freight market mainly in East-West trades and strong cargo volume.

Turned to black by effort for marketing high profit cargo and cost saving.

#### <Focus for the Future>

- Negative impact by congestion and delay at U.S. West Coast ports.
- Trying to improve profit by continuous cost saving such as operation cost.
- Effect from recession in Europe and market trend after Chinese New Year.

		FY2013					FY2014			
		1Q	2Q	3Q	4Q	FY	1Q	2Q	1H	3Q
<b>Operating Revenues (billion yen)</b>		141.9	152.4	142.1	146.0	582.4	158.4	171.1	329.5	174.3
<b>Ordinary Income (billion yen)</b>		▲ 0.0	1.5	▲ 2.6	1.0	▲ 0.1	2.2	7.3	9.5	8.7
<b>Trend of Freight Index FY'08 1Q=100</b>	Asia-North America	98	96	93	99	96	97	102	100	104
	Asia-Europe	62	76	71	83	73	78	78	78	65
<b>Lifting (10,000 TEU)</b>	Asia-North America	19.4	21.0	19.8	17.4	77.7	21.3	23.0	44.3	21.9
	Asia-Europe	12.1	12.2	11.1	10.4	45.8	12.7	12.9	25.6	12.0
<b>Capacity(10,000 TEU)</b>	Asia-North America	21.4	23.1	20.6	19.2	84.3	21.7	23.1	44.8	22.3
	Asia-Europe	12.9	13.4	11.5	11.4	49.2	13.4	13.9	27.3	13.5
<b>Utilization</b>	Asia-North America	91%	91%	96%	91%	92%	98%	100%	99%	98%
	Asia-Europe	94%	91%	96%	91%	93%	95%	92%	93%	89%

# B-2. Division-wise Trends

## -Dry Bulk Business-

### <14F3Q Accumulated Results> Y on Y Comparison: Revenue Increased/Profit Decreased

- Market of Capesize and Panamax : Market was lower than expected due to decline in supply of iron ore, but impact to our profit was relatively small.
- Market of Handy and Small : Depressed market with over capacity surplus trend effected by slowdown in coal transport.

### <Focus for the Future>

- Drop in demand of iron ore transport due to seasonal reason.
- Ongoing severe market in all type of Dry Bulk carriers.
- Continuous efforts for profit improvement as effective tonnage utilization and cost saving.
- Strengthen earnings structure which is not affected by spot market depression by means of increasing middle and long term contracts.

Dry Bulk Market	FY2013					FY2014				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
Cape(170type)	\$6,300	\$19,100	\$27,400	\$16,200	\$17,300	\$11,900	\$13,000	\$14,100	\$8,300	\$11,800
Panamax(74type)	\$7,800	\$9,000	\$14,300	\$10,500	\$10,400	\$6,300	\$5,900	\$8,300	\$8,000	\$7,100
Handy(53type)	\$9,300	\$9,800	\$14,200	\$11,600	\$11,200	\$9,000	\$8,900	\$9,800	\$8,700	\$9,100
Small	\$7,400	\$7,500	\$9,500	\$9,300	\$8,400	\$7,800	\$6,500	\$7,100	\$7,300	\$7,200

# B-3. Division-wise Trends

## -Car Carrier Business-

### <14F3Q Accumulated Results> Y on Y Comparison: Revenue Increased/Profit Decreased

Total units carried : 2,428 thousand units in 14F3Q Accumulated (▲3% Y on Y)

- Cargo volume from Europe/North America to Far East and Transatlantic are strong.
- Export from Japan is generally decreasing.
- Trying to improve effective tonnage utilization and efficient operation continuously.

### <Focus for the Future>

- Global completed car ocean transport demand is steady.
- Flexible reflection to change of trade pattern and increasing cargo demand from Southeast Asia and Transatlantic.

Loading Results (1,000 units)	FY2013					FY2014			
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	Accumulated
Outbound	264	265	288	280	1,095	248	280	281	809
Homebound	86	76	86	90	337	80	83	80	243
Others	310	289	279	221	1,099	285	251	285	821
Intra-Europe	201	189	168	188	746	208	178	170	556
Total	861	818	820	778	3,278	821	791	816	2,428
Number of Operating vessels	96	97	98	98	-	98	96	97	-

# B-4. Division-wise Trends

## -LNG Carrier and Oil Tanker-

### < 14F3Q Accumulated Results > Y on Y Comparison: Revenue Increased/Profit Increased

**【LNG】** Steady performance under middle and long term contracts.

**【Tankers】** VLCC/LPG: Stable operation under middle and long term contracts.

Some contracts are spot market linked contracts.

Aframax tankers/Product tankers: Profit improved as market improved.

### <Focus for the Future>

**【LNG】** Aiming for steady operation with middle and long term contracts.

**【Tankers】** VLCC/LPG: Trying to secure stable profit under middle and long term contracts.

Positive impact by strong market.

Aframax tankers/Product tankers: Improve earnings by further efficient ship deployment and market recovery.

Tanker Market (WS)	FY2013					FY2014				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
<b>VLCC (M.East / Jpn)</b>	38	36	54	49	44	38	45	57	51	48
	\$15,000	\$14,050	\$40,467	\$31,137	\$25,163	\$12,200	\$22,700	\$50,000	\$49,000	\$33,475
<b>Aframax (S.Asia / Jpn)</b>	76	71	80	91	80	91	102	104	98	99
	\$9,400	\$8,000	\$12,000	\$16,467	\$11,467	\$14,200	\$18,800	\$23,500	\$25,500	\$20,500
<b>Clean 70,000 type (M.East / Jpn)</b>	84	92	82	79	84	88	106	111	96	100
	\$9,800	\$13,700	\$9,733	\$8,605	\$10,460	\$14,600	\$20,000	\$26,500	\$23,600	\$21,175

## B-5. Division-wise Trends Offshore Energy E&P Support & Heavy Lifter Segment

### 【 Offshore Energy E&P Support 】

**<14F3Q Accumulated Results> Y on Y Comparison: Revenue Increased/Profit Turned to Red**

【Offshore Support Vessels】 High utilization by steady drilling work at offshore oil and gas.

There was revaluation loss from NOK(Norwegian Krone).

【Drillship】 Steady operation at offshore Brazil and stable profit contribution

### **<Focus for the Future>**

【Offshore Support Vessels】 Concern of market decline due to bad weather season in North sea and  
Crude oil price drop , but effect to profit is limited because long term contract secured.

【Drillship】 Steady profit is expected by long term contracts.

### 【 Heavy Lifters 】

**<14F3Q Accumulated Results> Y on Y Comparison: Revenue Increased/Deficit Decreased**

-Large-size Heavy Lifters Secured high profit project cargo as offshore installation work.

- Small and Middle-size Heavy Lifters Market recovered.

### **<Focus for the Future>**

- Market in recovery trend continuously

- It is expected that revenue will increase and deficit will decrease in full year.

- Trying to increase high profit project cargo and offshore related business.