

Financial Highlights Brief Report for FY2008

27 April 2009

Kawasaki Kisen Kaisha, Ltd.

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A. Financial Highlights for FY2008

A-1-1. Financial Results

Consolidated	FY2008			FY2007	(Unit: billion yen)		(Unit: billion yen)		
	1H Results	2H Results	Yearly	Yearly	YoY Comparison	YoY (%)	Forecasts as of 3Q Results Released		
								YoY Comparison	YoY (%)
Operating Revenues	735.5	508.8	1,244.3	1,331.0	▲ 86.7	-7%	1,280.0	▲ 35.7	-3%
Operating Income	74.7	▲ 3.1	71.6	129.6	▲ 58.0	-45%	77.0	▲ 5.4	-7%
Ordinary Income	75.1	▲ 15.1	60.0	125.9	▲ 65.9	-52%	67.0	▲ 7.0	-10%
Net Income	51.2	▲ 18.8	32.4	83.0	▲ 50.6	-61%	30.0	2.4	8%
Dividend	¥13.5	¥0.0	¥13.5	¥26.0	▲¥12.5	-48%	¥13.5	¥0.0	0%
Exchange Rate	¥105.66	¥95.98	¥100.82	¥115.29	▲¥14.47	-13%	¥100.21	¥0.61	1%
Bunker Price	\$601	\$394	\$504	\$407	\$97	24%	\$490	\$14	3%

Increase 14.5 Yen / US\$ in exchange rate resulted in approx. ▲ 13.3 billion yen (YoY)

Increase of fuel oil price \$97 per met. Ton resulted in approx. ▲21.1 billion yen (YoY)

【Loss on revaluation of investments and related company in securities ▲17.3 billion yen】

A-1-2. Financial Results

(Business-wise Operating Revenues/Ordinary Income)



(Unit: billion yen)

Business Segment		FY2008			FY2007	YoY Comparison	YoY (%)	Forecasts as of 3Q Results Released		
		1H Results	2H Results	Yearly	Yearly			YoY Comparison	YoY (%)	
Container Business	Operating Revenues	314.8	215.3	530.1	599.8	▲ 69.7	-12%	537.0	▲ 6.9	-1%
	Ordinary Profit/Loss	▲ 5.9	▲ 31.4	▲ 37.3	4.7	▲ 42.0	-886%	▲ 33.8	▲ 3.5	10%
Other Marine Business	Operating Revenues	364.2	244.9	609.1	615.8	▲ 6.7	-1%	631.4	▲ 22.3	-4%
	Ordinary Profit/Loss	77.9	15.0	92.9	115.3	▲ 22.3	-19%	97.3	▲ 4.4	-4%
Others	Operating Revenues	56.5	48.6	105.2	115.5	▲ 10.3	-9%	111.6	▲ 6.4	-6%
	Ordinary Profit/Loss	3.1	1.3	4.4	5.9	▲ 1.5	-25%	3.5	0.9	25%
Total	Operating Revenues	735.5	508.8	1,244.3	1,331.0	▲ 86.7	-7%	1,280.0	▲ 35.7	-3%
	Ordinary Profit/Loss	75.1	▲ 15.1	60.0	125.9	▲ 65.9	-52%	67.0	▲ 7.0	-10%

A-2. Key Points

<YoY Comparison>

Revenues Decrease (▲86.7 billion yen), Profit Decrease (▲65.9 billion yen)

Factors of Revenue Decrease:

- Freight Rate/Chartering Market Deteriorated

Factors of Profit Decrease:

- Yen Appreciation (14.5 yen/US\$)
- Fuel Price Up (\$97/ton)
- Sharp Drop in Cargo Movement
- Freight Rate/Chartering Market Deteriorated
- Ship Cost Increase

(’07F Results 125.9 / ’08F Prev. Prospects 67.0 => ’08F Results 60.0 bln. yen)

Variation Factors	Comparison YoY	Comparison Prev. Prospects
Fluctuation in Exchange Rate	▲ 13.3	0.0
Bunker Oil Price	▲ 21.1	▲ 0.6
Market Volatility	▲ 39.4	▲ 7.8
Cargo Volume	15.0	▲ 0.8
Cost Increase/Decrease	▲ 19.1	1.5
Related Companies	▲ 0.8	▲ 1.1
Others	12.8	1.8
Total	▲ 65.9	▲ 7.0

A-3-1. Outline of Division-wise Results - for Container Business -

Operating Revenues: 530.1 billion yen , Ordinary Income: ▲ 37.3 billion yen

<Y o Y Comparison>

Revenues Decrease (▲ 69.7 billion yen) , Income Decrease ▲42.0 billion yen)

<Comparison with Prev. Prospects as of Jan.'09>

Revenues Decrease (▲ 6.1 billion yen) , Income Decrease ▲3.5 billion yen)

Total Loaded Cargo (3,103 thousand TEU), YoY ▲3.6%, Comparison with Prev. Prospects ▲0.5%

Negative Factors (YoY)

- Yen Appreciation (+14.5 yen/\$ higher)
- Fuel Price Up (+\$97/ton) , Average Freight Rate Down, etc.
- Loading Volume Reduction, Rise in Ship Costs, Variable Costs Such as Inland Fee

Freight Rate: Yearly Results (YoY)	Asia-N.America	Asia-Europe	Trans-Atlantic*	Intra-Asia	North-South
Dominant	+4.3%	▲17.7%	▲7.2%	▲4.3%	▲4.7%
Return	+28.2%	+ 9.2%	+34.9%	+1.5%	+13.0%

* Dominant route in Trans-Atlantic service is west-bound

A-3-2. Outline of Division-wise Results

- for Dry Bulk Business -

<Y o Y Comparison and Comparison with Prev. Prospects as of Jan.'09>

Revenues Decrease, Income Decrease

Operating Tonnage: 210.5 mil. Ton , + 4.0% (Y o Y)

Negative Factors (YoY):

- Market for large-size : Fell sharply in Sept. Temporary recovered in Feb. but worsened again.
- Market for mid-size : Sharply fell as same as large-size vessel. Preferable rate is very limited.
- Market for small-size : Sharply fell affected by above larger vessel market.

Dry Bulk Market (Pacific Round)	FY2007			FY2008			Yearly Comparison	
	1H	2H	Yearly	1H	2H	Yearly	Amount	Ratio
Cape(170type)	\$100,500	\$144,000	\$122,250	\$134,000	\$12,000	\$73,000	▲ \$49,250	▲ 40.3%
Panamax(74type)	\$52,000	\$67,000	\$59,500	\$52,000	\$5,300	\$28,650	▲ \$30,850	▲ 51.8%
Handy(53type)	\$43,000	\$56,000	\$49,500	\$46,000	\$5,600	\$25,800	▲ \$23,700	▲ 47.9%

A-3-3. Outline of Division-wise Results - for Car Carrier Business -

<Y o Y Comparison and Comparison with Prev. Prospects as of Jan.'09>

Revenues Decrease , Income Decrease

Negative Factors (YoY) :

- Total units carried (inc. intra-Europe) : 3,069 thousand units (▲9.3 %(Y o Y))
- Loaded volume decreased due to recession
 - Loaded volume suddenly decreased after middle of 3Q of 2008FY by the effect of inventory adjustment due to economic slowdown in the world.
- Cargo situation from Japan/Far East to North America and intra Europe worsened.
- Cargo movements from Japan/Far East to developing countries and resource-rich countries which was relatively firm has fallen drastically.

A-3-4. Outline of Division-wise Results - for Energy Transportation -

<Y o Y Comparison> Revenues Increase, Profits Increase

LNG Carrier : 14 ships for the projects we got engaged delivered in FY2008.

Stable operation of 47 vessels in each existing project.

Tanker : Operating tonnage expanded to 45,710 thousand tons (+8.3%, YoY)

Business expansion (1 LPG , 2 Aframax and 1LR II delivered in FY 2008)

Market of Aframax and Clean tanker stayed stronger than last year.

<Comparison with Prev. Prospects as of Jan.'09>

Revenues Decrease, Profits Decrease

Oil tanker markets started to decline sharply in 4Q

Tanker Market (WS)	FY2007			FY2008			YoY Comparison	
	1H	2H	Yearly	1H	2H	Yearly	Amount	Ratio
VLCC (M.East / Jpn)	WS 60	WS 127	WS 94	WS 154	WS 63	WS 108	WS 14	14.9%
Aframax (S.Asia / Jpn)	WS 137	WS 165	WS 151	WS 215	WS 118	WS 166	WS 15	9.9%
Clean 70,000 type (M.East / Jpn)	WS 140	WS 157	WS 148	WS 271	WS 135	WS 203	WS 55	37.2%

A-3-5. Outline of Division-wise Results

- for Other Business -

(Heavy Lifter)

<YoY Comparison> Revenues & Income Increase

- Positive trends for heavy cargo related to petrochemical plants and infrastructure building, due to hike of resource price => kept almost full employment, and secured firm profit.

(Short sea / Coastal Shipping)

<YoY Comparison> Revenues & Income Increase

- Non-liner segments secured steady cargo volume for cement or steel mills.
- Increased trucks on ferry between Hachinohe and Tomakomai

(Logistics)

<YoY Comparison> Revenues & Income Decrease

- Domestic business secured profit in almost same level as last year.
- Handling volume of both air and ocean cargoes significantly decreased.

B. Prospects for FY 2009

B-1. Prospects for Yearly FY2009

(Unit: billion yen)

Consolidated	FY2009 Prospects			FY2008 Results		
	1H Prospects	2H Prospects	Yearly	Yearly	YoY Comparison	YoY (%)
Operating Revenues	450.0	500.0	950.0	1,244.3	▲ 294.3	-24%
Operating Income	▲ 5.0	21.0	16.0	71.6	▲ 55.6	-78%
Ordinary Income	▲ 7.0	18.0	11.0	60.0	▲ 49.0	-82%
Net Income	▲ 6.0	12.5	6.5	32.4	▲ 25.9	-80%
Dividend	¥0.0	¥2.5	¥2.5	¥13.5	▲ ¥11.0	-81%
Exchange Rate	¥100.00	¥100.00	¥100.00	¥100.82	▲ ¥0.82	-1%
Bunker Price	\$300	\$300	\$300	\$504	▲ \$204	-40%

【Annual Dividend for FY2009: 2.5 yen per share, Consolidated Payout Ratio 23%】

- Fall/Rise 1yen/US\$ in exchange rate affects Ordinary Income by approx.+/-0.45 billion yen
- Decrease/Increase of fuel oil prices at \$10 per met. tons does by approx. +/-1.9 billion yen
- Fuel Oil Price \$300 ⇔ Dubai Crude Oil Price \$53 Approximately

B-2. Business-wise Operating Revenues/Ordinary Income



(Unit: Billion Yen)

Business Segment		FY2009 Prospects			FY2008 Results	Comparison	
		1H	2H	Yearly (a)	Yearly (b)	Balance (a)-(b)	Balance (%)
Container Business*	Operating Revenues	208.0	216.0	424.0	530.1	▲ 106.1	-20%
	Ordinary Profit/Loss	▲ 14.0	▲ 8.0	▲ 22.0	▲ 37.3	15.3	-41%
Other Marine Business	Operating Revenues	190.0	226.0	416.0	609.1	▲ 193.1	-32%
	Ordinary Profit/Loss	4.5	23.5	28.0	92.9	▲ 64.9	-70%
Others	Operating Revenues	52.0	58.0	110.0	105.2	4.8	5%
	Ordinary Profit/Loss	2.5	2.5	5.0	4.4	0.6	15%
Total	Operating Revenues	450.0	500.0	950.0	1,244.3	▲ 294.3	-24%
	Ordinary Profit/Loss	▲ 7.0	18.0	11.0	60.0	▲ 49.0	-82%

* Container Business includes agency and terminal business

B-3. Key Points for Yearly FY2009 Prospects

<Y o Y Comparison>

Revenues Decrease (▲294.3 billion yen), Profits Decrease (▲49.0 billion yen)

Premises : Fuel Oil Price \$504 =>\$300, Exchange Rate ¥100.82 => ¥100.00

(08F Results 60.0 bln yen ⇒ 09F Prospects 11.0 bln yen)

Variation Factors	Comparison with 08F Results
Fluctuation in Exchange Rate	▲ 0.3
Bunker Oil Price	52.0
Market Volatility	▲ 116.0
Business Expansion	▲ 18.0
Cost Increase/Decrease	31.0
Related Companies	0.7
Others	1.6
Total	▲ 49.0

(Unit: Billion Yen)

B-4-1. Division-wise Trends for Yearly FY2009 Prospects (Container Business)

<Container Business>

Operating Revenues : 424.0 bln. yen , Ordinary Income: ▲22.0 bln. yen

Y o Y Comparison : Revenues Decrease (▲106.1 bln. yen),
Ordinary Income Loss Decrease (+15.3 bln. yen)

- Total Loading Cargo Volume: 3.13 million TEU (+0.9 % YoY)
Container cargo movement expected to decrease due to global recession, but our loading volume remain almost unchanged.
- Profit Increase Factors : Service rationalization, Cost reduction (+30 bln yen, as quoted [B-6-1]),
Fuel oil price decrease (+38.0 bln yen), and Others.
- Profit Decrease Factors : Freight rate decrease (as mentioned below)

Yearly Prospects (Y o Y)	Asia- N.America	Asia- Europe	Trans- Atlantic	Intra-Asia	North- South
Dominant	▲17.4%	▲26.9%	▲13.3%	▲12.8%	▲20.7%
Return	▲18.5%	▲15.4%	▲0.8%	▲9.2%	▲4.9%

*Dominant route in Trans-Atlantic service is west-bound

B-4-2. Division-wise Trends for Yearly FY2009 Prospects (Dry Bulk Business/Car Carrier Business)

<Dry Bulk Business>

Y o Y Comparison: Revenues & Profit Fall

Profit Decrease Factors: Market level down, Cargo volume decrease caused by economic slowdown and credit squeeze

Dry Bulk Market (Pacific Round)	Current Market	FY2009 1H Prospects	FY2009 2H Prospects	FY2009 Yearly Prospects	FY2008 Yearly Results
Cape(170type)	\$20,000	\$30,000	\$30,000	\$30,000	\$73,000
Panamax(74type)	\$12,700	\$12,500	\$15,000	\$13,750	\$28,650
Handy(53type)	\$10,000	\$7,000	\$8,000	\$7,500	\$25,800

<Car Carriers>

Y o Y Comparison : Revenues & Profit Fall

Profit Decrease Factors : Cargo volume down affected by inventory adjustment due to economic slowdown.

We have been trying our best to improve profit and reduce costs, inc. idling, lay-up, scrapping of ships.

B-4-3. Division-wise Trends for Yearly FY2009 Prospects (Energy Transportation/Heavy Lifters)

<Energy Transportation>

Y o Y Comparison: Revenues & Profit Fall

Market for middle size tankers and product tankers have fallen since beginning of 2009.

Tanker Market (WS)	Current Market	FY2009 1H Prospects	FY2009 2H Prospects	FY2009 Yearly Prospects	FY2008 Yearly Results
VLCC (M.East / Jpn)	WS 33	WS 50	WS 57	WS 54	WS 108
Aframax (S.Asia / Jpn)	WS 65	WS 90	WS 100	WS 95	WS 166
Clean 70,000 type (M.East / Jpn)	WS 55	WS 115	WS 120	WS 118	WS 203

<Heavy Lifter>

Y o Y Comparison: Revenues & Profit Fall

While operating tonnage increase because newbuildings delivered in last year are in operation for full year basis, profit will decrease due to market decline.

B-5. Financial Indices

	07F Yearly Results	08F Yearly Results	08F Yearly Prospects (original plan)	08F Yearly Prospects (as of Jan. '09)	09F Yearly Prospects
Operating Revenues	1331.0	1244.3	1340.0	1280.0	950.0
Ordinary Income	125.9	60.0	121.0	67.0	11.0
Net Income	83.0	32.4	78.0	30.0	6.5
Operating C/F	141.2	77.6	—	62.0	61.0
(Depreciation)	34.8	39.4	—	41.8	44.4
Investment C/F	▲ 145.5	▲ 148.3	—	▲ 146.0	▲ 78.9
FCF	▲ 4.3	▲ 70.7	—	▲ 84.0	▲ 17.9
Shareholders' Equity	355.8	334.8	426.0	320.6	332.7
Interest-bearing Liabilities	329.7	439.6	—	431.3	459.0
Equity Ratio	37%	35%	37%	32%	37%
ROE	24%	9%	—	9%	2%
ROA	13%	6%	12%	7%	2%
NET DER	78%	110%	—	117%	117%
Interest-bearing Liabilities/Operating C/F	2.3	5.7	—	7.0	7.5

DER: End of F2008 131% , End of F2009 138% (Prospect)

B-6-1. Emergency Countermeasures against Economic Crisis Tackling of Earning Improvement/Cost Reduction

(Billion Yen)

	Containership	Bulker/PCTC etc.	Total
Earning Improvement	<u>16.5</u>	<u>4.5</u>	<u>21.0</u>
Rationalization of Ship Deployment (Decrease service loops, Review ship size/routing, etc.)	14.5	1.0	15.5
Revising charterage, Early termination, etc.	2.0	3.5	5.5
Operating Cost Reduction	<u>10.0</u>	<u>3.5</u>	<u>13.5</u>
Feeder/Draying/Container Box Inventory Costs	5.5		5.5
Cargo Handling Fee/Port Charge, etc.	4.5	3.5	8.0
Ship Cost Reduction	<u>1.5</u>	<u>2.0</u>	<u>3.5</u>
Fuel Cost Reduction	<u>1.0</u>	<u>4.0</u>	<u>5.0</u>
Administration Cost Reduction	<u>1.0</u>	<u>1.0</u>	<u>2.0</u>
Total	<u>30.0</u>	<u>15.0</u>	<u>45.0</u>

B-6-2 Emergency Countermeasures against Economic Crisis Review of Fleet Upgrading Plan

Our Fleet Scale Projection

(No. of Vessels)

Vessel Type	2008F		2009F		2010F		2011F		Original Plan (Vision 100)
	Delivery	year-end fleet	Delivery	year-end fleet	Delivery	year-end fleet	Delivery	year-end fleet	
Containership	6	98	11	82	12	88	14	98	132
Dry Bulk Carriers	15	166	17	170	19	191	23	221	225
PCTC	4	93	10	83	7	85	8	91	106
Energy Biz. (New)	0	0	0	3	3	7	4	10	6
LNG	14	47	1	48	0	44	0	43	48
Tanker	5	30	4	36	0	36	2	40	45
Heavy Lifter	3	18	0	17	0	14	0	16	18
Others	2	52	0	57	0	57	0	60	60
Total	49	504	43	496	41	522	51	579	640
Original Plan (Vision100)	44	518	48	573	46	608	42	640	

Prospected idling/lay-up (2009F)

Containership : 10 - 20

PCTC : 15 - 25

LNG : 1 - 3

Total : 25 - 40

Prospected selling/return (2009F)

Containership : approx. 15

PCTC : approx. 20 etc.

- Adjusting fleet scale flexibly responding to cargo volume down, Set back delivery
- Currently estimated 61 vessels decline as of the end of '11F compared to "K"Line Vision 100, our business plan.
- Strengthen our fleet composition to be more competitive through early termination of charter contracts with higher charterage, or detailed check of ship costs.
- In Dry Bulk segment, firmly increased long-term cargo contracts