

# Financial Report for 2nd Quarter FY2011

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Kawasaki Kisen Kaisha, Ltd.

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# A. Financial Highlights for 2nd Quarter FY2011

# A-1. Financial Results for 2nd Quarter FY2011



(unit : billion yen)

	FY2011 1Q Result	FY2011 2Q Result	FY2011 1H Result	Previous Estimate	Comparison with Previous Estimate	FY2010 1H Result	Y on Y Comparison
Operating Revenues	244.2	252.8	497.0	500.0	▲ 3.0	520.4	▲ 23.4
Operating Income	▲ 9.9	▲ 8.5	▲ 18.4	▲ 15.0	▲ 3.4	50.0	▲ 68.4
Ordinary Income	▲ 8.8	▲ 11.5	▲ 20.3	▲ 14.0	▲ 6.3	42.8	▲ 63.1
Net Income	▲ 3.7	▲ 14.9	▲ 18.6	▲ 2.0	▲ 16.6	26.3	▲ 44.9
Exchange Rate	¥82.04	¥78.44	¥80.24	¥81.14	▲ ¥ 0.90	¥89.70	▲ ¥ 9.46
Bunker Price	\$644	\$667	\$656	\$650	\$6	\$468	\$188

(unit : billion yen)

		FY2011 1Q Result	FY2011 2Q Result	FY2011 1H Result	Previous Estimate	Comparison with Previous Estimate	FY2010 1H Result	Y on Y Comparison
Containership Business	Operating Revenues	104.7	105.5	210.1	220.0	▲ 9.9	240.7	▲ 30.6
	Ordinary Income	▲ 7.8	▲ 10.5	▲ 18.3	▲ 11.5	▲ 6.8	25.6	▲ 43.9
Bulk Shipping Business	Operating Revenues	110.1	119.7	229.8	220.0	9.8	233.8	▲ 4.0
	Ordinary Income	▲ 2.0	▲ 0.7	▲ 2.7	▲ 3.5	0.8	17.0	▲ 19.7
Others	Operating Revenues	29.4	27.6	57.1	60.0	▲ 2.9	45.9	11.2
	Ordinary Income	1.8	1.5	3.4	3.0	0.4	2.2	1.2
Adjustment	Operating Revenues	-	-	-	-	-	-	-
	Ordinary Income	▲ 0.9	▲ 1.8	▲ 2.7	▲ 2.0	▲ 0.7	▲ 1.9	▲ 0.8
Total	Operating Revenues	244.2	252.8	497.0	500.0	▲ 3.0	520.4	▲ 23.4
	Ordinary Income	▲ 8.8	▲ 11.5	▲ 20.3	▲ 14.0	▲ 6.3	42.8	▲ 63.1

Increase 9.46 Yen / US\$ in exchange rate resulted in approx. ▲ 5.2 billion yen (YoY)

\*Previous Estimate= Estimate as of July 2011

Increase of bunker price \$188 per met.ton resulted in approx. ▲11.3 billion yen (YoY)

## A-2. Key Points of 1st Half FY2011

### <Comparison with Previous Estimate>

Revenue Decrease(▲ 3.0 billion yen) / Profit Decrease(▲ 6.3 billion yen)

Variation Factors	Comparison with Previous Estimate	
Exchange Rate	▲ 0.5	Average Exchange rate in 2Q ¥0.9/\$ higher than Previous Estimate
Bunker Oil Price	▲ 0.3	Average Bunker Price in 2Q \$6/mt higher than Previous Estimate
Market Volatility	▲ 2.8	Rate restoration of Container failed
Business Expansion	▲ 1.5	Cargo Volume of Container decreased
Cost Increase/Decrease	▲ 1.5	-
Related Companies	▲ 0.1	-
Others	0.4	-
Total	▲ 6.3	

### <Y on Y Comparison>

\*Previous Estimate= Estimate as of July 2011

Revenue Decrease(▲ 23.4 billion yen) / Profit Decrease(▲ 63.1 billion yen)

Variation Factors	Comparison with FY2010	
Exchange Rate	▲ 5.2	Average Exchange rate in 1H ¥9.46/\$ higher than last year
Bunker Oil Price	▲ 11.3	Average Bunker Price in 1H \$188/mt higher than last year
Market Volatility	▲ 36.4	Freight decline in Container and market downturn in Dry Bulk
Business Expansion	▲ 3.8	Cargo Volume of Car carriers decreased
Cost Increase/Decrease	▲ 4.6	Increase of Container inland costs in North America and ship cost
Related Companies	▲ 1.1	-
Others	▲ 0.7	-
Total	▲ 63.1	

# A-3. Estimate for Yearly FY2011

(unit: billion yen)

	FY2011			FY2010			Y on Y Comparison	Previous Estimate		
	1H	2H	FY	1H	2H	FY		1H	2H	FY
Operating Revenues	497.0	494.0	991.0	520.4	464.7	985.1	5.9	500.0	560.0	1,060.0
Operating Income	▲ 18.4	▲ 11.6	▲ 30.0	50.0	8.6	58.6	▲ 88.6	▲ 15.0	10.0	▲ 5.0
Ordinary Income	▲ 20.3	▲ 18.7	▲ 39.0	42.8	4.5	47.4	▲ 86.4	▲ 14.0	8.0	▲ 6.0
Net Income	▲ 18.6	▲ 13.4	▲ 32.0	26.3	4.3	30.6	▲ 62.6	▲ 2.0	4.0	2.0
Exchange Rate	¥80.24	¥77.00	¥78.62	¥89.70	¥82.39	¥86.04	▲¥7.42	¥81.14	¥85.00	¥83.07
Bunker Price	\$656	\$650	\$653	\$468	\$509	\$489	\$164	\$650	\$650	\$650

(unit: billion yen)

		FY2011		
		1H	2H	FY
Containership Business	Operating Revenues	210.1	194.9	405.0
	Ordinary Income	▲ 18.3	▲ 15.7	▲ 34.0
Bulk Shipping Business	Operating Revenues	229.8	240.2	470.0
	Ordinary Income	▲ 2.7	▲ 2.3	▲ 5.0
Others	Operating Revenues	57.1	58.9	116.0
	Ordinary Income	3.4	0.6	4.0
Adjustment	Operating Revenues	-	-	0.0
	Ordinary Income	▲ 2.7	▲ 1.3	▲ 4.0
Total	Operating Revenues	497.0	494.0	991.0
	Ordinary Income	▲ 20.3	▲ 18.7	▲ 39.0

### 【Dividend Plan】

Interim: None  
Year-end: None

### 【Premises】

Exchange Rate **2H** JPY 77/US\$  
Bunker Price **2H** US\$ 650/MT

### 【Sensitivity against Ordinary Income in 2H】

Exchange Rate : ± JPY1/US\$⇒±0.4 billion yen  
Bunker Price : ± US\$10/MT⇒±0.5 billion yen

### 【Main items of Non-operating Income/Loss and Extraordinary Income/Loss】

**1H** : 2.5 bil yen appraisal gain resulted from variation of exchange rate of consolidated overseas subsidiaries' debt  
2.0 bil yen Income of selling ships  
7.0 bil yen Income due to share exchange by consolidated subsidiary in Australia  
▲ 16.6 bil yen impairment Loss on revaluation of investment securities

**2H** : ▲ 5.0 bil yen appraisal Loss resulted from variation of exchange rate of consolidated overseas subsidiaries' debt  
3.0 bil yen Income of selling ships

# A-4. Key Points of Yearly FY2011

## <Comparison with Previous Estimate>

**Revenue Decrease(▲ 69.0 billion yen) / Profit Decrease(▲ 33.0 billion yen)**

Variation Factors	Comparison with Previous Estimate	
Exchange Rate	▲ 5.3	Average Exchange rate in 2011 ¥4.45/\$ higher than Previous Estimate
Bunker Oil Price	▲ 0.3	Average Bunker Price in 2011 \$3/mt higher than Previous Estimate
Market Volatility	▲ 16.2	Rate restoration of Container failed
Business Expansion	▲ 2.3	Cargo Volume of Container decreased
Cost Increase/Decrease	1.6	-
Related Companies	▲ 7.8	Appraisal loss resulted from variation of exchange rate of consolidated overseas subsidiaries' debt
Others	▲ 2.8	-
Total	▲ 33.0	

## <Y on Y Comparison>

**Revenue Increase (5.9 billion yen) / Profit Decrease(▲ 86.4 billion yen)**

Variation Factors	Comparison with FY2010	
Exchange Rate	▲ 8.4	Average Exchange rate in 2011 ¥7.42/\$ higher than last year
Bunker Oil Price	▲ 21.1	Average Bunker Price in 2011 \$164/mt higher than last year
Market Volatility	▲ 45.4	Freight decline in Container and market downturn in Dry Bulk
Business Expansion	3.4	Cargo Volume of Container increased
Cost Increase/Decrease	▲ 8.0	Increase of Container inland costs in North America and ship cost
Related Companies	▲ 5.4	-
Others	▲ 1.5	-
Total	▲ 86.4	

## B. Division-wise Trends



# B-1. Division-wise Trends

## -Containership Business-

### <11F 1H Result> Y on Y Comparison: Revenue Decrease/Turning into Red

#### Compared with Previous Estimate\*: Revenue Decrease/Deficit Increase

Main reason is falling short of target freight rate because negotiation to introduce rate restoration including peak season surcharge during summer peak season, which was counted in our previous estimate\*, finished unsuccessfully.

\*Previous Estimate= Estimate as of July 2011

### <Key Points after 2nd Half >

Cargo volume toward Europe and the U.S.

Improvement in supply-demand balance by way of lay up and suspending service loops, etc.

		2009	FY2010				FY2011			
			1Q	2Q	3Q	4Q	FY	1Q Result	2Q Result	1H Result
<b>Operating Revenues (billion yen)</b>		3,640	1,123	1,284	1,050	992	4,450	1,047	1,055	2,101
<b>Ordinary Income (billion yen)</b>		▲ 670	89	167	57	▲ 23	290	▲ 78	▲ 105	▲ 183
<b>Trend of Freight Index FY'08 1Q=100</b>	Asia-North America	72	92	107	99	95	98	94	94	94
	Asia-Europe	69	105	107	94	86	98	71	68	70
<b>Lifting (10,000 TEU)</b>	Asia-North America	66.8	16.9	17.6	16.4	14.9	65.7	16.3	17.0	33.3
	Asia-Europe	43.4	12.6	13.1	11.8	11.6	49.1	13.0	13.5	26.5
<b>Capacity(10,000 TEU)</b>	Asia-North America	70.2	17.0	17.9	17.8	16.7	69.5	17.6	17.8	35.4
	Asia-Europe	46.1	13.1	13.5	12.4	12.3	51.3	13.4	14.1	27.6
<b>Utilization</b>	Asia-North America	95%	99%	98%	92%	89%	95%	93%	96%	94%
	Asia-Europe	94%	96%	97%	95%	94%	96%	97%	96%	96%

## B-2. Division-wise Trends -Dry Bulk Business-

<11F 1H Result> **Y on Y Comparison: Revenue Increase/Profit Decrease**

**Compared with Previous Estimate\*: almost as expected**

Dry Bulk Market downturn due to imbalance of supply and demand

\*Previous Estimate= Estimate as of July 2011

<Key Points after 2nd Half>

Present market level for Cape-size (170,000 ton type) has been rapidly recovering.

Full recovery for Dry Bulk market will take some more time.

Dry Bulk Market (*)	FY2010					FY2011					
	1Q	2Q	3Q	4Q	FY	1Q Result	2Q Result	1H Result	3Q Est	4Q Est	2H Est
Cape(170type)	\$40,000	\$26,300	\$34,400	\$8,400	\$27,300	\$8,600	\$17,100	\$12,850	\$24,000	\$18,000	\$21,000
Panamax(74type)	\$29,200	\$21,700	\$18,200	\$14,500	\$20,900	\$13,800	\$12,900	\$13,350	\$15,000	\$13,500	\$14,250
Handy(53type)	\$27,100	\$19,800	\$17,300	\$14,300	\$19,600	\$14,600	\$14,000	\$14,300	\$14,500	\$13,500	\$14,000

(\*) 4 T/C Average

## B-3. Division-wise Trends

### -Car Carrier Business-

#### <11F 1H Result> Y on Y Comparison: Revenue Decrease/ Turning into Red

##### Compared with Previous Estimate\*: Revenue Increase/Deficit Decrease

Y on Y Comparison: Drastic fall of completed car exports from Japan due to the Great East Japan Earthquake

Comparison with Previous Estimate\*: More cars were carried due to somewhat faster recovery in production than our Previous Estimate.

\*Previous Estimate= Estimate as of July 2011

#### <Key Points after 2nd Half>

Each Japanese auto-manufacturer revised their shipping volume upward compared to our Original Estimate (set up before the 3-11 Earthquake) However it is worried that cargo volume will be decreased depending on strong yen trend and flood in Thailand.

		2009	2010					2011		
		FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
Loading Results (1,000 units)	Outbound	802	240	254	272	250	1,016	162	252	414
	Homebound/Others	808	311	291	314	299	1,215	357	353	710
	Intra-Europe	516	203	169	190	230	792	214	204	418
	Total	2,127	754	714	776	779	3,024	732	809	1,542
Number of Operating vessels		-	83	84	87	87	-	88	97	-

## B-4. Division-wise Trends

### -Energy Transportation and Heavy Lifters-



#### 【 Energy Transportation 】

< 11F 1H Result > Y on Y Comparison: Revenue Decreased/Deficit Decreased

Compared with Previous Estimate\*: Revenue Almost as Expected/Deficit Increased

【LNG】 Long-term contracts performed well and some middle term charter contracts were fixed for some vessels exposed to spot market.

【Tankers】 Profit of VLCC was firm but market of Aframax and Product carriers still remain depressed.

【Offshore Support Vessels】 PSV (Platform Supply Vessels) secured firm profit by middle and long term contracts.

AHTS (Anchor Handling Tug Supply Vessels) were operated in spot charter market.

\*Previous Estimate= Estimate as of July 2011

#### < Key Points after 2nd Half >

【LNG】 Try to secure firm profit by long-term and middle-term contracts

【Tankers】 Recovery of market of Aframax and Product carriers will take some time

【Offshore Support Vessels】 Try to secure middle and long-term contracts for AHTS currently operated in spot charter market.

Tanker Market (WS)	2009	2010	2011					
	FY	FY	1Q Result	2Q Result	1H Result	3Q Est	4Q Est	2H Est
VLCC (M.East / Jpn)	53	65	54	47	50	46	57	52
Aframax (*)	82	103	105	95	100	97	118	108
Clean 70,000 type (M.East / Jpn)	97	115	119	123	121	118	129	124

\*: S.Asia/Jpn until FY2009, S.Asia/Aus in FY2010

#### 【 Heavy Lifters 】

< 11F 1H Result / Key Points after 2nd Half > Y on Y Comparison: Revenue Increase/Deficit Decrease

Compared with Previous Estimate\*: almost as expected

Compared with last year heavy lifter market is recovering gradually but it will take some time for full recovery.

\*Previous Estimate= Estimate as of July 2011