"K" LINE Vision 100

Revisions to the Medium-Term Management Plan

"New Challenges"

April 28, 2011

Kawasaki Kisen Kaisha, Ltd.

Contents

Revision Background and New Measures (1)

Background Behind Revisions to "K" Line Vision 100 Medium-Term Management Plan

April 2008 "K" LINE Vision 100

This medium-term management plan was established against a backdrop of growing marine transport demand resulting from global economic growth, focusing on the mid-2010s, while also extending its outlook to encompass the company's 100th Anniversary in 2019.
The theme of the plan was "synergy for all and sustainable growth."

January 2008 "K" LINE Vision 100 KV2010

This plan was established as an emergency measure in response to the financial recession led by the collapse of Lehman Brothers in September 2008, and the vastly different business environment it produced.

April 2011 "K" LINE Vision 100 - New Challenges

Financial results in FY 2010 exceeded initial plans.
However, there may be effects from the recent earthquake and there are still many uncertain elements.
In response to changes in market structures including energy supply and demand and the emergence of developing countries, a new medium-term management plan based on the "K" LINE Vision 100 was adopted to expand stable earning and achieve sustainable growth.

Background to the Revisions and New Measures (2)

Return to profitability in FY2010 and early resumption of dividend payments–Both targets achieved

Ordinary income moves back into the black : FY2010 Plan - ¥11.0 billion　Results - ¥47.4 billion

Early resumption of dividends : FY2010 results – 9.5-yen annual dividend

Background to the Revisions and New Measures (3)

Expansion of a stable earnings base and sustainable growth

<u>Recovery in the business environment has been inconsistent and the Great East Japan Earthquake has had an effect.</u>

Containership business : Business environment is uncertain in FY2011. Preparations will be made to accommodate increase in demand starting in FY2012.

Dry bulk business : Fleet expansion will continue in order to respond to global economic recovery beginning in FY2011.

Car carrier business : The business to be reconstructed to respond to structural changes in the transport of completely built-up cars.

Energy transportation business : Appropriate measures taken to respond to changes in global energy demand (increased demand for LNG and accelerated energy development).

Heavy lifter and Offshore support vessel businesses : Appropriate measures taken to respond to growing business areas including energy development.

Total logistics business : Appropriate measures taken to respond to steady recovery of infrastructure upgrades, air freight and other transport demands.

Background to the Revisions and New Measures (4)

Strategic investment in response to changes in market structures and increase in demand

<u>Investment in creation of a flexible fleet and in new businesses</u>
<u>Ongoing measures for improvement and strengthening of financial makeup</u>

Cash Flows from Investments

FY2010 Plan: ¥85.0 billion ⟺ Results: ¥78.3 billion

FY2011 Plan: ¥95.0 billion

- **(1) Structural improvements: ¥23.0 billion** * Purchase of second-hand vessels and Conversion to FOC (Flag of Convenience) vessels
- **(2) New business development: ¥37.0 billion** *Offshore support vessels, Heavy lifters, Chemical tankers, etc.

FY2012 Plan: ¥80.0 billion

FY2013 Plan: ¥65.0 billion

Three-year total for 2011 – 2013: ¥240 billion

Review of Business Strategies by Segment: Containership Business

Business Environment

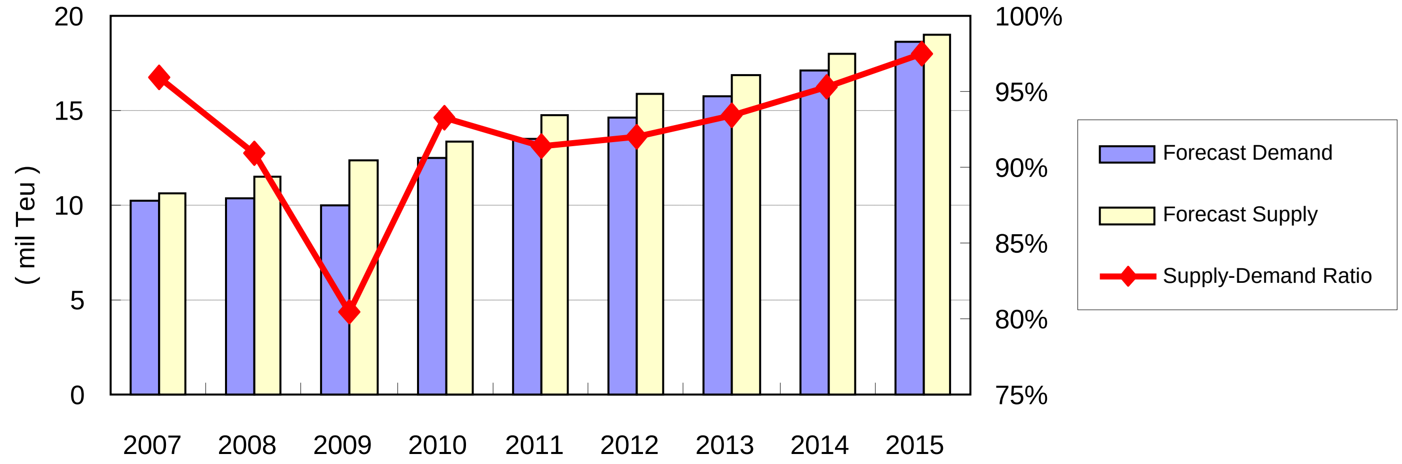
- **Cargo movements improved substantially in 2010.**
- **Business will experience moderate growth in 2011 and thereafter.**
- **There were concerns about overreaction in the market in response to increased construction of large-size newbuildings in early 2011, but the issue will be resolved with construction set to peak in the summer.**
- **Supply and demand will balance out in 2012 and thereafter.**

Cargo Movements/Shipping Capacity Forecast

	2010	2011	2012-15
North America	17%	5%	6%
Europe	17%	5%	6%
North-South	20%	10%	10%
Inter-Asia	10%	7%	8%
Others	10%	7%	8%
Total cargo movement demand	14%	7%	8%

* 1% has been added to demand for cargo movement demand each year to take into account the increase in berthing days in conjunction with the use of larger vessels.

Worldwide Forecast for Containership Shipping Capacity Supply and Demand



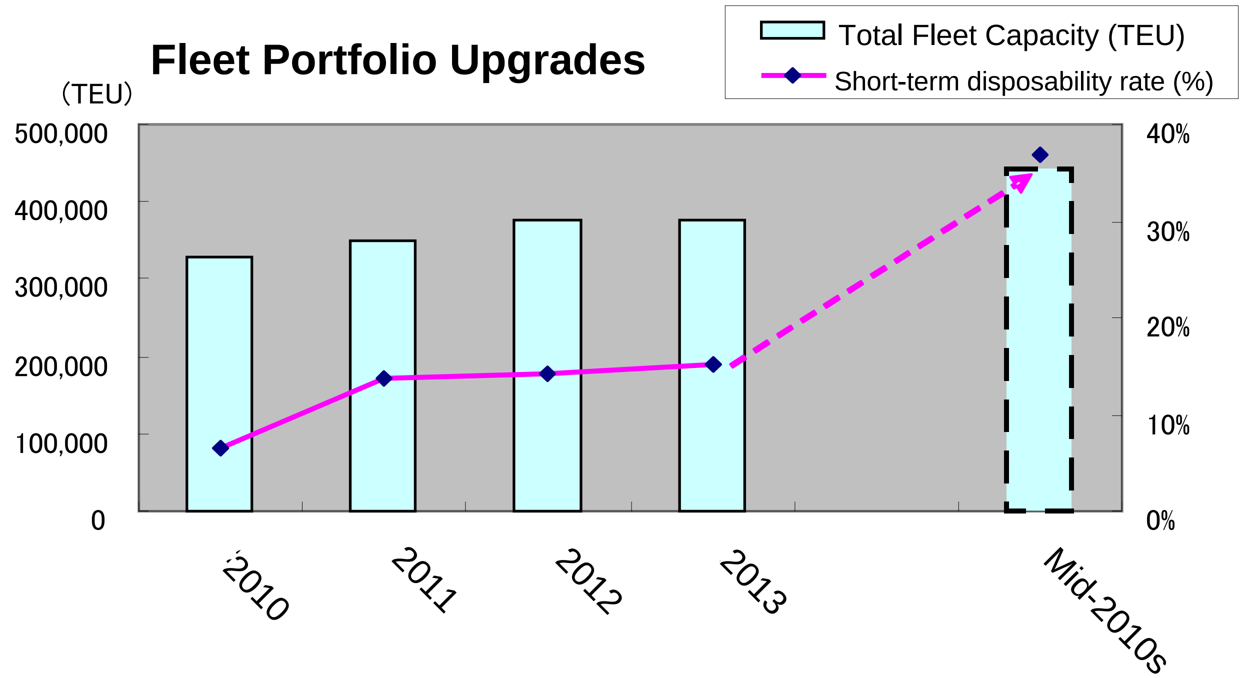
Sources: Materials from Drewry, Alphaliner, and other sources and "K" Line forecasts.

Review of Business Strategies by Segment: Containership Business

Business Strategy

- Continue additional efforts to restore freight charges
- Expand the fleet through the purchase of cost-competitive second-hand vessels, raise utilization rates for short-term disposable and returnable vessels, and respond to risks for supply and demand fluctuation

  (Short-term disposable vessels: Short-term charter vessels and FOC vessels that can be disposed of within one year.)
- Develop business with an emphasis on the Intra-Asia and North-South routes
- Make additional efforts to rationalize ship operations and reduce costs
- Consider fleet upgrade plans including newly built large-size containerships that will serve as the foundation for future business



Review of Business Strategies by Segment: Dry Bulk Business

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

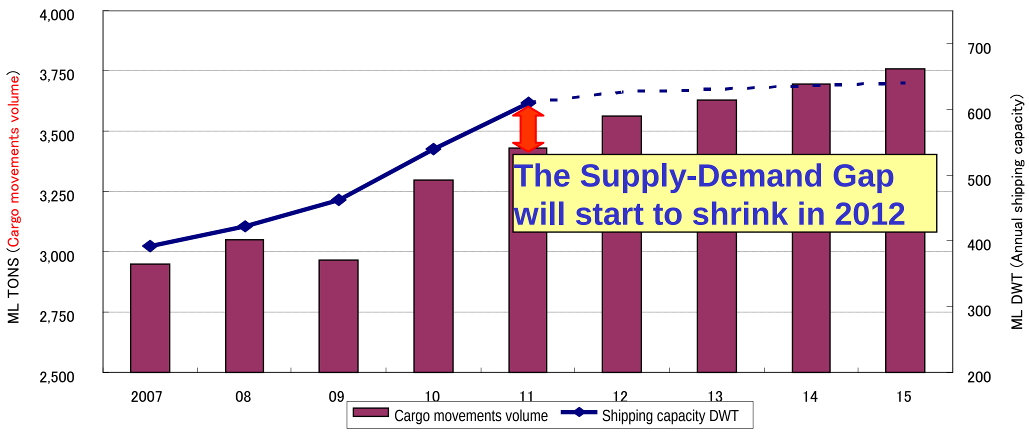
Business Environment

- Energy resources transportation is increasing in conjunction with continued economic growth in China, India and other emerging countries, having total population of 3.0 billion.
- Energy and grain supply sources are becoming increasingly remote, resulting in higher ton-miles.
- Large increase in newbuildings.

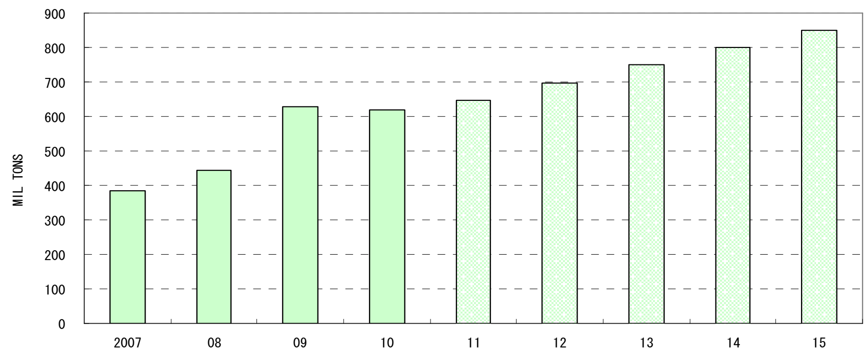
Shipping Capacity Supply and Demand

- Large supply of newbuildings in 2011 will expand gap between supply and demand to highest level ever (with shipping capacity exceeding demand).
- Cancellation of newbuildings and increased scrapping (particularly Cape vessels) starting in 2012 will steadily reduce the gap.

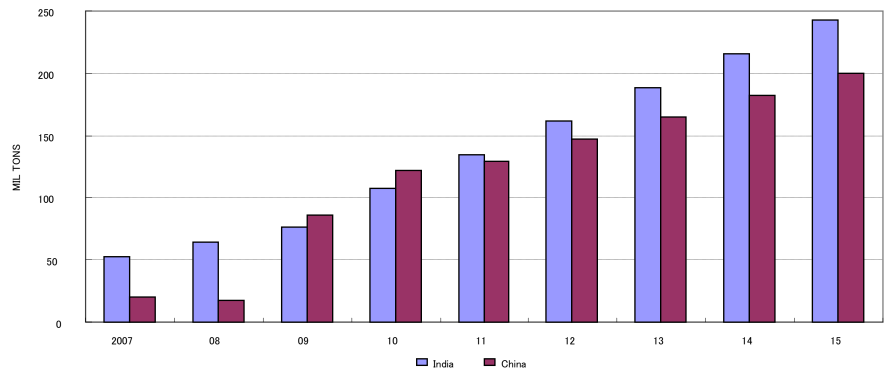
Dry Bulk Shipping Capacity DWT and Cargo Movement Volume Forecasts



Chinese Iron Ore Imports



Chinese & Indian Coal Imports



Sources: Clarkson; data for 2011 to 2015 are “K” Line forecasts.

Review of Business Strategies by Segment: Dry Bulk Business

Business Strategy

- Create a 300-vessel fleet

(1) Upgrade fleet with focus on small and medium bulkers
→Gap between supply and demand is limited, and it will be possible to quickly take advantage of market recovery benefits.

(2) Develop business that takes advantage of a fleet featuring of high-quality special-purpose vessels including coal and iron ore carriers.

- Expand stable sources of earnings

Increase medium- and long-term contracts for steel raw materials and thermal coal

(1) Approximately 80% of Cape fleet is secured through medium- and long-term contracts.

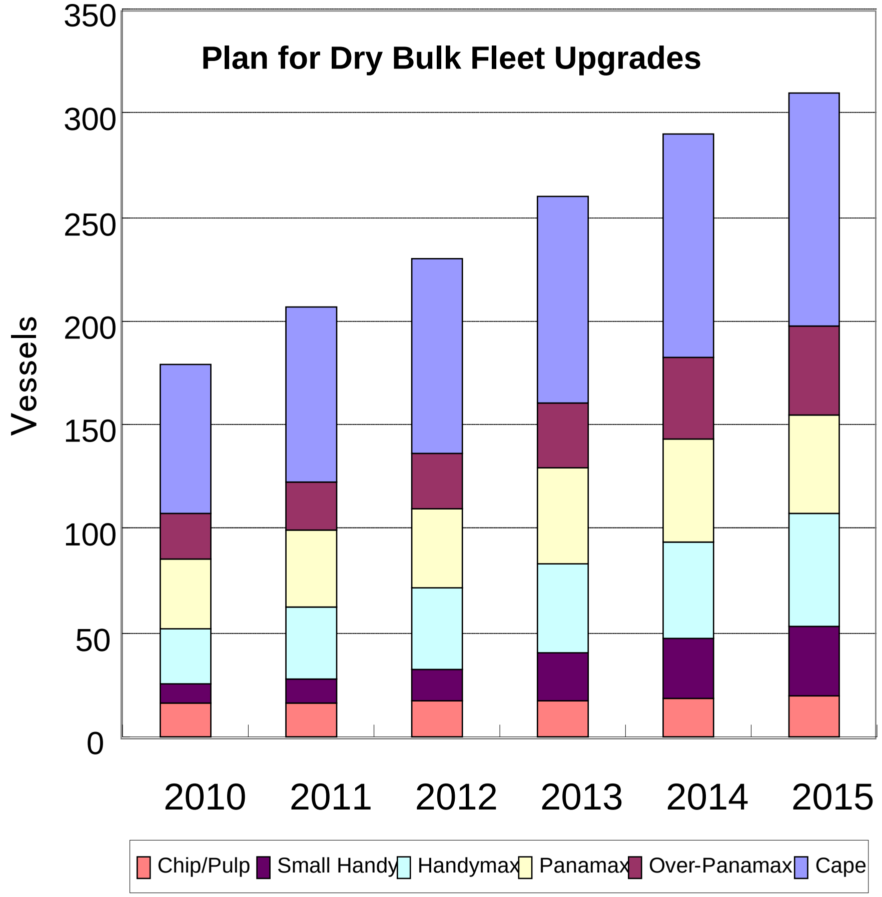
(2) Respond to increased transport demand for thermal coal with highly-rated special-purpose Corona series developed by "K" Line.

(3) Acquire long-term contracts for coal to India where volume is expected to increase to 16 million tons per year, 10% share of the market, starting in 2012.

- Accelerate expansion of global business

(1) Reinforce measures in rapidly growing Indian market.

(2) Develop original business through bases in Europe and Asia.



Review of Business Strategies by Segment:
Car Carrier Business

Business Environment

• Cargo movement is increasing in conjunction with steady growth of the global sales market.

• Manufacturers are diversifying production sites as emerging country markets expand.

> Intra-Asia and routes to and from Asia
> Routes to Russia
> Routes originating from China and India
> Routes between Brazil and neighboring countries

AA. Existing business model centered on exports from Japan is changing

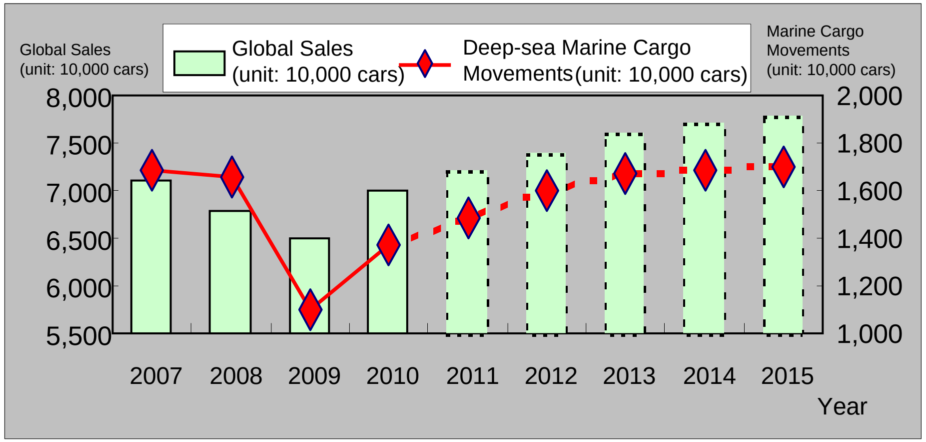
BB. Downward effect of the earthquake on export volume from Japan is expected in the 1st half of FY2011

CC. Increasing cargo movement of construction and agricultural equipment

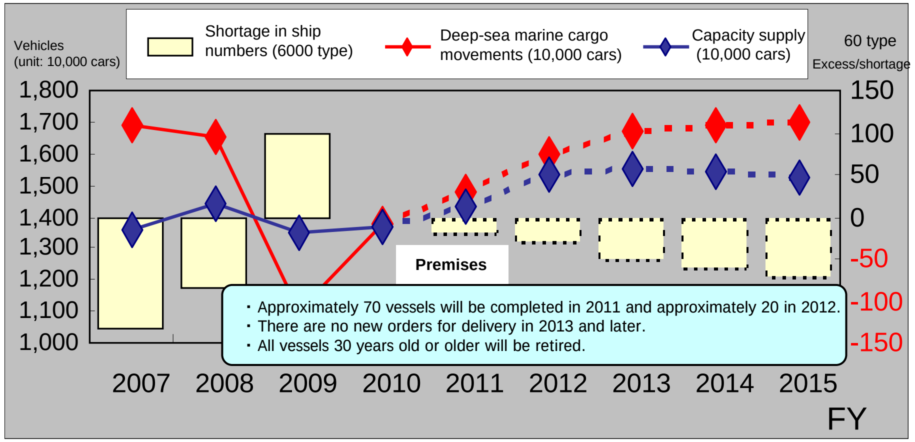
Shipping Capacity Supply and Demand

• Amidst the lack of transparency concerning cargo movement following the collapse of Lehman Brothers, shipping companies have adopted a wait-and-see attitude concerning new orders.

• It is expected that shipping capacity supply and demand will tighten in the mid-2010s.



Global Vehicle Sales and Cargo Movements



Shipping Capacity Supply and Demand

Car Carrier Business

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Business Strategy

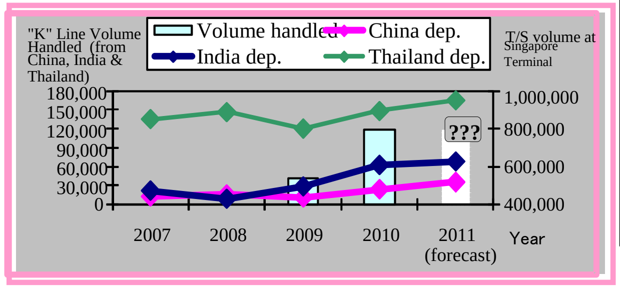
Reinforce Measures to Create Income Opportunities as Marine Transport Demand Diversifies

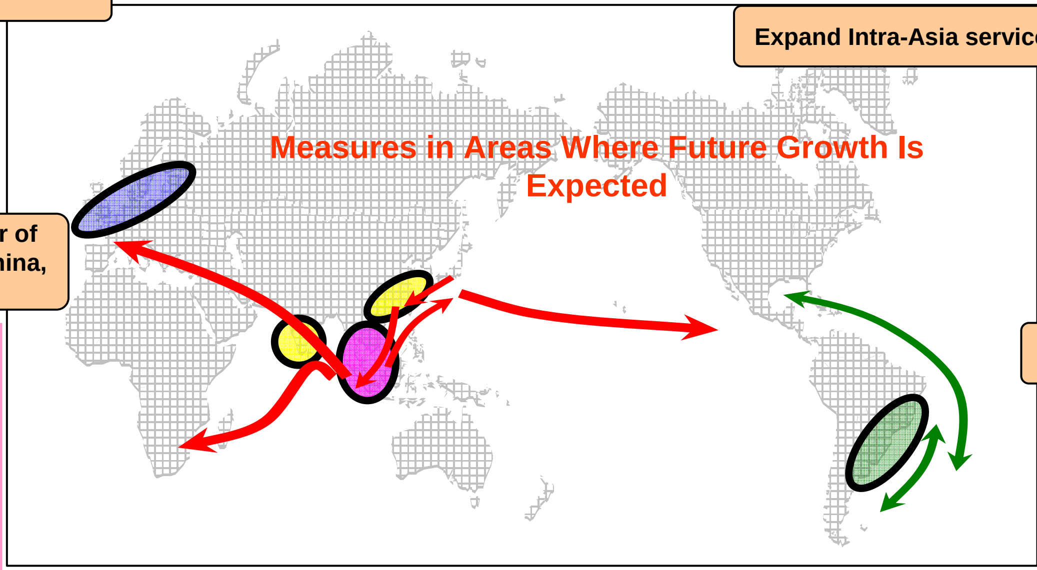
KESS services to European waters

Reinforce services to Russia

"K" Line Cargo Movements

Increase the number of loaded cars from China, Thailand and India

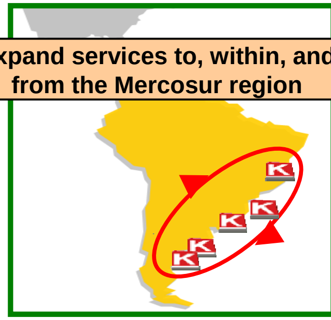




Expand Intra-Asia services

Asia region service map after modifications

Expand services to, within, and from the Mercosur region



Expand Services in Emerging Market Regions

Reinforce Trunk Lines For Japanese Freight and Emerging Market Freight

(Using the "K" Line-operated terminal in Singapore)

Increase Loading of Construction Equipment, Heavy Vehicles, Non-Self-Propelled Freight, etc.

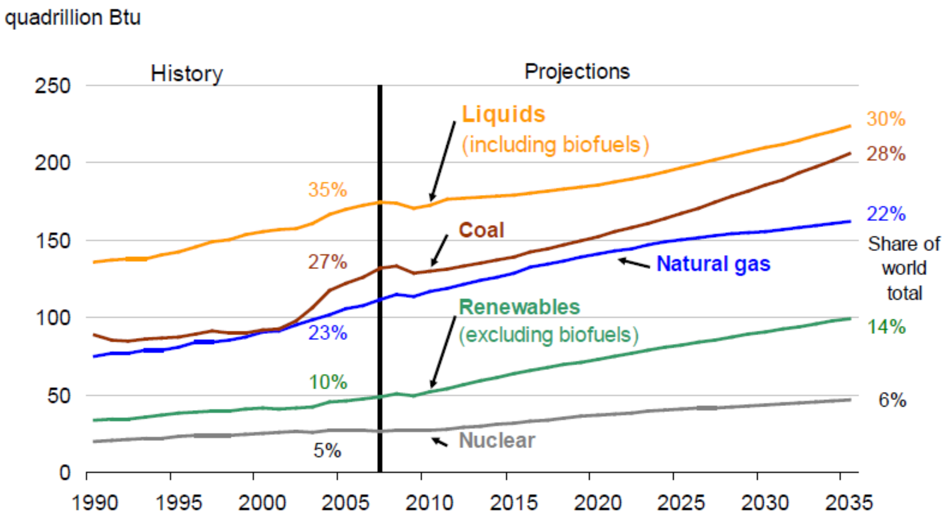
Upgrade the fleet through measures including research on new vessel types in response to the diversification of demand with the aim of creating a transport capacity in excess of 3.5 million units by the mid-2010s

Review of Business Strategies by Segment: Energy Transportation Business

Business Environment

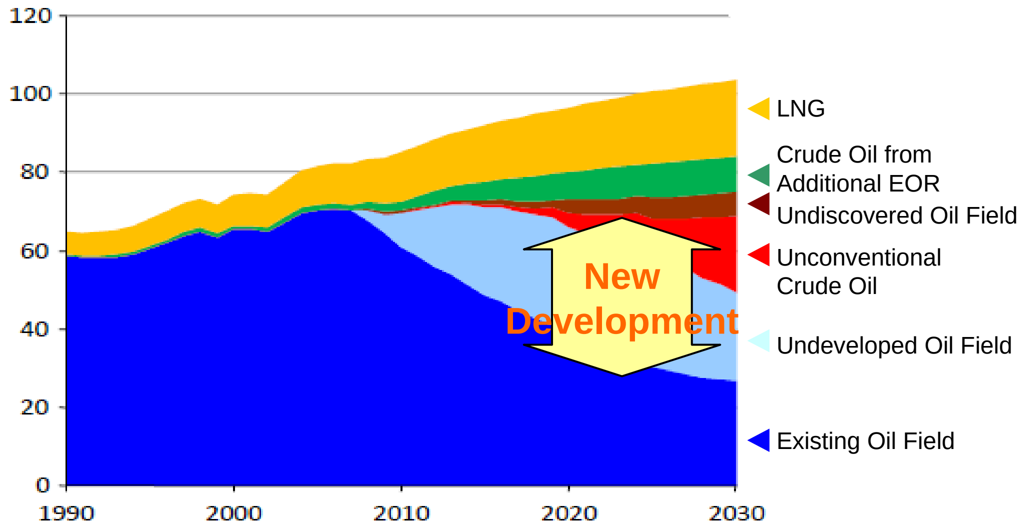
- Demand for primary energy is expected to maintain steady growth.
- Production from existing sources (land based) will decline while a shift to the development of new sources (from marine to deep sea) has already begun.
- Greater attention is being focused on natural gas, which has low environmental impact.

World Primary Energy Consumption



*IEO: International Energy Outlook 2010

Global oil supply (by source)



Source: IEA

Review of Business Strategies by Segment:
Energy Transportation Business

Business Strategy

Energy Development

In addition to drilling business using drillships and FLNG (floating LNG producers), enter offshore support vessel business and heavy lifter business and create synergy effects in upstream energy chain to raise profitability.

LNG Transport

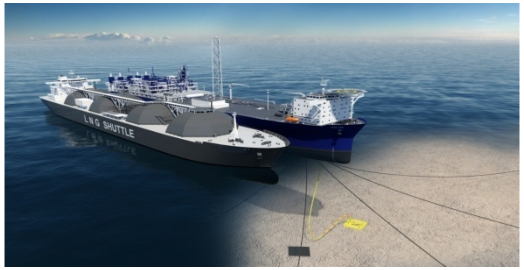
Use existing vessels to respond to increasing short-term transport demands and use newbuildings to respond to medium- to long-term demands.

Crude Oil Carriers

Secure stable earnings with focus on long-term contracts.

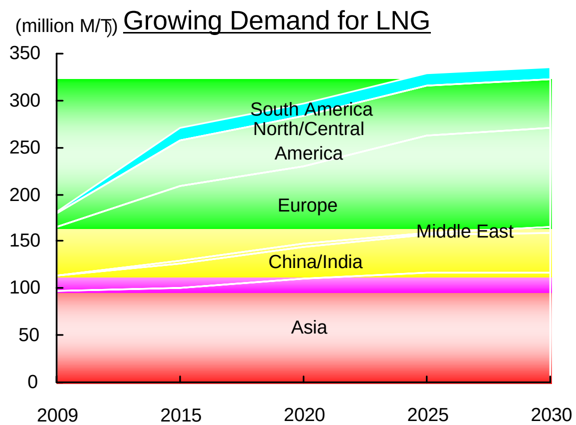
Enter chemical tanker business as a new business.

FLNG (Floating LNG Producer)
Create new LNG production means through business with FLEX



Drillship
• Drillship operations for Petrobas of Brazil are scheduled to start in early 2012.
• Successor projects are currently being considered and discussions are underway.

Demand for LNG as it gains attention as a clean energy source



Review of Business Strategies by Segment: Heavy Lifter and Offshore Support Vessel Businesses

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Heavy Lifter Business: SAL

Business Strategy

・Develop into a core business

(1) SAL of Germany becomes a wholly-owned subsidiary.

(2) Respond to wide-ranging transport demands with 16-vessel fleet that includes newbuildings equipped with 2,000-ton cranes, world's highest lifting capacity.

(3) Equip vessels with dynamic positioning systems to meet transport and offshore demands including marine oil and gas development facilities, marine wind power facilities, etc.

Offshore, Spider Buoy Transport

Offshore Support Vessel Business: "K" Line Offshore AS

Business Strategy

・Enter into long-term stable contracts with good customers to achieve stable earnings.

(1) Establish seven-vessel fleet with six newbuildings and one chartered vessel by the end of June 2011.

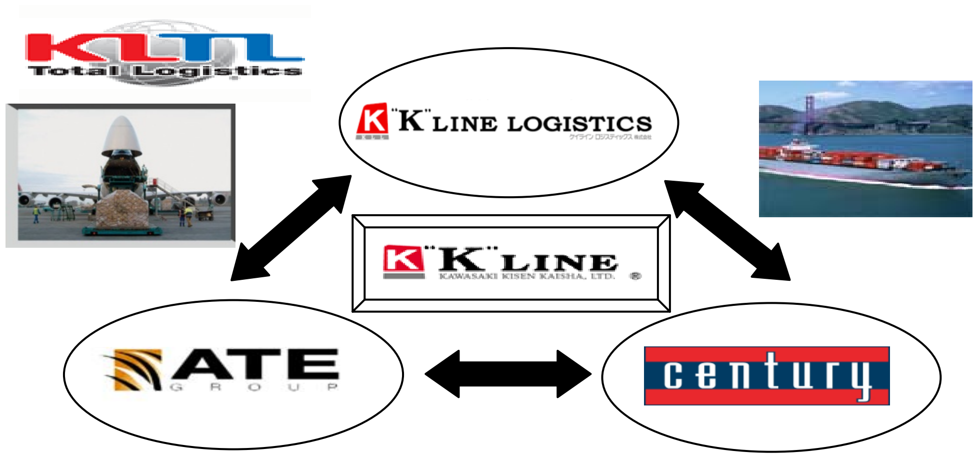
(2) Respond to more remote deeper-water offshore development with AHTS with world's highest towing capacity (390 tons) and PSV with large deck area (1,100 m²).

(3) Long-term agreements have been concluded with Petrobas of Brazil and ConocoPhilips of the U.K.

Rig transportation work in the North Sea
Background: the rig; foreground: KOAS's AHTS

Business Strategy

・Tackle demand for logistics to Asia



(1) Expand three pillars of international logistics

- *** "K" Line Logistics**
  - **⇒ Strong marketing with Japanese firms**
- *** Air Tiger Express**
  - **⇒ Equity participation in January 2010**
    Strong marketing in China and other parts of Asia
- *** Century Distribution Systems**
  - **⇒ High-quality services using logistics management systems**

(2) Expand community-based comprehensive logistics services including motor vehicle logistics

- *** Thailand, Indonesia, Philippines, China, and other countries**

Automotive parts delivery service in Thailand (milk run service)

Three-level motorcycle transporter developed by "K" Line in Indonesia

Changes in Fleet Size and Investment: Strategic Investment and Raising Fleet Flexibility

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Changes in Fleet Size and Investment

(unit: vessels)

Year	FY2010 Completion	No. of Vessels at end of FY 2010	FY2011 Completion	FY2012 Completion	FY2013 Completion	FY2011-13 Completion	No. of Vessels at end of FY 2013
Containership	**11**	**83**	**6**	**4**	**0**	**10**	**82**
Dry Bulk	**16**	**179**	**35**	**23**	**27**	**85**	**260**
Car Carrier	**7**	**87**	**7**	**1**	**0**	**8**	**86**
Crude Oil Carrier	**0**	**29**	**1**	**2**	**0**	**3**	**29**
LNG Carrier	**0**	**45**	**0**	**0**	**0**	**0**	**42**
Offshore/Energy Transportation	**3**	**4**	**4**	**0**	**0**	**4**	**8**
Heavy Lifter	**2**	**16**	**0**	**0**	**0**	**0**	**16**
Coastal	**1**	**51**	**1**	**2**	**0**	**3**	**54**
Total	**40**	**494**	**54**	**32**	**27**	**113**	**577**

KV2010
Prior (January 2010)

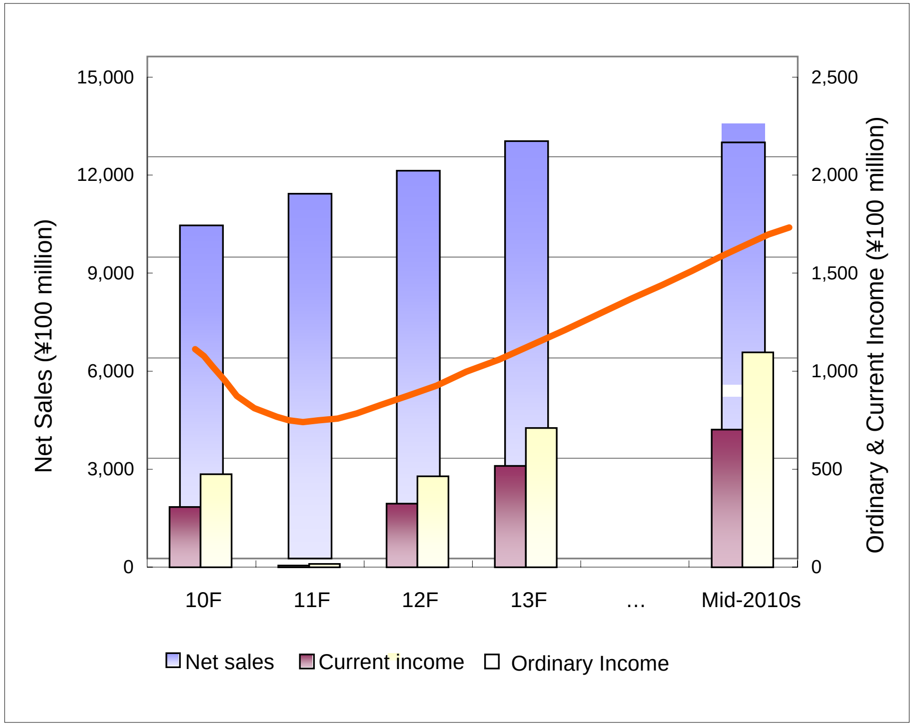
Year	No. of Vessels at end of FY 2012	No. of Vessels in mid-2010s
Containership	81	75
Dry Bulk	219	250
Car Carrier	76	90
Crude Oil Carrier / LNG Carrier	74	75
Offshore/Energy Transportation	8	10
Heavy Lifter	16	16
Coastal	63	70
Total	537	586

	FY2010		FY2011	FY2012	FY2013	FY2011- 13
Investment CF (revised)	**¥78.3 billion**		**¥95.0 billion**	**¥80.0 billion**	**¥65.0 billion**	**¥240.0 billion**
Investment CF (prior) As of January 2010	¥85.4 billion		¥56.3 billion	¥61.3 billion		

Changes in Income and Major Financial Indicators

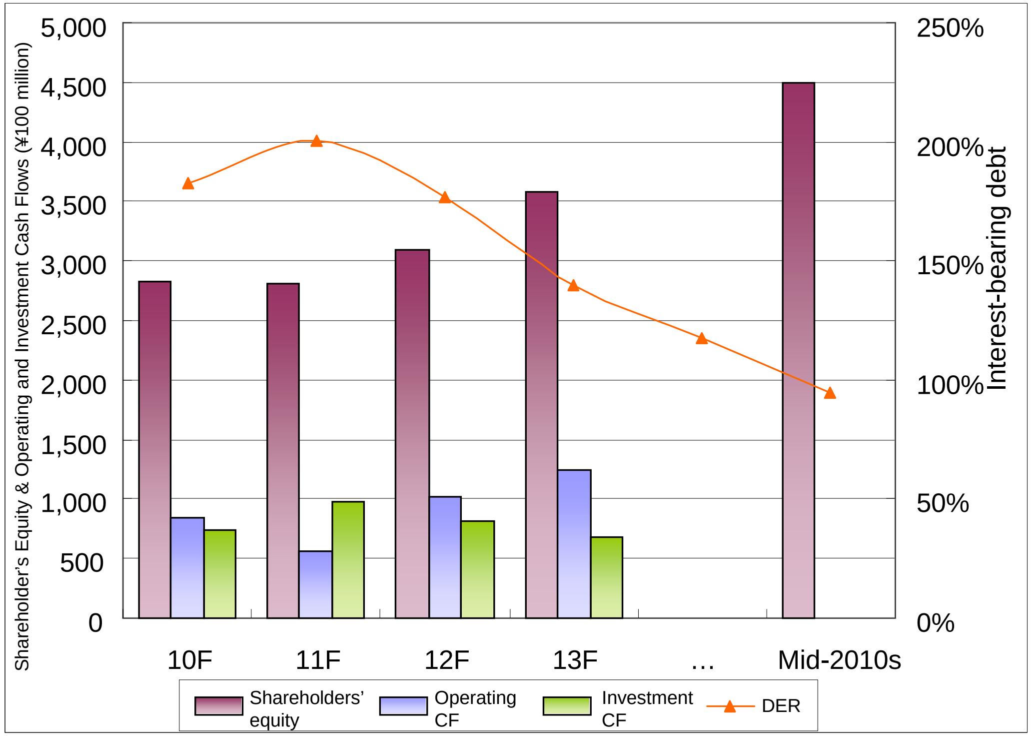
Income is expected to bottom out in 2011 then turn sharply upward

Income



Achievement of initial goals is planned for mid-2010s

Major Financial Indicators



Quantitative Targets (the Newly Revised Medium-term Management Plan）

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Newly Revised Medium-term Management Plan (figures to be reviewed) (unit: billion yen)

	FY 2010	FY 2011	FY 2012	FY 2013	Mid-2010s
Net sales	985.1	1,090.0	1,160.0	1,250.0	¥ 1,300 .0 billion
Ordinary Income	47.4	3.0	46.0	71.0	110.0
Net Income	30.6	2.0	32.0	52.0	70.0
Shareholders' equity	291.6	290.0	320.0	370.0	450.0
Interest-bearing Debt	483.3	530.0	510.0	460.0	380.0
Operating CF	84.9	49.0	105.0	125.0	
Investment CF	-78.3	-95.0	-80.0	-65.0	
DER	166%	183%	159%	124%	95% or less
ROA	5%	0%	4%	6%	8% or less
Equity Ratio	28%	26%	28%	31%	40% or less
Interest-bearing debt/Operating CF	5.69	10.82	4.86	3.68	4.5 times or less
Dividend Payout Ratio	24%	25%	26%	27%	30%

Exchange Rate	-	85	85	85
Banker Rate	-	650	600	600

No changes from KV 2010

Changes from KV2010

	FY 2010	FY 2011	FY 2012
Net sales	-14.9	-10.0	-40.0
Ordinary Income	36.4	-30.0	-2.0
Net Income	23.1	-18.0	1.0
Shareholders' equity	21.6	0.0	0.0
Interest-bearing Debt	-76.7	-10.0	0.0
Operating CF	26.9	-34.0	9.0
Investment CF	6.7	-39.0	-20.0
FCF	33.6	-73.0	-11.0

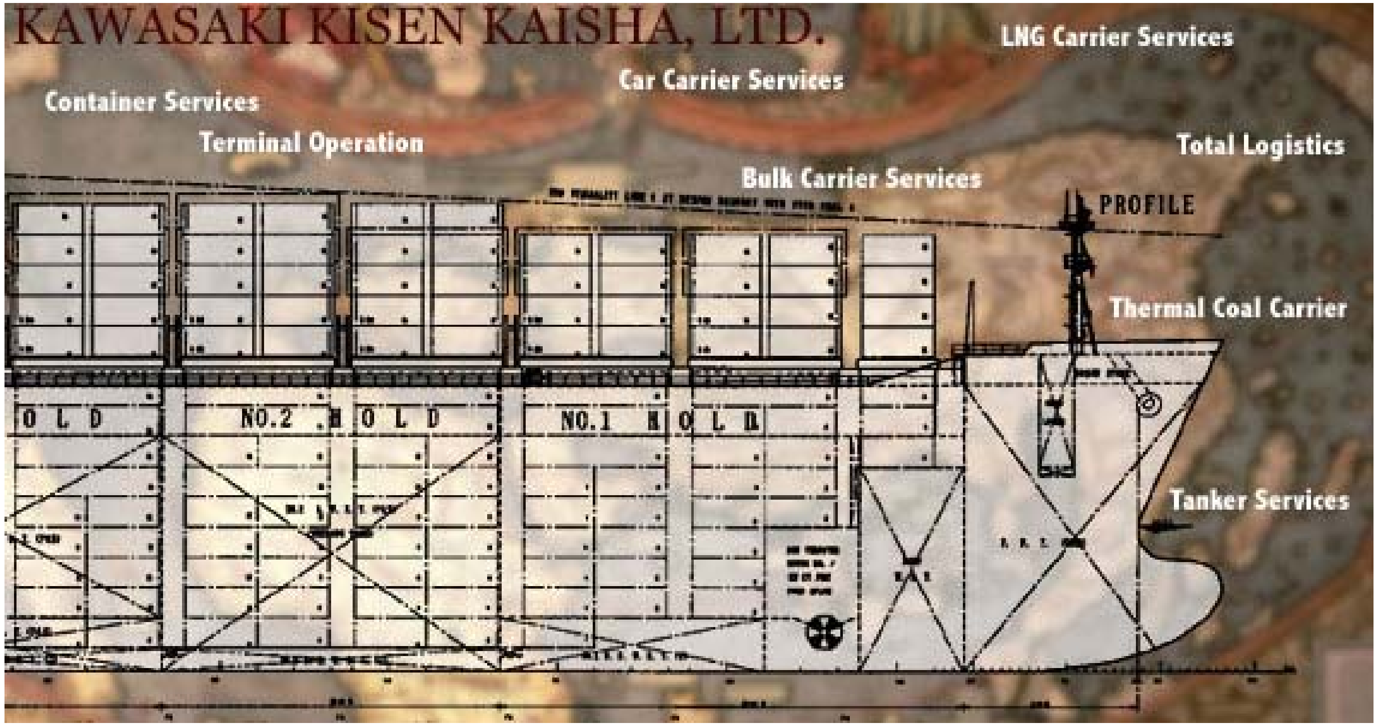
T/C Average	FY 2011 Plan	FY 2012 Plan	FY 2013 Plan
CAPE (US$/day)	20,000	25,000	30,000
PMAX (US$/day)	15,000	17,500	20,000
HMAX (US$/day)	13,000	15,000	18,000
Small (US$/day)	11,000	12,000	14,000

Exchange rates (Yen/US$)	85	85	85
Bunker (US$/MT)	650	600	600

* Impact on income from changes in assumptions (FY2011)

Exchange rate changes: Each ¥1 change against the US dollar causes income to increase or decrease by approximately ¥1.2 billion

Bunker price changes: Each US$10/MT change causes income to increase or decrease by approximately ¥1.2 billion



The basic principles of the "K" LINE Group as a shipping business organization centering on shipping lie in:

a. Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation;
b. Sincere response to customer needs by making every possible effort; and
c. Contributing to the world's economic growth and stability through continual upgrading of service quality.