

Financial Highlights

Brief Report for 2nd Quarter FY2013

31 October 2013

Kawasaki Kisen Kaisha, Ltd.

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A. Financial Highlights for 2nd Quarter FY2013

A-1. Financial Results for 2nd Quarter FY2013

(Unit: billion yen)

	FY2013 1Q	FY2013 2Q	FY2013 1H	Previous Estimate*	Comparison with Previous Estimate	FY2012 1H	Comparison with FY2012
Operating Revenues	295.7	310.9	606.6	610.0	▲ 3.4	546.2	60.3
Operating Income	7.3	12.5	19.8	13.0	6.8	12.1	7.6
Ordinary Income	10.9	9.1	20.0	15.0	5.0	9.1	10.9
Net Income	7.0	7.7	14.7	7.5	7.2	▲ 1.1	15.9
Exchange Rate	¥97.72	¥98.34	¥98.03	¥98.63	▲ ¥ 0.60	¥79.73	\$18.30
Bunker Price	\$638	\$619	\$628	\$629	▲ \$1	\$685	▲ \$57

*Previous Estimate= Estimate as of July 2013

(Unit: billion yen)

		FY2013 1Q	FY2013 2Q	FY2013 1H	FY2012 1H	Comparison with FY2012
Containership Business	Operating Revenues	141.9	152.4	294.3	271.1	23.2
	Ordinary Income	0.0	1.5	1.5	3.8	▲ 2.2
Bulk Shipping Business	Operating Revenues	136.1	141.5	277.6	244.1	33.6
	Ordinary Income	12.2	9.7	21.9	7.9	14.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.5	8.1	16.6	10.9	5.7
	Ordinary Income	▲ 1.2	▲ 0.7	▲ 1.9	▲ 2.6	0.7
Other	Operating Revenues	9.3	8.7	18.0	20.1	▲ 2.1
	Ordinary Income	1.5	0.5	2.0	2.6	▲ 0.7
Adjustment	Operating Revenues	-	-	-	-	-
	Ordinary Income	▲ 1.5	▲ 2.0	▲ 3.5	▲ 2.6	▲ 0.9
Total	Operating Revenues	295.7	310.9	606.6	546.2	60.3
	Ordinary Income	10.9	9.1	20.0	9.1	10.9

*Previous Estimate= Estimate as of July 2013

Major Financial Indices

Unit: Billion yen/%

	2013 2Q End-Sept 2013	2012 FY End-March 2013	Comparison
Shareholder's Equity	383.2	340.6	42.6
Cash and Deposits	231.1	162.1	69.0
Interest-bearing Debt	650.9	629.9	21.0
DER	170%	185%	▲ 15%
NET DER	110%	137%	▲ 28%
Equity Ratio	30.7%	28.9%	1.8%

Devalue 18.30 Yen / US\$ in exchange rate resulted in Ordinary Income of 1H approx. + 8.7 billion yen (YoY)

Decrease of bunker price \$57 per met.ton resulted in Ordinary Income of 1H approx. +4.2 billion yen (YoY)

A-2. Key Points of 1st Half FY2013

<Comparison with Previous Estimate as of July 2013>

1H : Revenue Decrease(▲3.4 billion yen) / Profit Increase(+ 5.0 billion yen)

(Unit: Billion yen)

Variation Factors	FY2013 1H Comparison with Previous Estimate as of July 2013	
Exchange Rate	▲ 0.3	Exchange rate 0.60/\$ higher than premise
Bunker Oil Price	0.0	
Market Volatility	▲ 3.0	Mainly freight downturn in Containership
Efficient Tonnage Allocation	5.8	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	3.0	Additional cost saving
Related Companies	1.3	—
Others	▲ 1.7	Effect from revaluation of exchange rate, etc
Total	5.0	

<Y on Y Comparison>

1H : Revenue Increase(+ 60.3 billion yen) / Profit Increase(+10.9 billion yen)

(Unit: Billion yen)

Variation Factors	FY2013 1H Comparison with 2012 1H	
Exchange Rate	8.7	Exchange rate 18.30/\$ lower than 1H 2012
Bunker Oil Price	4.2	Bunker price \$57/mt lower than 1H 2012
Market Volatility	▲ 21.4	Mainly freight downturn in Containership
Efficient Tonnage Allocation	6.8	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	9.2	Cost saving is going well including rationalization in Containership
Related Companies	0.3	—
Others	3.0	Effect from revaluation of exchange rate, etc
Total	10.9	

A-3. Estimate for Yearly FY2013

(Unit: billion yen)

	FY2013			FY2012			Comparison with FY2012	Previous Estimate*		
	1H	2H	FY	1H	2H	FY		1H	2H	FY
Operating Revenues	606.6	573.4	1,180.0	546.2	588.6	1,134.8	45.2	610.0	570.0	1,180.0
Operating Income	19.8	8.2	28.0	12.1	2.7	14.9	13.1	13.0	15.0	28.0
Ordinary Income	20.0	7.0	27.0	9.1	19.5	28.6	▲ 1.6	15.0	12.0	27.0
Net Income	14.7	1.3	16.0	▲ 1.1	11.8	10.7	5.3	7.5	7.0	14.5
Exchange Rate	¥98.03	¥100.00	¥99.02	¥79.73	¥84.94	¥82.33	¥16.69	¥98.63	¥95.00	¥96.81
Bunker Price	\$629	\$600	\$614	\$685	\$655	\$671	▲ \$56	\$629	\$620	\$624

*Previous Estimate= Estimate as of July 2013

(Unit: billion yen)

		2013		
		1H	2H	FY
Containership Business	Operating Revenues	294.3	275.7	570.0
	Ordinary Income	1.5	▲ 6.0	▲ 4.5
Bulk Shipping Business	Operating Revenues	277.6	262.4	540.0
	Ordinary Income	21.9	15.6	37.5
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	16.6	18.4	35.0
	Ordinary Income	▲ 1.9	▲ 1.1	▲ 3.0
Other	Operating Revenues	18.0	17.0	35.0
	Ordinary Income	2.0	1.5	3.5
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 3.5	▲ 3.0	▲ 6.5
Total	Operating Revenues	606.6	573.4	1,180.0
	Ordinary Income	20.0	7.0	27.0

【Dividend Plan】

Interim: Nil. / Year-end :3.5 yen per share

【Premises in 2H】

Exchange Rate ¥ 100/\$

Bunker Price \$600/MT

【Sensitivity against Ordinary Income in 2H】

Exchange Rate : ± ¥1/\$ ⇒ ±0.4 bln yen

Bunker Price : ± \$10/MT ⇒ ±0.6 bln yen

A-4. Key Points of FY2013

<Comparison with Previous Estimate as of July 2013>

FY : Revenue As expected / Profit As expected

(Unit: Billion yen)

Variation Factors	FY2013 FY Comparison with Previous Estimate as of July 2013	
Exchange Rate	1.6	Exchange rate 2.21/\$ lower than previous estimate
Bunker Oil Price	1.4	Bunker price \$10/mt lower than previous estimate
Market Volatility	▲ 19.4	Mainly freight downturn in Containership
Efficient Tonnage Allocation	7.4	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	10.0	Additional cost saving
Related Companies	0.4	—
Others	▲ 1.5	Effect from revaluation of exchange rate, etc
Total	▲ 0.0	

<Y on Y Comparison>

FY : Revenue Increase(+ 45.2 billion yen) / Profit Decrease(▲ 1.6 billion yen)

(Unit: Billion yen)

Variation Factors	FY2013 FY Comparison with 2012	
Exchange Rate	14.6	Exchange rate 16.69/\$ lower than 2012
Bunker Oil Price	7.5	Bunker price \$56/mt lower than 2012
Market Volatility	▲ 32.6	Mainly freight downturn in Containership
Efficient Tonnage Allocation	7.4	Mainly efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	24.2	Cost saving is going well including rationalization in Containership
Related Companies	1.4	—
Others	▲ 24.1	Temporary profit factors in 2012(exchange rate, change of fiscal term, etc)
Total	▲ 1.6	

A-5. Progress of Cost Saving Plan

- Target for Cost Saving in FY2013 as of April 14.5 billion yen (Current Target is 24.2 billion yen)
- Actual achievement in 1H FY2013 9.2 billion yen (percent complete 64%)
- Expect to fulfill the original target for full year set as of April
- Further 10 bln yen Cost Saving is planned in Containership Business after 2nd quarter

(Unit : Billion yen / %)

	Original Target through the year	Result in 1H	Achievement rate in 1H	Estimate in 2H	Estimate through the year	Achievement rate through the year
Containership Business: Business Restructuring, Operational Cost Saving and Earning Improvement	7.5	5.6	75%	11.9	17.5	233%
Bulk Shipping Business and Others	7.0	3.6	52%	3.0	6.7	95%
Total	14.5	9.2	64%	14.9	24.2	167%

- In addition to above Cost Saving Plan, profit improved 5.8 bln yen during 1H in Bulk Shipping Business by way of Efficient Tonnage Allocation. Trying to improve further in 2H.

B. Division-wise Trends

B-1. Division-wise Trends

-Containership Business-

< 13F1H Result > Y on Y Comparison: Revenue Increased/Profit Decreased
Comparison with Previous Estimate*: Revenue Flat /Profit Increased

*Previous Estimate= Estimate as of July 2013

Despite unsuccessful rate restoration in summer peak season, profit level does not decrease so much compared with last year because of working through further efficient vessel deployment and cost saving.

<Focus for the Future>

- Freight restoration after November.
- Economic trends in Europe and North America
- Business operations centered on “selection and concentration”, continuous cost reduction

		2012					2013	
		1Q	2Q	3Q	4Q	FY	1Q	2Q
Operating Revenues (billion yen)		133.2	137.8	122.8	158.9	552.8	141.9	152.4
Ordinary Income (billion yen)		0.6	3.2	▲ 0.9	3.7	6.6	0.0	1.6
Trend of Freight	Asia-North America	100	105	101	103	102	98	96
Index FY'08 1Q= 100	Asia-Europe	97	88	73	77	85	62	76
Lifting (10,000 TEU)	Asia-North America	18.4	21.2	19.9	17.1	76.6	19.4	21.0
	Asia-Europe	13.6	13.0	11.0	10.4	48.0	12.1	12.2
Capacity(10,000 TEU)	Asia-North America	19.1	21.9	20.6	19.6	81.3	21.4	23.1
	Asia-Europe	14.3	14.8	12.2	12.0	53.4	12.9	13.4
Utilization	Asia-North America	96%	97%	96%	88%	94%	91%	91%
	Asia-Europe	95%	88%	90%	86%	90%	94%	91%

B-2. Division-wise Trends

-Dry Bulk Business-

<13F1H Result> Y on Y Comparison: Revenue & Profit Increased

Comparison with Previous Estimate* Revenue & Profit Increased

*Previous Estimate= Estimate as of July 2013

Despite there is imbalance between supply and demand in Capesize and Panamax or smaller size, market is picking up after August due to recovery of cargo movement especially iron ore for China.

<Focus for the Future>

- Economic trend of China
- Severe market situation will continue due to vessel capacity surplus despite recovery trend in market
- Strengthen measures to improve profitability further such as more efficient vessel deployment, operation cost reduction, etc.

Dry Bulk Market (*)	2012					2013					
	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H	3Q est	4Q est	2H est
Cape(170type)	\$6,000	\$4,800	\$12,600	\$6,000	\$7,350	\$6,300	\$19,000	\$12,650	\$30,000	\$15,000	\$22,500
Panamax(74type)	\$10,000	\$6,600	\$6,600	\$7,100	\$7,575	\$7,760	\$8,900	\$8,330	\$13,000	\$9,000	\$11,000
Handy(53type)	\$11,000	\$10,300	\$7,600	\$8,100	\$9,250	\$9,320	\$9,800	\$9,560	\$11,000	\$9,000	\$10,000
Small(28type)	\$9,000	\$8,650	\$6,200	\$6,250	\$7,525	\$7,340	\$7,500	\$7,420	\$8,000	\$8,000	\$8,000

(*) 4T/C Average

B-3. Division-wise Trends

-Car Carrier Business-

<13F1H Result> Y on Y Comparison: Revenue & Profit Increased

Comparison with Previous Estimate* Revenue & Profit Increased

*Previous Estimate= Estimate as of July 2013

Total units carried (including intra-Europe) : 1,679 thousand units (▲4% Y on Y)

- Improvement in operation efficiency due to cargo contract review and streamlining service routes, etc
- Strong cargo volume in Far East –Middle East, and Far East-Latin America

<Focus for the Future>

- Steady trends for market in North America and Southeast Asia
- Concerns about downturn in Europe, and deceleration of growth in emerging countries such as China, India, and Russia
- Increase of export from Japan due to effect of yen depreciation is limited

		2012					2013	
		1Q	2Q	3Q	4Q	FY	1Q	2Q
Loading Results (1,000 units)	Outbound	301	276	258	259	1,095	264	265
	Homebound	84	78	89	58	309	86	76
	Others	309	288	322	262	1,180	310	289
	Intra-Europe	212	199	172	178	760	201	189
	Total	905	841	841	757	3,344	861	818
Number of Operating vessels		100	101	99	95	-	96	97

B-4. Division-wise Trends

-LNG Carrier and Oil Tanker-

**<13F1H Result> Y on Y Comparison: Revenue Decreased/Profit Returned to Black
 Comparison with Previous Estimate*: Revenue Flat/Profit Increased**

*Previous Estimate= Estimate as of July 2013

【LNG】 Secured stable profit by long and middle term contracts under steady demand for LNG.

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

AFRAMAX tankers/Product tankers: Impact from market downturn is limited because of fleet cut down

<Focus for the Future>

【LNG】 Steady performance with long and middle term contracts.

【Tankers】 Major recovery of the market will take some more time.

Trying to improve earnings by further efficient ship deployment

Tanker Market (WS)	2012					2013				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
VLCC (M.East / Jpn)	52	36	46	36	43	38	36	41	41	39
	\$24,000	\$3,000	\$19,000	\$12,000	\$14,500	\$15,000	\$14,050	\$20,000	\$20,000	\$17,263
Aframax (S.Asia / Jpn)	84	91	91	75	85	70	75	90	93	82
	\$7,800	\$11,500	\$12,300	\$8,000	\$9,900	\$5,300	\$9,275	\$17,800	\$17,840	\$12,554
Clean 70,000 type (M.East / Jpn)	91	101	115	88	99	84	92	105	105	96
	\$6,600	\$12,800	\$19,200	\$12,000	\$12,650	\$9,800	\$13,700	\$18,000	\$18,000	\$14,875

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

【 Offshore Energy E&P Support 】

<13F1H Result> Y on Y Comparison: Revenue Increased/Profit Falling into Red Comparison with Previous Estimate*: Revenue Increased/Deficit Expanded

*Previous Estimate= Estimate as of July 2013

【Offshore Support Vessels】 Steady fleet operation, Profit decreased due to effect of exchange rate

【Drillship】 Started operation in FY2012. Stable profit contribution

<Focus for the Future>

【Offshore Support Vessels】 Aiming for stable profit due to long and middle term contracts

【Drillship】 Expecting profit contribution by steady operation

【 Heavy Lifters 】

<13F1H Result> Y on Y Comparison: Revenue Increased/Loss Shrunk Comparison with Previous Estimate*: Revenue Increased/Loss As Expected

*Previous Estimate= Estimate as of July 2013

Despite market for heavy lifter was downturn, performance improved due to diminishing of goodwill that was booked when we entered the business by way of acquisition

<Focus for the Future>

-Trying to improve performance by shifting target from semi-liner service with small-and-medium-sized cargo to high spec large-size offshore vessel business and project cargo with high profit.

-Real market recovery will be after 2014