

Financial Highlights

Brief Report for 1st Quarter FY2013

31 July 2013

Kawasaki Kisen Kaisha, Ltd.

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A. Financial Highlights for 1st Quarter FY2013

A-1. Financial Results for 1st Quarter FY2013

(Unit:billion yen)

	FY2013 1Q	FY2012 1Q	Comparison with FY2012
Operating Revenues	295.7	273.6	22.1
Operating Income	7.3	4.1	3.2
Ordinary Income	10.9	7.2	3.7
Net Income	7.0	▲ 0.7	7.7
Exchange Rate	¥97.72	¥80.77	¥16.95
Bunker Price	\$638	\$716	▲ \$79

Devalue 16.95 Yen / US\$ in exchange rate resulted in approx. + 4.0 billion yen (YoY)

Decrease of bunker price \$79 per met.ton resulted in approx. +2.9 billion yen (YoY)

(Unit:billion yen)

		FY2013 1Q	FY2012 1Q	Comparison with FY2012
Containership Business	Operating Revenues	141.9	133.3	8.6
	Ordinary Income	0.0	0.6	▲ 0.6
Bulk Shipping Business	Operating Revenues	136.1	125.0	11.1
	Ordinary Income	12.2	6.0	6.2
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.5	5.2	3.3
	Ordinary Income	▲ 1.2	0.5	▲ 1.7
Other	Operating Revenues	9.3	10.2	▲ 0.9
	Ordinary Income	1.5	1.2	0.3
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 1.5	▲ 1.1	▲ 0.4
Total	Operating Revenues	295.7	273.6	22.1
	Ordinary Income	10.9	7.2	3.8

Major Financial Indices

Unit:Billion yen/%

	2013 1Q As of end-June 2013	2012 FY As of end-April 2013	Comparison
Shareholder's Equity	370.1	340.6	29.5
Cash and Deposits	163.1	162.1	1.0
Interest-bearing Debt	600.6	629.9	▲ 29.3
DER	162%	185%	▲ 23%
NET DER	118%	137%	▲ 19%
Equity Ratio	31.4%	28.9%	2.5%

A-2. Estimate for 1st Half FY2013

(Unit: billion yen)

	FY2013			FY2012	Comparison with FY2012	Previous Estimate*	Comparison with Previous Estimate
	1Q	2Q	1H	1H		1H	
Operating Revenues	295.7	314.3	610.0	546.2	63.8	590.0	20.0
Operating Income	7.3	5.7	13.0	12.1	0.9	16.0	▲ 3.0
Ordinary Income	10.9	4.1	15.0	9.1	5.9	13.0	2.0
Net Income	7.0	0.5	7.5	▲ 1.1	8.6	6.0	1.5
Exchange Rate	¥97.72	¥99.53	¥98.63	¥79.73	¥18.90	¥95.00	¥3.63
Bunker Price	\$638	\$620	\$629	\$685	▲ \$56	\$620	\$9

*Previous Estimate as of Apr 2013

		2013		
		1Q	2Q	1H
Containership Business	Operating Revenues	141.9	158.1	300.0
	Ordinary Income	0.0	0.0	0.0
Bulk Shipping Business	Operating Revenues	136.1	133.9	270.0
	Ordinary Income	12.2	5.8	18.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.5	11.5	20.0
	Ordinary Income	▲ 1.2	0.2	▲ 1.0
Other	Operating Revenues	9.3	10.7	20.0
	Ordinary Income	1.5	▲ 0.5	1.0
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 1.5	▲ 1.5	▲ 3.0
Total	Operating Revenues	295.7	314.3	610.0
	Ordinary Income	10.9	4.1	15.0

【Premises】

Exchange Rate 2Q ¥ 99.53/\$

Bunker Price 2Q \$ 620/MT

A-3. Estimate for Yearly FY2013

(Unit: billion yen)

	2013			2012			Comparison with FY2012	Previous Estimate*		
	1H	2H	FY	1H	2H	FY		1H	2H	FY
Operating Revenues	610.0	570.0	1,180.0	546.2	588.6	1,134.8	45.2	590.0	570.0	1,160.0
Operating Income	13.0	15.0	28.0	12.1	2.7	14.9	13.1	16.0	15.0	31.0
Ordinary Income	15.0	12.0	27.0	9.1	19.5	28.6	▲ 1.6	13.0	12.0	25.0
Net Income	7.5	7.0	14.5	▲ 1.1	11.8	10.7	3.8	6.0	7.0	13.0
Exchange Rate	¥98.63	¥95.00	¥96.81	¥79.73	¥77.89	¥82.33	¥14.48	¥95.00	¥95.00	¥95.00
Bunker Price	\$629	\$620	\$624	\$685	\$655	\$671	▲ \$46	\$620	\$620	\$620

(Unit: billion yen)

*Previous Estimate= Estimate as of April 2013

		2013		
		1H	2H	FY
Containership Business	Operating Revenues	300.0	280.0	580.0
	Ordinary Income	0.0	2.0	2.0
Bulk Shipping Business	Operating Revenues	270.0	250.0	520.0
	Ordinary Income	18.0	12.0	30.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	20.0	20.0	40.0
	Ordinary Income	▲ 1.0	0.0	▲ 1.0
Other	Operating Revenues	20.0	20.0	40.0
	Ordinary Income	1.0	1.0	2.0
Adjustment	Operating Revenues	-	-	0
	Ordinary Income	▲ 3.0	▲ 3.0	▲ 6.0
Total	Operating Revenues	610.0	570.0	1,180.0
	Ordinary Income	15.0	12.0	27.0

【Dividend Plan】

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

【Premises】 No change from as of Apr 2013

Exchange Rate 2H ¥ 95.00/\$

Bunker Price 2H \$620/MT

【Sensitivity against Ordinary Income in 2H】

Exchange Rate : ± ¥1/\$ ⇒ ± 0.5 billion yen

Bunker Price : ± \$10/MT ⇒ ± 0.7 billion yen

A-4. Key Points

<Y on Y Comparison>

1Q :Revenue Increase(+ 22.1 billion yen) / Profit Increase(+ 3.8 billion yen)

1H :Revenue Increase(+ 63.8 billion yen) / Profit Increase(+ 5.9 billion yen)

Variation Factors	13F1Q Result YoY	13F1H Estimate YoY	Comparison with 2012
Exchange Rate	4.0	9.0	Exchange rate ¥16.95/\$ lower in 1Q and ¥18.90/\$ lower in 1H than 2012
Bunker Oil Price	2.9	4.1	Bunker price \$78.67/mt lower in 1Q and \$56.15/mt lower in 1H than 2012
Market Volatility	▲ 11.1	▲ 20.3	Mainly freight downturn in Containership including decline in volume
Efficient Tonnage Allocation	4.3	4.9	Efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	4.6	9.9	Including Cost Saving by Business Restructuring in Container Business
Related Companies	1.8	1.4	
Others	▲ 2.7	▲ 2.9	Gain from currency revaluation for overseas subsidiaries' debt etc.
Total	3.8	5.9	

<Comparison with Previous Estimate as of Apr 2013>

1H :Revenue Increase(+20.0 billion yen) / Profit Increase(+ 2.0 billion yen)

Variation Factors	FY2013 1H Comparison with Estimate of 1H as of April 2013	
Exchange Rate	1.7	Exchange rate yen 3.63/\$ lower than premise
Bunker Oil Price	▲ 0.7	Bunker Price \$8.80/MT higher than premise
Market Volatility	▲ 13.7	Mainly freight downturn in Containership including decline in volume
Efficient Tonnage Allocation	7.3	Efficient allocation of vessels in Bulk Shipping
Cost Increase/Decrease	4.4	Cost saving is going well
Related Companies	▲ 0.8	
Others	3.8	Gain from currency revaluation for overseas subsidiaries' debt, etc.
Total	2.0	

A-5. Progress of Cost Saving Plan

- Target for Cost Saving in FY2013 as of April 14.5 billion yen
- Actual achievement in 1Q FY2013 4.0 billion yen (percent complete 28%)
- Expect to fulfill the original target for full year set as of April

				(Unit : Billion yen / %)	
	Target through the year	Result in 1Q	Achievement rate in 1Q	Estimate through the year	Achievement rate through the year
Containership Business: Business Restructuring/Operational Cost Saving/ Earning Improvement	7.5	1.9	25%	7.5	100%
Non-Containership Business and Others	7.0	2.1	30%	7.3	105%
Total	14.5	4.0	28%	14.8	102%

B. Division-wise Trends

B-1. Division-wise Trends

-Containership Business-

< 13F1Q Result > Y on Y Comparison: Revenue Increased/Profit Decreased

Comparison with Previous Estimate*: Revenue Flat /Loss Decreased

Despite working through further efficient vessel deployment and cost reduction, profit decreased on year-on-year basis due to softening in freight rate market in Asia-Europe trades

*Previous Estimate= Estimate as of April 2013

<Focus for the Future>

- Further freight restoration during summer peak season.
- Economic trends in Europe and North America
- Continuous business operations centered on “selection and concentration”, thorough cost reduction

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

B-2. Division-wise Trends

-Dry Bulk Business-

<13F1Q Result> Y on Y Comparison: Revenue & Profit Increased

Comparison with Previous Estimate* Revenue & Profit Increased

*Previous Estimate= Estimate as of April 2013

- Market of Capesize : Market was in recovery trend in spite of continuous vessel capacity surplus
- Market of Panamax and under : Market pick-up based on strong vessel demand due to seasonal factors

<Focus for the Future>

- Assuming severe market situation 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
Cape(170type)	\$6,000	\$4,800	\$12,600	\$6,000	\$7,350	\$6,300	\$10,000	\$8,150
Panamax(74type)	\$10,000	\$6,600	\$6,600	\$7,100	\$7,575	\$7,760	\$7,500	\$7,630
Handy(53type)	\$11,000	\$10,300	\$7,600	\$8,100	\$9,250	\$9,320	\$9,250	\$9,285
Small	\$9,000	\$8,650	\$6,200	\$6,250	\$7,525	\$7,340	\$7,000	\$7,170

(*) 4T/C Average

B-3. Division-wise Trends

-Car Carrier Business-

<13F1Q Result> Y on Y Comparison: Revenue & Profit Increased

Comparison with Previous Estimate* Revenue & Profit Increased

*Previous Estimate= Estimate as of April 2013

Total units carried (including intra-Europe) : 861 thousand units (▲5% 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, Profitability in Trans Atlantic routes is much improved due to streamlining effect.

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

B-4. Division-wise Trends

-LNG Carrier and Oil Tanker-

<13F1Q Result> Y on Y Comparison: Revenue Decreased/Profit Increased

Comparison with Previous Estimate*: Revenue Decreased/Profit Increased

*Previous Estimate= Estimate as of April 2013

【LNG】 Secured stable profit by long and middle term contracts due to firm 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 reduction

<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
VLCC (M.East / Jpn)	52	36	46	36	43	38
	\$24,000	\$3,000	\$19,000	\$12,000	\$14,500	\$15,000
Aframax (S.Asia / Aus)	84	91	91	75	85	70
	\$7,800	\$11,500	\$12,300	\$8,000	\$9,900	\$5,300
Clean 70,000 type (M.East / Jpn)	91	101	115	88	99	84
	\$6,600	\$12,800	\$19,200	\$12,000	\$12,650	\$9,800

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

【 Offshore Energy E&P Support 】

<13F1Q Result> Y on Y Comparison: Revenue Increased/Profit Decreased
Comparison with Previous Estimate*: Revenue Increased/Profit Decreased

*Previous Estimate= Estimate as of April 2013

【Offshore Support Vessels】 Smooth fleet operation, Profit down due to valuation loss by 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 】

<13F1Q Result> Y on Y Comparison: Revenue Increased/Loss Decreased
Comparison with Previous Estimate*: Revenue Increased/Loss Decreased

*Previous Estimate= Estimate as of April 2013

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

<Focus for the Future>

Enter into offshore support service/installation service, aiming to improve profitability by way of participation in the large projects or offshore support businesses related to energy resource or petrochemical plant with higher profitability