

Financial Highlights

Brief Report for 2nd Quarter FY2014

31 October 2014

Kawasaki Kisen Kaisha, Ltd.

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A. Financial Highlights for 2nd Quarter FY2014

A-1. Financial Results for 2nd Quarter FY2014



(Unit:billion yen)

	FY2014 1Q	FY2014 2Q	FY2014 1H	Previous Estimate*	Comparison with Previous Estimate	FY2013 1H	Comparison with FY2013
Operating Revenues	319.8	340.0	659.8	650.0	9.8	606.6	53.2
Operating Income	9.7	15.2	24.9	18.0	6.9	19.8	5.1
Ordinary Income	6.5	19.4	25.9	15.0	10.9	20.0	5.9
Net Income	4.3	16.9	21.2	11.0	10.2	14.7	6.5
Exchange Rate	¥102.40	¥102.65	¥102.52	¥101.43	¥1.09	¥98.03	¥4.49
Bunker Price	\$615	\$607	¥611	\$615	▲ \$4	\$628	▲ \$17

(Unit:billion yen)

*Previous Estimate= Estimate as of July 2014

		FY2014 1Q	FY2014 2Q	FY2014 1H	FY2013 1H	Comparison with FY2013
Containership Business	Operating Revenues	158.4	171.1	329.5	294.3	35.2
	Ordinary Income	2.2	7.3	9.5	1.5	7.9
Bulk Shipping Business	Operating Revenues	143.7	148.8	292.5	277.6	14.9
	Ordinary Income	6.4	11.1	17.5	21.9	▲ 4.4
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.4	10.2	18.6	16.6	1.9
	Ordinary Income	▲ 1.9	1.3	▲ 0.6	▲ 1.9	1.3
Other	Operating Revenues	9.3	9.9	19.2	18.0	1.2
	Ordinary Income	0.4	1.4	1.8	2.0	▲ 0.2
Adjustment	Operating Revenues	-	-	-	-	-
	Ordinary Income	▲ 0.7	▲ 1.6	▲ 2.3	▲ 3.5	1.2
Total	Operating Revenues	319.8	340.0	659.8	606.6	53.2
	Ordinary Income	6.5	19.4	25.9	20.0	5.9

Major Financial Indices

Unit:Billion yen/%

	2014 1Q As of end-Sept 2014	2013 FY As of end-April 2014	Comparison
Shareholder's Equity	421.0	388.8	32.2
Cash and Deposits	216.5	236.4	▲ 19.9
Interest-bearing Debt	581.2	643.8	▲ 62.6
DER	138%	166%	-28%
NET DER	87%	105%	-18%
Equity Ratio	33.8%	31.0%	2.9%

Devalue 4.49 Yen / US\$ in exchange rate resulted in Ordinary Income of 1H approx. + 2.7 billion yen (YoY)

Decrease of bunker price \$17 per met.ton resulted in Ordinary Income of 1H approx. +1.0 billion yen (YoY)

A-2. Key Points of 1st Half FY2014

<Y on Y Comparison>

1H : Revenue Increase (+ 53.2 billion yen) / Profit Increase (+5.9 billion yen)

(Unit: billion yen)

Variation Factors	FY2014 1H Comparison with FY2013	
Exchange Rate	2.7	Exchange rate 4.49 yen/\$ depreciated
Bunker Oil Price	1.0	Bunker Price \$17/MT lower than 2013
Market Volatility	0.6	Freight increase in Contahiership but Dry Bulk market decline
Cost Increase/Decrease	4.9	4.9 bil yen of Cost saving in 1H (Presentation material A-5)
Others	▲ 3.3	Others
Total	5.9	

<Comparison with Previous Estimate as of July 2014>

1H : Revenue Increase(▲9.8 billion yen) / Profit Increase(+ 10.9 billion yen)

(Unit: billion yen)

Variation Factors	FY2014 1H Comparison with Previous Estimate as of July 2014	
Exchange Rate	0.6	Exchange rate 1.09 yen/\$ depreciated
Bunker Oil Price	0.2	Bunker Price \$4/MT lower than Previous Estimate
Market Volatility	5.4	Freight increase mainly in Contahiership
Cost Increase/Decrease	▲ 1.4	-
Others	6.1	Effect from revaluation of exchange rate and others
Total	10.9	

A-3. Estimate for Yearly FY2014

(Unit:billion yen)

	FY2014			FY2013			Comparison with FY2013	Previous Estimate*		
	1H	2H	FY	1H	2H	FY		1H	2H	FY
Operating Revenues	659.8	590.2	1,250.0	606.6	617.5	1,224.1	25.9	650.0	600.0	1,250.0
Operating Income	24.9	11.1	36.0	19.8	9.1	28.9	7.1	18.0	18.0	36.0
Ordinary Income	25.9	8.1	34.0	20.0	12.5	32.5	1.5	15.0	19.0	34.0
Net Income	21.1	0.4	21.5	14.7	1.9	16.6	4.9	11.0	7.0	18.0
Exchange Rate	¥102.52	¥105.00	¥103.76	¥98.03	¥101.48	¥99.75	¥4.01	¥101.43	¥100.00	¥100.71
Bunker Price	\$611	\$590	\$601	\$628	\$623	\$626	▲ \$25	\$615	\$621	\$618

(Unit:billion yen)

*Previous Estimate= Estimate as of July 2014

		2014		
		1H	2H	FY
Containership Business	Operating Revenues	329.5	285.5	615.0
	Ordinary Income	9.5	▲ 4.0	5.5
Bulk Shipping Business	Operating Revenues	292.5	267.5	560.0
	Ordinary Income	17.5	14.5	32.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	18.6	18.4	37.0
	Ordinary Income	▲ 0.6	0.6	0.0
Other	Operating Revenues	19.2	18.8	38.0
	Ordinary Income	1.8	0.7	2.5
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 2.3	▲ 3.7	▲ 6.0
Total	Operating Revenues	659.8	590.2	1,250.0
	Ordinary Income	25.9	8.1	34.0

【Dividend Plan】

Interim: 2.5 / Year-end : 2.5 yen per share

【Premises in 2H】

Exchange Rate ¥ 105/\$

Bunker Price \$590/MT

【Sensitivity against Ordinary Income in 2H】

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

Bunker Price : ± \$10/MT ⇒ ± 0.6 5bln yen

A-4. Key Points of FY2014

<Y on Y Comparison>

FY : Revenue Increase(+ 25.9 billion yen) / Profit Increase(+ 1.5 billion yen)

(Unit:billion yen)

Variation Factors	FY2014 FY Estimate Comparison with 2013	
Exchange Rate	4.0	Exchange rate 4.01 yen /\$ depreciated
Bunker Oil Price	3.1	Bunker Price \$25/MT lower than 2013
Market Volatility	▲ 11.8	Freight decline mainly in Drybulk
Cost Increase/Decrease	17.0	Cost saving is going well
Others	▲ 10.8	Effect from revaluation of exchange rate and others
Total	1.5	

<Comparison with Previous Estimate as of July 2014>

FY : Revenue As expected / Profit As expected

(Unit:billion yen)

Variation Factors	FY2014 FY Estimate Comparison with Previous Estimate as of July 2014	
Exchange Rate	2.5	Exchange rate 3.05 yen /\$ depreciated
Bunker Oil Price	2.2	Bunker Price \$17/MT lower than Previous Estimate
Market Volatility	▲ 7.3	Freight decline mainly in Drybulk
Cost Increase/Decrease	2.8	Cost saving target has increased 2.8 bil yen compared with Previous Estimate
Others	▲ 0.2	Others
Total	0.0	

A-5. Progress of Cost Saving Plan

- Target for Cost Saving in FY2014 as of April 13.1 billion yen
- Latest Target in FY2014 as of Sept 17.0 billion yen
- Further 3.7 bln yen Cost Saving is planned in Containership Business in 2nd half

Annual Cost Saving Target will be achieved.

(Some sales of transport assets planned to be sold in 1H will be put off in 2H)

(Billion yen)

	Target through the year			Result in 1H	Achievement rate	Updated estimate through the year	Achievement rate
		Target in 1H	Target in 2H				
Containership Business: Business Restructuring/Operational Cost Saving/ Earning Improvement	7.7	2.2	5.6	2.8	36%	12.5	162%
Non-Containership Business and Others	5.4	2.4	2.9	2.1	39%	4.5	83%
Total	13.1	4.6	8.5	4.9	37%	17.0	130%

B. Division-wise Trends

B-1. Division-wise Trends

-Containership Business-

**<14F 1H Result> Y on Y Comparison: Revenue Increased/Profit Increased
 Comparison with Previous Estimate*: Improved than Estimate**

*Previous Estimate= Estimate as of July 2014

Cargo volume increased and rate restoration were carried out mainly in East-West trades.
 Profit improved by continuous challenge of cost saving as eco slow steaming.

<Focus for the Future>

- U.S. economy showing recovery trend and European economy increasing uncertainty.
- To strengthen continuous cost saving with careful business management.
- Trying to improve profit further by tackling earnings improve measures such as increasing reefer cargo in addition to rate restoration.

		FY2013					FY2014	
		1Q	2Q	3Q	4Q	FY	1Q	2Q
Operating Revenues (billion yen)		141.9	152.4	142.1	146.0	582.4	158.4	171.1
Ordinary Income (billion yen)		Δ 0.0	1.5	Δ 2.6	1.0	Δ 0.1	2.2	7.3
Trend of Freight Index FY'08 1Q=100	Asia-North America	98	96	93	99	96	97	102
	Asia-Europe	62	76	71	83	73	78	78
Lifting (10,000 TEU)	Asia-North America	19.4	21.0	19.8	17.4	77.7	21.3	23.0
	Asia-Europe	12.1	12.2	11.1	10.4	45.8	12.7	12.9
Capacity(10,000 TEU)	Asia-North America	21.4	23.1	20.6	19.2	84.3	21.7	23.1
	Asia-Europe	12.9	13.4	11.5	11.4	49.2	13.4	13.9
Utilization	Asia-North America	91%	91%	96%	91%	92%	98%	100%
	Asia-Europe	94%	91%	96%	91%	93%	95%	92%

B-2. Division-wise Trends

-Dry Bulk Business-

< 14F1H Result > Y on Y Comparison: Revenue Increased/Profit Decreased Comparison with Previous Estimate*: Improved than Estimate

*Previous Estimate= Estimate as of July 2014

- Market of Capesize and Panamax : Chinese iron ore import volume is increasing but coal import is decreasing.
 Still depressed market due to over capacity surplus mood.
- Market of Handy and Small : Market was downturn because of capacity surplus as same as Capesize,
 although there was positive factor such as strong coal demand for India.

<Focus for the Future>

- Continuous severe market in all types of ships which needs more time for recovery due to capacity surplus.
- Trying to improve profit further by more efficient vessel deployment and operation cost reduction, etc.
- Strengthen earnings structure which is not affected by spot market depression by means of increasing middle and long term contracts.

Dry Bulk Market (*)4T/C Average	FY2013					FY2014					
	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H	3Q	4Q	2H
Cape(170type)	\$6,300	\$19,100	\$27,400	\$16,200	\$17,300	\$11,900	\$13,000	\$12,450	\$25,000	\$17,000	\$21,000
Panamax(74type)	\$7,800	\$9,000	\$14,300	\$10,500	\$10,400	\$6,300	\$5,900	\$6,100	\$11,000	\$9,000	\$10,000
Handy(53type)	\$9,300	\$9,800	\$14,200	\$11,600	\$11,200	\$9,000	\$8,900	\$8,950	\$10,000	\$10,000	\$10,000
Small	\$7,400	\$7,500	\$9,500	\$9,300	\$8,400	\$7,800	\$6,500	\$7,150	\$8,500	\$8,500	\$8,500

B-3. Division-wise Trends

-Car Carrier Business-

<14F1H Result> Y on Y Comparison: Revenue & Profit Decreased Comparison with Previous Estimate*: Improved than Estimate

*Previous Estimate= Estimate as of July 2014

Total units carried : 1,612 thousand units in 14F1H (▲4% Y on Y)

- Cargo volume from Europe/North America to Far East and Transatlantic are strong.
- Export from Japan is generally decreasing.
- Trying to improve tonnage allocation and operation efficiency continuously.

<Focus for the Future>

- Global completed car ocean transport demand is steady.
- Flexible response to change of trade pattern and increasing cargo demand from Southeast Asia and Transatlantic.

Loading Results (1,000 units)	FY2013					FY2014	
	1Q	2Q	3Q	4Q	FY	1Q	2Q
Outbound	264	265	288	280	1,095	248	280
Homebound	86	76	86	90	337	80	83
Others	310	289	279	221	1,099	285	251
Intra-Europe	201	189	168	188	746	208	178
Total	861	818	820	778	3,278	821	791
Number of Operating vessels	96	97	98	98	-	98	96

B-4. Division-wise Trends

-LNG Carrier and Oil Tanker-

< 14F1H Result > Y on Y Comparison: Revenue Decreased/Profit Increased
Comparison with Previous Estimate*: Improved than Estimate

*Previous Estimate= Estimate as of July 2014

[LNG] Steady performance under middle and long term contracts.

[Tankers] VLCC/LPG: Stable operation under middle and long term contracts.

Some spot market linked contracts were affected by market fluctuation.

Aframax tankers/Product tankers: Impact from market downturn was limited because of fleet size optimization.

<Focus for the Future>

[LNG] Aiming for steady operation with middle and long term contracts.

[Tankers] VLCC/LPG: Trying to secure stable profit under middle and long term contracts.

Aframax tankers/Product tankers: Trying to improve earnings by further efficient ship deployment.

Tanker Market (WS)	FY2013					FY2014				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
VLCC (M.East / Jpn)	38	36	54	49	44	38	45	52	54	47
	\$15,000	\$14,050	\$40,467	\$31,137	\$25,163	\$12,200	\$22,700	\$33,500	\$36,400	\$26,200
Aframax (S.Asia / Jpn)	76	71	80	91	80	91	102	98	98	97
	\$9,400	\$8,000	\$12,000	\$16,467	\$11,467	\$14,200	\$18,800	\$17,300	\$17,300	\$16,900
Clean 70,000 type (M.East / Jpn)	84	92	82	79	84	88	106	109	90	98
	\$9,800	\$13,700	\$9,733	\$8,605	\$10,460	\$14,600	\$20,000	\$21,300	\$15,000	\$17,725

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

【 Offshore Energy E&P Support 】

<14F1H Result> Y on Y Comparison: Revenue Increased/Turning to Black

Comparison with Previous Estimate*: Improved than Estimate

*Previous Estimate= Estimate as of July 2014

【Offshore Support Vessels】 Strong spot market due active drilling work at offshore oil and gas in summer season.

【Drillship】 Steady operation at offshore Brazil and stable profit contribution

<Focus for the Future>

【Offshore Support Vessels / Drillship】 Aiming for profit contribution by steady operation

【 Heavy Lifters 】

<14F1H Result> Y on Y Comparison: Revenue Increased/Loss Decreased

Comparison with Previous Estimate*: Improved than Estimate

*Previous Estimate= Estimate as of July 2014

-Heavy Lifter market is gradually uptrends.

-Continuous cost saving as eco slow steaming, etc.

<Focus for the Future>

- Market is expected to recover soon.

- Increasing project cargo and offshore related business handled by large-size vessels.

- Trying to win contracts of high profit cargo transportation and offshore installation work.