

Financial Report for 2nd Quarter FY2012

31 October 2012

Kawasaki Kisen Kaisha, Ltd.

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A. Financial Highlights for 2nd Quarter FY2012

A-1. Financial Results for 2nd Quarter FY2012

(unit : billion yen)

	FY2012 1Q Result	FY2012 2Q Result	FY2012 1H Result	Previous Estimate*	Comparison with Previous Estimate	FY2011 1H Result	Y on Y Comparison
Operating Revenues	273.6	272.6	546.2	550.0	▲ 3.8	497.0	49.2
Operating Income	4.1	8.1	12.1	5.0	7.1	▲ 18.4	30.6
Ordinary Income	7.2	1.9	9.1	4.0	5.1	▲ 20.3	29.4
Net Income	▲ 0.7	▲ 0.4	▲ 1.1	▲ 5.0	3.9	▲ 18.6	17.5
Exchange Rate	¥80.77	¥78.69	¥79.73	¥80.27	▲ ¥ 0.54	¥80.24	▲ ¥ 0.51
Bunker Price	\$716	\$654	\$685	\$678	\$7	\$656	\$29

Previous Estimate=Estimate as of July 2012

(unit : billion yen)

		FY2012 1Q Result	FY2012 2Q Result	FY2012 1H Result	Previous Estimate	Comparison with Previous Estimate	FY2011 1H Result	Y on Y Comparison
Containership Business	Operating Revenues	133.2	137.8	271.1	270.0	1.1	246.6	24.5
	Ordinary Income	0.6	3.2	3.8	2.0	1.8	▲ 16.8	20.6
Bulk Shipping Business	Operating Revenues	125.0	119.1	244.1	250.0	▲ 5.9	218.6	25.5
	Ordinary Income	6.0	1.9	7.9	4.0	3.9	▲ 1.8	9.7
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	5.2	5.8	10.9	10.0	0.9	11.2	▲ 0.3
	Ordinary Income	0.5	▲ 3.1	▲ 2.6	▲ 2.0	▲ 0.6	▲ 0.9	▲ 1.8
Other	Operating Revenues	10.2	10.0	20.1	20.0	0.1	20.6	▲ 0.5
	Ordinary Income	1.2	1.4	2.6	2.0	0.6	2.0	0.6
Adjustment	Operating Revenues	-	-	-	-	-	-	-
	Ordinary Income	▲ 1.1	▲ 1.6	▲ 2.7	▲ 2.0	▲ 0.7	▲ 2.8	0.1
Total	Operating Revenues	273.6	272.6	546.2	550.0	▲ 3.8	497.0	49.2
	Ordinary Income	7.2	1.9	9.1	4.0	5.1	▲ 20.3	29.4

Previous Estimate=Estimate as of July 2012

Increase 0.51 Yen / US\$ in exchange rate resulted in approx. ▲ 0.2 billion yen (YoY)

Increase of bunker price \$29 per met.ton resulted in approx. ▲ 1.9 billion yen (YoY)

A-2. Key Points of 1st Half FY2012

<Comparison with Previous Estimate as of July 2012>

1H : Revenue Decreased(▲3.8 billion yen) / Profit Increased(5.1 billion yen)

Variation Factors	12F 1H Comparison with Previous Estimate as of Jul'12	
Exchange Rate	-0.4	Exchange rate 0.54/\$ lower than expected
Bunker Oil Price	-0.5	Bunker Price \$7.0/MT higher than expected
Market Volatility	-1.3	Market downturn in Containership
Business Expansion	0.5	Increased cargo volume of Container
Depreciation	0.0	
Cost Increase/Decrease	3.5	Cost saving carried out in Containership business,etc
Related Companies	0.7	
Others	2.6	Reversal of reserve for dry dock cost in Bulk Shipping Business
Total	5.1	

<Y on Y Comparison>

FY : Revenue Increase(+ 49.2 billion yen) / Profit Increase(+ 29.4 billion yen)

Variation Factors	12F 1H Comparison with 2011	
Exchange Rate	-0.2	Exchange rate 0.51/\$ lower than 2011
Bunker Oil Price	-1.9	Bunker Price \$29.38/MT higher than 2011
Market Volatility	8.8	Freight restoration in Container, downturn in Drybulk
Business Expansion	7.0	Cargo volume recovery in Container and Car Carrier
Depreciation	2.7	Improvement due to change of depreciation period
Cost Increase/Decrease	15.0	Cost saving and rationalization in Containership business,etc
Related Companies	-0.5	
Others	-1.5	Loss due to revaluation of overseas subsidiaries' debt in yen
Total	29.4	

A-3. Estimate for Yearly FY2012

(Unit: billion yen)

	2012			2011			Comparison with FY2011	Previous Estimate*		
	1H	2H	FY	1H	2H	FY		1H	2H	FY
Operating Revenues	546.2	583.8	1,130.0	497.0	475.3	972.3	157.7	550.0	580.0	1,130.0
Operating Income	12.1	3.9	16.0	▲ 18.4	▲ 22.2	▲ 40.6	56.6	5.0	22.0	27.0
Ordinary Income	9.1	0.9	10.0	▲ 20.3	▲ 28.7	▲ 49.0	59.0	4.0	18.0	22.0
Net Income	▲ 1.1	3.1	2.0	▲ 18.6	▲ 22.8	▲ 41.4	43.4	▲ 5.0	13.0	8.0
Exchange Rate	¥79.73	¥80.00	¥79.87	¥80.24	¥77.89	¥79.06	0.81	¥80.27	¥80.00	¥80.13
Bunker Price	\$685	\$670	\$677	\$656	\$689	\$672	\$5	\$678	\$720	\$699

(Unit: billion yen)

		2012		
		1H	2H	FY
Containership Business	Operating Revenues	271.1	278.9	550.0
	Ordinary Income	3.8	0.2	4.0
Bulk Shipping Business	Operating Revenues	244.1	255.9	500.0
	Ordinary Income	7.9	2.1	10.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	10.9	19.1	30.0
	Ordinary Income	▲ 2.6	▲ 0.9	▲ 3.5
Other	Operating Revenues	20.1	29.9	50.0
	Ordinary Income	2.6	1.4	4.0
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 2.7	▲ 1.8	▲ 4.5
Total	Operating Revenues	546.2	583.8	1,130.0
	Ordinary Income	9.0	1.0	10.0

【Dividend Plan】

Interim: None

Year-end: : Not yet determined.

【Premises】

Exchange Rate 2H JPY 80/US\$

Bunker Price 2H US\$ 670/MT

【Sensitivity against Ordinary Income in 2H】

Exchange Rate : ± JPY1/US\$⇒±0.5 billion yen

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

【Main Non-Operating, Extra-Ordinary Items (2012FY)】

1H: Income of sale and disposal of Ships +6.0 billion yen

Revaluation loss from investment securities ▲18.0 billion yen

2H : Income of sale and disposal of Ships +4.0 billion yen

A-4. Key Points of Yearly FY2012

<Comparison with Previous Estimate as of July 2012>

FY : Revenue Almost as expected / Profit Decrease(▲12.0 billion yen)

Variation Factors	12F FY Comparison with Previous Estimate as of Jul'12	
Exchange Rate	-0.4	Exchange rate 0.26/\$ lower than expected
Bunker Oil Price	2.4	Bunker Price \$21.53/MT lower than expected
Market Volatility	-23.8	Market downturn in Containership and Drybulk
Business Expansion	5.3	Increased cargo volume of Container
Depreciation	0.0	
Cost Increase/Decrease	4.0	Cost saving carried out more than expected
Related Companies	-0.6	
Others	1.1	
Total	-12.0	

<Y on Y Comparison>

FY : Revenue Increase(+ 157.7 billion yen) / Profit Increase(+ 59.0 billion yen)

Variation Factors	12F FY Comparison with 2011	
Exchange Rate	0.5	Exchange rate 0.81/\$ higher than 2011
Bunker Oil Price	-0.7	Bunker Price \$5/MT higher than 2011
Market Volatility	14.0	Freight restoration in Container, downturn in Drybulk
Business Expansion	15.3	Cargo volume recovery in Container and Car Carrier
Depreciation	7.0	Improvement due to change of depreciation period
Cost Increase/Decrease	19.0	Steady cost saving and rationalization in Containership business, etc
Related Companies	1.2	
Others	2.8	Loss due to revaluation of overseas subsidiaries' debt in yen
Total	59.0	

A-5. Progress of Cost Saving Plan

- We have set Cost Saving Target at ¥28 billion in FY2012 at the beginning of this year.
- ¥15.6 billion of Cost saving and Improving profitability was achieved in 1H (56% achievement rate)
- It is expected to achieve more than Target ¥28 billion through the year (Extra ¥4 billion yen)

		(Unit: billion yen)				
		Target through the year	Result in 1H	Achievement rate	Estimate through the year	Achievement rate
Containership Business	Business Restructuring	10.5	4.8	45%	10.5	100%
	Operational Cost Saving / Earning Improvement	10.0	7.1	71%	13.0	130%
Non-Containership Business and Others		6.0	3.1	51%	7.0	117%
Head Office	Reduction of General & Administration Expenses	1.5	0.7	44%	1.5	100%
Total		28.0	15.6	56%	32.0	114%

B. Division-wise Trends

B-1. Division-wise Trends

-Containership Business-

<12F1H Result> Y on Y Comparison: Revenue Increased/Turned into Black Comparison with Previous Estimate*: Almost as expected

Achieved large profit improvement by Freight Restoration mainly in Transpacific and Asia-Europe
Consolidation and reduction of non profitable routes by rationalization of services.

*Previous Estimate= Estimate as of July 2012

(Focus for the Future)

- Freight market of Asia-Europe trade.
- Cost reduction including further slow steaming and others.

		FY2011	FY2011				FY2012			
		FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
Operating Revenues (billion yen)		445.0	104.7	105.5	93.0	92.3	395.5	133.2	137.9	271.1
Ordinary Income (billion yen)		29.0	▲ 7.8	▲ 10.5	▲ 13.4	▲ 10.1	▲ 41.8	0.6	3.2	3.8
Trend of Freight Index FY'08 1Q= 100	Asia-North America	98	94	94	91	94	93	100	105	103
	Asia-Europe	98	71	68	62	69	68	97	88	92
Lifting (10,000 TEU)	Asia-North America	65.7	16.3	17.0	15.6	14.3	63.1	18.4	21.2	39.5
	Asia-Europe	49.1	13.0	13.5	11.0	10.4	47.9	13.6	13.0	26.6
Capacity(10,000 TEU)	Asia-North America	69.5	17.6	17.8	17.0	15.8	68.2	19.1	21.9	41.1
	Asia-Europe	51.3	13.4	14.1	11.8	11.8	51.3	14.3	14.8	29.1
Utilization	Asia-North America	95%	93%	96%	91%	91%	93%	96%	97%	96%
	Asia-Europe	96%	97%	96%	93%	88%	93%	95%	88%	92%

B-2. Division-wise Trends

-Dry Bulk Business-

<12F1H Result> Y on Y Comparison: Revenue Increased/Profit Decreased

Comparison with Previous Estimate*: Revenue almost as expected/Profit Increased

*Previous Estimate= Estimate as of July 2012

Market of Capesize : Despite lay up and slow steaming, market slump continues due to over supply of new-buildings.

Market of Panamax and under : Severe business environment continues affected by Chinese business slowdown in addition to large supply-demand gap by new-buildings.

(Focus for the Future)

Market of Capesize : Supply pressure of new-buildings still concerns, major recovery of the market will be delayed.

Market of Panamax and under : Severe business environment continues due to over supply of new-buildings.

Dry Bulk Market	FY2011					FY2012					
	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H	3Qe	4Qe	2He
Cape(170type)	\$8,600	\$17,000	\$28,800	\$7,000	\$15,350	\$6,000	\$4,800	\$5,400	\$14,000	\$10,000	\$12,000
Panamax(74type)	\$13,800	\$12,900	\$14,600	\$8,000	\$12,325	\$10,000	\$6,600	\$8,300	\$6,000	\$9,000	\$7,500
Handy(53type)	\$14,600	\$14,000	\$15,600	\$8,700	\$13,225	\$11,000	\$10,300	\$10,650	\$7,000	\$9,000	\$8,000
Small	\$11,800	\$10,100	\$10,600	\$7,800	\$10,075	\$9,000	\$9,100	\$9,050	\$7,000	\$8,000	\$7,500

* Dry Bulk Market of 4T/C Average

B-3. Division-wise Trends

-Car Carrier Business-

<12F1H Result> **Y on Y Comparison: Revenue Increased/Turned into Black Comparison with Previous Estimate*: Almost as expected**

*Previous Estimate= Estimate as of July 2012

Total units carried in 1H : 1,746 thousand units (+13% Y on Y)

Profit recovered by steady cargo volume exported from Japan, homebound and Others.

(Focus for the Future)

Expected to continue steady cargo volume, but concern volume decline of cargo for Europe and China.

		FY2011					FY2012		
		1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
Loading Results (1,000 units)	Outbound	162	252	292	310	1,016	301	276	577
	Homebound	76	72	77	66	290	84	78	161
	Others	281	282	304	281	1,148	309	288	597
	Intra-Europe	214	204	231	203	852	212	199	411
	Total	732	810	904	860	3,306	905	841	1,746
Number of Operating vessels		88	97	94	97	-	100	101	-

B-4. Division-wise Trends

-LNG Carrier and Oil Tanker-

**<12F1H Result> Y on Y Comparison: Revenue Decreased/ Deficit Reductioned
 Comparison with Previous Estimate*: Almost as expected**

*Previous Estimate= Estimate as of July 2012

【LNG】 Secured stable profit by long and middle term contracts.

【Tankers】 VLCC: Vessels under long and middle term contracts were in stable operation.

Aframax tankers: Taking countermeasure of fleet reduction, as market remained depressed due to excess supply of vessels.

(Focus for the Future)

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

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

Tanker Market (WS)	FY2010	FY2011	FY2012					
	FY	FY	1Q	2Q	1H	3Qe	4Qe	2He
VLCC (M.East / Jpn)	65	56	52	36	44	50	50	50
Aframax (S.Asia / Aus)	103	102	84	91	88	89	89	89
Clean 70,000 type (M.East / Jpn)	115	115	91	101	96	100	100	100

B-5. Division-wise Trends

- Offshore Energy E&P Support & Heavy Lifter Segment -



【 Offshore Energy E&P Support 】

<12F1H Result> Y on Y Comparison: Revenue Almost as expected/Profit Decreased

Comparison with Previous Estimate*: Almost as expected

*Previous Estimate= Estimate as of July 2012

【Offshore Support Vessels】

Profit improved because of steady operation of fleet and affected by exchange rates.

(Focus for the Future)

【Offshore Support Vessels】 Trying to secure steady profit by long and middle term contracts.

【Drillship】 Started operation in 2Q 2012 and made profit. Contribute as long term steady source of profit.

【 Heavy Lifters 】

<12F1H Result> Y on Y Comparison: Revenue Decreased/ Profit Decreased

Comparison with Previous Estimate*: Almost as expected

*Previous Estimate= Estimate as of July 2012

(Focus for the Future)

Situation of market recovery