

Financial Highlights

Brief Report for 2nd Quarter FY2008

28 October 2008

Kawasaki Kisen Kaisha, Ltd.

Agenda

A. Financial Highlights for 2nd Quarter FY2008

A-1 Financial Results

A-2 Key Points

A-3 Outline of Division-wise Results

B. Prospects for FY2008

B-1 Prospects for Yearly FY2008

B-2 Key Points for Yearly FY2008 Prospects

B-3 Division-wise Trends for Yearly FY2008 Prospects

B-4 Financial Indices

A. Financial Highlights for 2nd Quarter FY2008

A-1-1. Financial Results



(Unit: billion Yen)

Consolidated Results	FY2008					
	1Q Results	2Q Results	1H Results (a)	1H Forecasts*(b)	Comparison (a)-(b)	Comparison (%)
Operating Revenues	349.5	386.0	735.5	700.0	35.5	5.1%
Operating Income	32.1	42.6	74.7	72.0	2.7	3.8%
Ordinary Income	33.3	41.8	75.1	70.0	5.1	7.3%
Net Income	21.5	29.6	51.2	47.0	4.2	8.8%
Exchange Rate	¥103.36	¥107.97	¥105.67	¥102.00	¥3.67	-
Fuel Price	\$542	\$662	\$601	\$621	▲\$20	-

(Decrease in exchange rate by 3.67 Yen/US\$ (1H) => +2.3 billion yen of Ordinary Income,
 Decrease in fuel oil price by US\$20/MT => +2.6 billion yen) ---Comparison with forecasts*:

*Forecasts are as of 25 July '08, when our 1Q financial results were released.

New High Records for 1H Operating Revenues, Operating Income, Ordinary Income, and Net Income as Consolidated Group Results on Half Year Basis

A-1-2. Financial Results



(Business-wise Operating Revenues/Ordinary Income)

(Unit: billion yen)

Business Segment		FY2008			1H Forecasts* (b)	Comparison (a)-(b)	Comparison (%)
		1Q Results	2Q Results	1H Results (a)			
Container Business**	Operating Revenues	148.8	166.0	314.8	314.0	0.8	-
	Ordinary Income	▲ 1.0	▲ 4.9	▲ 5.9	▲ 4.8	▲ 1.1	▲ 23%
Other Marine Business	Operating Revenues	172.4	191.8	364.2	329.0	35.2	11%
	Ordinary Income	33.3	44.6	77.9	72.5	5.4	8%
Others	Operating Revenues	28.3	28.2	56.5	57.0	▲ 0.5	▲ 1%
	Ordinary Income	1.0	2.1	3.1	2.3	0.8	35%
Total	Operating Revenues	349.5	386.0	735.5	700.0	35.5	5%
	Ordinary Income	33.3	41.8	75.1	70.0	5.1	7%

*Forecasts are as of 25 July '08, when our 1Q financial results were released.

**Container Business includes agency and terminal business

A-2. Key Points

<Comparison with Forecasts as of July '08>

Operating Revenues Increase +35.5 billion yen

Ordinary Income Increase +5.1 billion yen

Factors for Profit Increase:

- Yen depreciation effects
- Fuel oil price decrease
- Reduction in fuel consumption,
Effects of service restructuring

('08F 1H Forecasts 70.0=>Results 75.1 billion yen)

Variation Factors	Comparison with Forecasts
Fluctuation in Exchange Rate	2.3
Fuel Oil Price	2.6
Market Volatility	▲ 3.7
Business Expansion	▲ 2.9
Cost Increase/Decrease	5.8
Others	1.0
Total	5.1

A-3-1. Outline of Division-wise Results (for Container Business)



<Comparison with forecasts as of July '08>

Operating Revenues 314.8 billion yen (Increase by 0.8 billion yen)

Ordinary Income ▲5.9 billion yen (Decrease by 1.1 billion yen)

Factors for Profit Decrease

- Yen depreciation (4 yen/US\$), Fuel oil price decrease (US\$20/MT) & consumption saving < Loading volume & average freight rate down
- Total cargo volume (1,724 thousand TEU), ▲2.7% from our prospects
- Freight rate decline

1H Results (in comparison with forecasts as of July)

	Asia- N.America	Asia- Europe	Trans- Atlantic*	Intra-Asia	North- South
Dominant	▲3%	▲7%	+3%	▲2%	▲6%
Return	+7%	▲8%	+10%	▲6%	▲3%

*Dominant route in Trans-Atlantic services is west-bound

A-3-2. Outline of Division-wise Results (for Dry Bulk Business)



<Comparison with forecasts as of July '08>

Revenues increase / Profits increase

- Operating Tonnage: 107.2 mil. Ton

Profit increase factors :

- Market for large-size : In spite of continued historical high level till August, market entered a correction phase in September.
- Market for mid-size : Strong tone in general, but sharply fell down in September.
- Market for small-size : Staying rather preferable level, though currently soft mood same as the other markets

Dry Bulk Market (Pacific Round)	1Q FY 2008	2Q FY 2008	Preconditions for 2Q as of July '08	1H FY 2008
Cape (170 type)	\$165,000	\$115,000	\$130,000	\$140,000
Panamax (74 tyoe)	\$67,000	\$48,000	\$65,000	\$57,500
Handy (53 type)	\$57,500	\$40,500	\$50,000	\$49,000

A-3-3. Outline of Division-wise Results (for Car Carrier Business)



<Comparison with Forecasts as of July '08>

Operating Revenues almost flat/Ordinary Income almost flat

- Total units carried (inc. intra-Europe) : 1762 thousand units
- Loaded volume growth with enhancement in transportation capacity
 - While cargo for North America slowed down, loaded volume was increased by efficient ship operation.
- Actively taking cargo for China, India, Middle East and South Africa, where demand for Automobiles has been growing significantly.
 - Cargo movements for Latin America/Caribbean Area, Middle East/Africa and cross transport still remain active.
- Minimize transportation cost under fuel oil price hike.

A-3-4. Outline of Division-wise Results (for Energy Transportation)



<Comparison with Forecasts as of July '08>

Operating Revenues almost flat/Ordinary Income almost flat

LNG carrier : 8 new ships for the project we got engaged delivered in 1H of FY2008.
Stable operation of 41 vessels in each existing project.

Tanker : Market for Aframax and Clean tanker much stronger than expected.
Business expansion (1 LPG carrier delivered in 1H of FY 2008)

Operating tonnage : expanded to 23,034 thousand tons

Tanker Market (WS)	1Q FY 2008	2Q FY 2008	Preconditions for 2Q as of July	1H FY 2008
VLCC (M.East/Jpn)	174	133	200	154
Aframax (S.Asia/Jpn)	195	235	217	215
Clean 70,000 type (M.East/Jpn)	193	327	240	260

A-3-5. Outline of Division-wise Results (for Other Business)



(Heavy Lifter)

<Comparison with Forecasts as of July '08>

Operating Revenues flat/Ordinary Income flat

- Keeping high utilization ratio due to strong demand for infrastructure building and construction of oil refinery.

(Short sea / Coastal Shipping)

<Comparison with Forecasts as of July '08> Revenues and Profit increase

- Active demand for both liner and tramp service.
- Operation cost increased due to further hike of fuel oil.

(Logistics)

<Comparison with Forecasts as of July '08>

Operating Revenues flat/Ordinary Income flat

- Slowing down in air cargo demand for the U.S.A

B. Prospects for FY 2008

B-1. Prospects for Yearly FY2008



with Business-wise Operating Revenues/Ordinary Income

(Unit: billion yen)

Consolidated revised forecasts	FY2008				
	1H Results	2H Prospects	Yearly Prospects	Forecasts as of July	Balance
Operating Revenues	735.5	644.5	1,380.0	1,400.0	▲ 20.0
Operating Income	74.7	33.3	108.0	124.0	▲ 16.0
Ordinary Income	75.1	29.9	105.0	121.0	▲ 16.0
Net Income	51.2	19.8	71.0	78.0	▲ 7.0
Dividend	¥13.5	¥11.5	¥25	¥27	▲ 2.0
Exchange Rate (Average)	¥105.67	¥100.00	¥102.83	¥101.00	¥1.83
Fuel Oil Price (Average)	\$601	\$500	\$550	\$685	▲\$135

(Unit: billion yen)

Business Segment		FY2008		
		1H	2H	Yearly
Container Business*	Operatnig Revenues	314.8	285.2	600.0
	Ordinary Income	▲ 5.9	▲ 13.0	▲ 18.9
Other Marine Business	Operatnig Revenues	364.2	308.8	673.0
	Ordinary Income	77.9	41.6	119.5
Others	Operatnig Revenues	56.5	50.5	107.0
	Ordinary Income	3.1	1.3	4.4
Total	Operatnig Revenues	735.5	644.5	1,380.0
	Ordinary Income	75.1	29.9	105.0

*Container Business includes agency and terminal business

【Annual dividend for FY2008: 25 yen per share, Year-end dividend 11.5 yen , Payout ratio22%】

-Fall/Rise 1yen/US\$ in exchange rate affects Ordinary Income by approx.+/-0.3billion yen, for the 2H FY2008

-Decrease/Increase of fuel oil prices at \$10 per met. tons does by approx. +/-0.8billion yen, for the 2H FY 2008

B-2. Key Points for Yearly FY2008 Prospects

<Comparison with Forecasts as of July '08>

Operating Revenues Decrease ▲15.0 billion yen

Ordinary Income Decrease ▲16.0 billion yen

Preconditions: Fuel oil price \$685=>\$550/MT, Exchange rate¥101=>¥103/US\$

Dry bulk market drastic fall

('08F Prev. forecasts 121.0 billion yen=>'08F Revised 105.0)

Various Factors	Comprison with forecasts as of July
Fluctuation in Exchange Rate	1.7
Bunker Oil Price	21.4
Market Volatility	▲ 49.5
Business Expansion	▲ 3.5
Cost Increase/Decrease	18.3
Group Companies	▲ 3.2
Others	▲ 1.2
Total	▲ 16.0

-Fall/Rise 1yen/US\$ in exchange rate affects Ordinary Income by approx.+/-0.3billion yen, for the 2H FY2008

-Decrease/Increase of fuel oil prices at \$10 per met. tons does by approx. +/-0.8billion yen, for the 2H FY 2008

B-3-1. Division-wise Trends for Yearly FY2008 Prospects (Container Business)



<Container Business>

<Comparison with Forecast as of July '08>

Operating Revenues : 600.0 billion yen (as prospects),

Ordinary Income: ▲18.9 billion yen (+1.6 billion yen improvement from the forecasts)

Freight rate decline, Loading volume decrease

< Cost reduction such as fuel oil price and consumption decrease, etc.

- Overview: In North-South trades, and East bound in Asia-North America trades (export from the U.S.A.), positive cargo flow,

In trades from Asia to Europe or North America, cargo volume decreasing, and in Asia-Europe trades, concern about freight rate declining.

- Total loading cargo volume: 3.48 million TEU (▲2% from the plan, +8% YoY)

- Freight Rate :

Yearly Prospects (Comparison with prospects)	Asia- N.America	Asia- Europe	Trans- Atrantic*	Intra-Asia	North- South
Dominant	▲8%	▲12%	▲3%	▲4%	▲6%
Return	▲5%	▲14%	+3%	▲6%	▲6%

*Dominant route in Trans-Atlantic services is west-bound

B-3-2. Division-wise Trends for Yearly FY2008 Prospects (Dry Bulk Business/Car Carrier Business)



<Dry Bulk Business> Revenues & Profit decrease from the forecasts as of July '08

Market rate fall > Fuel oil price down

Dry Bulk Market (Pacific Round)	1H FY2008 Results	3Q FY2008 Precondition	4Q FY2008 Precondition	2H FY2008 Precondition	Precondition for 2H as of July'08
Cape (170type)	\$140,000	\$10,000	\$30,000	\$20,000	\$130,000
Panamax (74type)	\$57,500	\$8,000	\$15,000	\$11,500	\$65,000
Handy (53type)	\$49,000	\$8,000	\$12,500	\$10,250	\$50,000

<Car Carrier Business> Almost as expected

Negative Factors: Cargo for North America and Europe is slowing down

Positive Factors: Efficient fleet operation with deployment of most suitable type of vessels,
Fuel oil price down

B-3-3. Division-wise Trends for Yearly FY2008 Prospects (Energy Transportation/Heavy Lifters)



<Energy Transportation> Revenues & Profit increase from the forecasts as of July 2008

LNG Carrier : 14 newbuildings to be delivered in FY '08, expanding our fleet
to a total of 47 ships

Tanker : Fleet expansion (delivery of 5 new ships in FY'08)

Market for Aframax and Clean tankers staying in high level.

Tanker (WS)	'08F 1H Results	'08F 2H Revised Prospects	Preconditions for '08F 2H as of July '08
VLCC (M.East/Japan)	154	110	170
Aframax (S.Asia/Japan)	215	210	185
Clean 70,000type (M.East/Japan)	260	230	180

<Heavy Lifter> As prospected

Fleet expansion with delivery of 3 newbuildings within FY '08

Demand for heavy cargo is continuously strong, stable freight rate level

B-4. Financial Indices

	'07F Yearly Results	'08F 1H Results	'08F Yearly Prospects	'08F Yearly Prospects*
Operating Revenues	1,331.0	735.5	1,380.0	1,340.0
Ordinary Income	125.9	75.1	105.0	121.0
Net Income	83.0	51.2	71.0	78.0
Operating C/F	141.2	54.6	95.0	-
(Depreciation)	34.8	19.3	41.8	-
Investment C/F	△145.5	△115.6	△155.0	-
FCF	△4.3	△61.0	△60.0	-
Shareholders' Equity	355.8	394.2	408.4	426.0
Interest-bearing Liabilities	329.7	395.3	406.9	-
Equity Ratio	37%	37%	37%	37%
ROA	13%	14%	10%	12%
DER	93%	100%	100%	100%
Interest-bearing Liabilities/Operating C/F	2.3	3.6	4.3	-

*Original Prospects as of April '08