

Financial Highlights

Brief Report for 3rd Quarter FY2006

9 February 2007

Kawasaki Kisen Kaisha, Ltd.

Agenda

A. Financial Highlights for 3rd Quarter FY2006

A-1 Financial Results for 3rd Quarter FY2006

A-2 Key Points for 3rd Quarter FY2006

A-3 Outline of Division-wise Results for 3rd Quarter FY2006

B. Prospects for FY2006

B-1 Prospects for FY2006

B-2 Business-wise Revenues/ Profits

B-2 Key Points for FY2006 Prospects

B-3 Outline of Division-wise FY 2006 Prospects

C. Business Perspective for FY2007

D. (Reference) Progress of “K”LINE Vision2008+

D-1 Cost Reduction

D-2 Fleet Upgrading Plan

A. Financial Highlights for 3rd Quarter FY2006

A-1. Financial Results for 3Q FY2006

		1H 06F Results	3Q 06F Results	YTD 06F	YTD 05F	YoY Comparison	YoY Comparison (%)
Operating Revenues	Cons.	518.0	282.5	800.5	689.0	111.5	16.2%
	Non	410.0	222.8	632.8	550.8	82.0	14.9%
Operating Income	Cons.	23.5	16.2	39.7	69.2	▲ 29.5	-42.6%
	Non	8.9	7.4	16.3	47.9	▲ 31.6	-65.9%
Ordinary Income	Cons.	24.6	17.1	41.7	69.5	▲ 27.8	-40.0%
	Non	12.0	7.3	19.3	49.3	▲ 30.0	-60.9%
Net Income	Cons.	20.6	15.0	35.6	50.6	▲ 15.0	-29.7%
	Non	10.2	4.5	14.7	33.7	▲ 19.0	-56.4%
Exchange Rate	Average	¥115	¥117	¥116	¥112	¥4	3.5%
Bunker Price	Average	\$337	\$302	\$325	\$275	\$50	18.2%

Fall 4 Yen/US\$ in exchange rate resulted in approx. +2.6 billion yen, YoY

Increase of fuel oil price \$50 per met. Ton resulted in approx. -10.1 billion yen, YoY

A-2. Key Points for 3Q FY2006

<YoY comparison> Revenues increase+111.5 billion yen,
 Profits decrease -27.8 billion yen, at Ordinary Income

Revenue increase factors:

- Business expansion in all divisions
- Weakened yen, etc.

Profit decrease factors:

- Freight rate declined in containership trades
- Cost increase inc. fuel oil price hike, etc.



Business expansion / rationalization

(1-3Q total 69.5 billion yen =>41.7 billion yen, YoY)

Variation Factors	Comparison with 05FY result (YoY)
Fluctuation in Exchange Rate	2.6
Bunker Oil Price	▲ 10.1
Market Volatility	▲ 20.6
Business Expansion, etc.	30.0
Cost Increase	▲ 26.9
Others	▲ 2.8
Total	▲ 27.8

A-3. Outline of Division-wise Results for 3Q 2006F (for Container Business)

<YoY comparison> Revenues increase/Profits decrease.

(Revenues increase +35.3, Profits decrease -33.8 billion yen)

Revenue increase factors

- Business expansion :
 - Two of four 8,000TEU-type ships, the largest in our fleet, delivered
 - Start-up new service from South East Asia, India, to U.S. East Coast via Suez Canal
 - Enhancement in Pacific North-West service, etc.
- Total loaded cargo volume (2,210 thousand TEU) :
 - Steady cargo movements(+10.7%(YoY))
 - Load factor for trunk lines to the U.S.& E.U. over 90%

Profit decrease factors

- Freight rates (YoY) :
 - Asia/North America trades : East Bound -5%, West Bound +2%
 - Asia/Europe trades : West Bound -14%, East Bound -4%
 - Trans-Atlantic trades : West Bound+5%, East Bound +11%
 - Intra-Asia trades : South Bound -3%, North Bound -6%
 - ‘North-South’ trades : South Bound -8%, North Bound -8%
 - (Compared to the expectation as of Nov.’06, almost flat)
- Cost increase and decrease :
 - ‘Tran-ship’ cost increase by ship allocation change > Cost decrease by navigation with most economical speed, etc.
 - Variation cost increase, inc. feeder, track, etc.

A-4. Outline of Division-wise Results for 3Q 2006F (for Dry Bulk Carriers)

<YoY comparison> Revenues increase / Profits increase

Revenue increase factors

- Business expansion: Delivery of 16 new ships
(Operating Tonnage: 126.8 mil. Ton =>140.9 mil. Ton, +11.1%(YoY))

Profit increase factors

- Market for large-size : After market level adjustment in 1Q '06F, strong tone
- Market for mid-size : Demand steady, rising trend without seasonal slack in summer
- Market for small-size : Positive with demand increase for cement, steel products, etc. positive

Dry Bulk Market (Pacific Round)	2005F	2006F		
	1Q-3Q Average	1Q-3Q Average	3Q Results	Projection as of Nov 2006
170 type (Cape size)	\$38,778	\$50,111	\$66,000	\$55,000
74 type (Panamax)	\$18,417	\$27,233	\$34,833	\$30,000
53 type (Handy Max)	\$16,678	\$26,367	\$30,700	\$26,500

A-5. Outline of Division-wise Results for 3Q 2006F (for Car Carriers)

<YoY comparison> Revenues increase / Profits increase

Revenue increase factors:

- Business expansion :
 - 5 vessels added in our fleet including 3 new buildings delivered in 3Q
 - Expansion in intra-Europe service (+21%, YoY)
- Total units carried (inc. intra-Europe) 2,000 =>2,321 thousand (+16.0%, YoY)

Profit increase factors:

- Loaded volume growth with reinforcement in transport capacity
- Proper allotment of ships depending on cargo movement for each trade

A-6. Outline of Division-wise Results for 3Q 2006F (for Energy Transportation)

<YoY comparison> Revenues increase / Profits increase

Revenue increase factors

- Business expansion
LNG Carrier : Stable operation in each project (total 31 vessels)
Tanker : Stable operation of 10 AFRAMAX fleet and business expansion)
- Operating Tonnage : 22.73 mil. Ton >>>23.48 mil. Ton, +3.3% YoY

Profit increase factors

Effective vessel operation enabled us to secure stable profit despite freight rate for petroleum products due to worldwide trend of unusually warm winter

Tanker Market (WS)	2005F	2006F		
	1Q-3Q Average	1Q-3Q Average	3Q Results	Projectio n as of Nov2006
VLCC(Middle East/ Japan)	104	92	67	100
AFRAMAX(South Asia/ Japan)	200	172	155	200
Clean 70,000type(Middle East/Japan)	246	191	163	210

A-7. Outline of Division-wise Results for 3Q 2006F (for Other business)

- Short sea/Coastal Shipping

<YoY comparison> Revenues increase / Profits decrease

Secured stable cargo volume < Bunker price hike

- Logistics

<YoY comparison> Revenue increase / Profits increase

Steady cargo movements in both marine and air transportation

Business expansion taking advantage of setting up “K” Line Logistics, Ltd.

B. Prospects for FY2006

B-1. Prospects for FY2006

(Unit: billion yen)

		1H Results	2H Prospects			06FY Prospects (a)	Prospects as of November (b)	Comparison (a)-(b)	05FY	
			3Q Results	4Q Prospects					05FY Results	Comparison
Operating Revenues	Cons.	518.0	282.5	279.5	562.0	1,080.0	1,050.0	30.0	940.8	14.8%
	Non	410.0	222.8	207.2	430.0	840.0	830.0	10.0	742.6	13.1%
Operating Income	Cons.	23.5	16.2	21.3	37.5	61.0	60.0	1.0	88.0	-30.7%
	Non	8.9	7.4	11.7	19.1	28.0	29.0	▲ 1.0	56.7	-50.6%
Ordinary Income	Cons.	24.6	17.1	21.3	38.4	63.0	61.0	2.0	88.6	-28.9%
	Non	12.0	7.3	10.7	18.0	30.0	32.0	▲ 2.0	57.8	-48.1%
Net Income	Cons.	20.6	15.0	15.9	30.9	51.5	51.0	0.5	62.4	-17.5%
	Non	10.2	4.5	9.3	13.8	24.0	26.0	▲ 2.0	38.8	-38.1%
Dividend	Non	¥9	-	-	¥9	¥18	¥18	-	¥18	-
Exchange Rate	Average	¥115	¥117	¥116	¥117	¥116	¥115	¥1	¥113	2.6%
Bunker Price	Average	\$337	\$302	\$290	\$296	\$317	\$326	▲\$9	\$286	11.0%

FYG, Quarter basis Ordinary Income

(Unit: billion yen)

	2005FY				2006FY			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Consolidated Ordinary Income	24.1	25.5	19.9	19.1	10.1	14.5	17.1	21.3

Bottomed out 1Q 2006FY

B-2. Business-wise Operating Revenues/Ordinary Profit Loss

(Unit:bilion yen)

Business segment		06FY			05FY			Yearly Comparison
		1H	2H	Yearly	1H	2H	Yearly	
Container Business	Operating Revenues	243.9	266.1	510.0	222.8	228.6	451.4	58.6
	Ordinary Profit/Loss	▲ 3.2	▲ 4.6	▲ 7.8	20.6	9.9	30.5	▲ 38.3
Others	Operating Revenues	274.1	295.9	570.0	231.9	257.5	489.4	80.6
	Ordinary Profit/Loss	27.8	43.0	70.8	29.0	29.1	58.1	12.7
Total	Operating Revenues	518.0	562.0	1,080.0	454.8	486.1	940.8	139.2
	Ordinary Profit/Loss	24.6	38.4	63.0	49.6	38.9	88.6	▲ 25.6

[Container business includes agency and terminal business](#)

B-3. Key Points for FY2006 Prospects

<YoY comparison> : Revenues increase (+139.2), Profits decrease(-25.6 billion yen)

<Comparison with forecast> Revenues increase (+30.0), Profits increase (+2.0 billion yen)

=Premises for 4Q : Fuel oil price decline \$315 =>\$290/KT,

Yen depreciation ¥115=>¥116/U.S. dollar

(Container Business) Stable cargo volume, Despite efforts to cost reduction including reorganization of service routes, variable cost up =>Profits down

(Dry Bulk Carriers) Stable market supported by enormous transport needs=>Profits up

(Car Carriers) Steady cargo volume => Profit increase

(Tankers) Despite seasonal adjustment based on oil demand, profitability stable => Profits flat

Container Business downturn

< Dry Bulkers, Car Carriers improvement
 Fuel oil price decline, Yen depreciation

(06F prospects as of Nov '06 61.0 bln yen, 05F 88.6 => revised 06F 63.0)

Variation Factors	Comparison with prospects as of Nov'06	Comparison with 05FY result
Fluctuation in Exchange Rate	0.8	2.0
Bunker Oil Price	3.2	▲ 8.4
Market Volatility	0.5	▲ 19.0
Business Expansion	0.6	39.2
Cost Increase	▲ 3.9	▲ 35.2
Others	0.8	▲ 4.2
Total	2.0	▲ 25.6

B-4. Outline of Division-wise FY2006 Prospects

<Container Business> Revenues increase / Profits decrease (YoY),

3 billion yen of Ordinary Income down from estimation as of November 06

Firm cargo movements, Variable cost up despite cost reduction inc. reorganization of service routes

<Bulk Carriers> Revenues increase / Profits increase (both YoY / prospects comparison),

-Dry Bulk Carriers : Market stable, Business expansion (with 22 new ships) => Profit increase

Dry Bulk Market (Pacific Round)	05FY			06FY			
	1H Results	2H Results	Yearly Results	1H Results	Average of 1Q-3Q	4Q Prospects	Yearly Prospects
170 type	\$37,333	\$35,000	\$38,481	\$42,167	\$50,111	\$66,000	\$54,083
74 type	\$18,583	\$17,717	\$18,072	\$23,434	\$27,233	\$33,000	\$28,675
53 type	\$17,200	\$17,967	\$16,759	\$24,200	\$26,367	\$31,500	\$27,650

-Car Carriers : Business expansion and service enhancement with 6 new ships to be delivered in 2H
=> Stable profitability, profit increase

<Energy Transportation>

-LNG Carriers : With 2 new ships, fleet increase to 32 in total

-Tankers : Freight market positive, 4 new ships => Stable profitability

Tanker Market(WS)	05FY			06FY			
	1H Results	2H Results	Yearly Results	1H Results	Average of 1Q-3Q	4Q Prospects	Yearly Results
VLCC (Mideast/Japan)	78	120	127	105	92	60	83
AFRAMAX (South Asia/Japan)	138	167	230	180	172	155	165
CLEAN70,000 type (Mideast/Japan)	203	182	252	205	191	165	176

C. Business Perspective for FY 2007

C. Business Perspective for FY 2007

<Business Environment>

While fuel oil price has calmed down, business environment is expected to almost remain unchanged from 2H of FY 2006.

(Containership)

Stable cargo volume all over the world, average freight rate in recovery trend

(Dry Bulkers)

Cape-size: Positive crude steel production and imports of iron ore by China

Panamax/Handy : Steady cargo movement in the world mainly into China

=>Market rate continuing to stay high level

(PCTC)

Strong demand for Japanese/Korean cars

Positive cargo flow due to increase of overseas production by auto manufacturers

(Tankers)

Steady cargo demand mainly from China, the U.S, and India

Trends to value double-hull type/ship quality ⇒ Positive overall with seasonal adjustments

(Reference)

D. Progress of “K”LINE Vision2008⁺

D-1. Cost Reduction

(Unit: billion yen)

Cost saving items	06FY		
	1H	2H	Yearly
Operating Cost reduction	3.4	4.7	8.1
Container equipment related cost reduction	0.7	0.4	1.0
Vessel cost reduction	0.2	0.5	0.7
Group Companies sales-related cost	-0.1	0.4	0.3
Administrative cost reduction	0.1	0.1	0.2
Total	4.3	6.0	10.3
(Division wise result/prosect)			
Container Business (Inc. overseas subsidiaries)	4.2	5.0	9.2
Other divisions (Inc. overseas subsidiaries)	0.1	0.9	1.1

D-2. Progress of “K” Line Vision2008⁺ Fleet Upgrading Plan

No. of vessels to be received FY06-08

+
In the “K” Line Vision 2008, we will
achieve fleet of 500 ships at the end of
FY2008

-FY2006 : 47 new ships delivery

-FY2007 : 25 new ships delivery

-FY2008 : 41 new ships delivery

even ordered some to be delivered
FY2009 onward

	2006F		2007F	2008F
	Delivered (as of Jan 07)	Total Delivery	To be delivered	To be delivered
Containership	5	6	3	6
1620TEU			2	4
2400TEU				1
5500TEU	3	3		
8000TEU	2	3	1	1
Dry Bulkers	16	22	10	13
Capesize	6	9	2	4
Panamax	4	4	4	
Handymax	4	4	2	2
SmallHandy	1	2	1	3
Chip/Pulp		1		3
Corona	1	2	1	1
PCTC	5	8	4	5
2000 Cars	1	2		
3800 Cars	1	2	1	
4300 Cars	1	2		
5000 Cars	1	1		
6000 Cars	1	1	3	5
LNG	1	2	3	13
TANKER	2	4	3	2
VLCC	1	1	1	
AFRAMAX		1		1
LR II	1	2		
LPG			2	1
Coastal	5	5	2	2
Total	34	47	25	41