

Financial Highlights

Brief Report for 1st Quarter FY2004

6 August 2004

Kawasaki Kisen Kaisha, Ltd.

A. Financial Highlights for 1Q FY2004

(unit: billion yen)

		04F 1Q (Result) (b)	04F 1Q (Prospect) * (a)	Comparison (a)-(b)	Comparison (ratio)	03F 1Q (Result)
Operating Revenues	Consoli	199.0	180.0	19.2	+11%	174.5
	Non	161.0	145.0	16.0	+11%	141.3
Operating income	Consoli	26.6	17.0	9.6	+56%	12.1
	Non	20.9	14.0	6.9	+49%	9.9
Ordinary income **	Consoli	27.8	16.5	11.2	+68%	11.5
	Non	22.4	13.5	8.9	+66%	9.9
Net income	Consoli	17.2	10.0	7.2	+72%	5.9
	Non	13.8	8.5	5.3	+62%	5.5
Exchange Rate	average	¥108.71	¥105	-¥3.71	+3.5%	¥119.38
Bunker Price	average	\$180.40	\$170	+\$10.4	+6.1%	\$170.91

*1Q FY2004 prospect is as of 13 May 2004, the date of announcement of 2003F financial close.

** Ordinary income is income before income taxes and extra-ordinary items.

B. Business Environment for 1Q 2004F

(Global Economy)

- **U.S.: Steady growth of capital investment and employment, Upward movement of the economy**
- **E.U.: Gradual economic recovery**
- **Other Asia: Economic expansion, maintenance of high economic growth in China**
- **Japan: Stable consumer spending, Positive export boom, Increased capital investment, Economic expansion**

(Our business)

- **Positive container movements in various trades**
- **Freight restoration in container services realized in Asia-North America/Europe trade**
- **Bulker and Tanker market positive**
- **PCTC increase in volume for U.S., Europe and Australia**
- **Good progress on cost reductions**

C-1. Trend of Division-wise Results 1Q 2004F (for Container Business)

Container: 1Q result exceeded prospect* and result in previous year

(Loaded cargo volume: 556 (1Q'03F) >>>616 thousand TEU(1Q'04F)(+11%)

- Positive cargo volume in Asia-North America/Europe trades mainly from China
- Number of containers carried exceeded prospects in every trade of Asia-Europe/inter-Asia.
- Freight restoration realized in Asia-Europe/North America trades
- Start of the Asia-Aegean Sea trade (May), New service between the U.S. East Coast and the East Coast of South America (May)
- Ship-charter rate, Fuel-Oil Price staying higher, Rise in value of Japanese Yen against U.S. Dollar

*Prospect is as of 13 May 2004 upon announcement of 2003F financial close

C-2. Trend of Division-wise Results 1Q FY2004 (for Bulker & Car Carrier Service)

Bulker & Car Carrier : 1Q result exceeded prospect*and result in previous year

- Bulker : Market freight level favorable despite a short period of downward adjustment
(Operating Tonnage : 34.80 (1Q'03F) >>35.63 mil.tons (1Q'04F) (+2%))
- Car Carrier : Increased volume for U.S.A. from Far East
Positive cargo movement in Far East-Europe/Australia trade
Operational cost reduction with efficient ship deployment
(Units carried: 381 (1Q'03F) >>>489 thousand units (1Q'04F) (Large increase))

C-3. Trend of Division-wise Results 1Q FY2004 (for Energy Transportation)

Energy Transportation : 1Q result exceeded prospect and result in previous year

- LNG Carrier : Stable progress in each project
(Operating Tonnage : 1.37 (1Q'03F) >>> 1.22 mil.tons (1Q'04F) (-11%))
- Thermal Coal Carrier : Increase of cargo volume with newly built vessels;
Elimination of the loss due to hike in charterage
(Operating Tonnage : 3.11 (1Q'03F) >>> 3.73 mil.tons (1Q'04F) +20%))
- Tanker : Comparatively stable positive market
(Operating Tonnage : 6.15 (1Q'03F) >>> 6.76 mil. (1Q'04F) (+10%))

C-4. Trend of Division-wise Results 1Q FY2004 (for Consolidated Subsidiaries)

- Short Sea/Coastal Shipping: Stable, Result meets prospect
- Air Carriage: Increased revenues and operating income
- Services Incidental to Transportation:
Increased revenues and operating income with increased container volume

D. Outline of upward/downward Profit Factors for 1Q FY2004

(unit: billion yen)

Ordinary Income* :1QFY2004 prospect**16.5, 1QFY2003 result 11.5

>>> 1Q FY2004 result 27.7 billion yen

comparison with expected 1QFY2004**/1QFY2003

• Fluctuation in exchange rate	+0.9	-2.7
• Increase of Bunker Price	-0.6	-0.5
• Market improvement(Container, Bulker, Tanker)	+7.0	+14.0
• Business Expansion	+2.6	+3.5
• <u>Cost Reduction, others</u>	+1.3	+1.9
Total	+11.2	+16.2

* Ordinary Income is income before income taxes and extra-ordinary items

** 1Q FY2004 prospect is as of 13 March 2004 upon announcement of 2003FY financial close

E. Prospects for 1H FY2004

(unit: billion yen)

		1H FY2004 Revised Prospects(a)	1H FY2003 Previous Prospects(b)**	Comparison (a)-(b)	Comparison (Ratio)	1H FY2003 Results
Operating Revenues	Consoli	397.0	370.0	27.0	7.3%	362.1
	Non	320.0	300.0	20.0	6.7%	295.0
Operating income	Consoli	56.0	38.0	18.0	47.4%	34.3
	Non	45.0	29.5	15.5	52.5%	28.2
Ordinary income*	Consoli	56.0	37.0	19.0	51.4%	30.4
	Non	45.0	29.0	16.0	55.2%	25.1
Net income	Consoli	33.0	23.0	10.0	43.5%	15.9
	Non	28.0	18.0	10.0	55.6%	12.5
Dividend	Non	¥7.5	¥5	+¥2.5	+50%	¥5
Exchange Rate	Average	¥109	¥105	-¥4	+3.8%	¥119.24
Bunker Price	Average	\$180	\$170	+\$10	+5.9%	\$171.06

Assumption for 2Q 2004F: Exchange rate ¥108/1\$, Bunker price \$180/Kton

* Ordinary income is income before income taxes and extra-ordinary items.

F. Trend of division-wise prospects for 1H FY2004

<Container Business> – **Stable cargo movement from China to North America/Europe, Improved freight rates, Increased vessel capacity, Cost reduction with service reorganization**

>>Exceeding previous prospect, Much better than 1Q FY2003 achievement

<Bulkier&Car Carrier Service>

Bulker : Stable market

Car carrier : Positive cargo movement, More cost cutting in response to rise in charterage

>>Exceeding previous prospect, Much better than 1Q FY2003 achievement

<Energy Transport Service>

Thermal coal carrier : Expansion with enhanced fleet, Elimination of loss due to hike in charterage

Tanker : Market freight level favorable

>>Stable in general

G. Outline of Upward/Downward Factors Affecting Profit Prospects for 1H 2004F compared with 1H 2003F

Ordinary Income*: 1H2004F prospect 37.0, 1H2003F result 30.4 >>>56.0 billion yen**

comparison with 1H 2004F prospect/1H 2003F result

• Fluctuation in exchange rate	+2.0	-5.0
• Bunker Oil Price	-1.0	-1.1
• Market volatility(Container, Bulker, Tanker)	+15.0	+22.5
• Business Expansion	+2.0	+6.0
• Cost Reduction, others	+1.0	+3.2
Total	+19.0	+25.6

*Ordinary income is income before income taxes and extra-ordinary items.

** 1H 2004F prospect is precondition as of 13 March 2004 upon announcement of 2003FY financial close.

H. Prospects for FY2004

(unit: billion yen)

		FY2004 Revised Prospects(a)	FY2004 Previous Prospects(b)**	Comparison (a)-(b)	Comparison (Ratio)	FY2003 Results
Operating Revenues	Consoli	790.0	760.0	30.0	3.9%	724.7
	Non	620.0	600.0	20.0	3.3%	585.0
Operating income	Consoli	98.0	76.0	22.0	28.9%	70.5
	Non	75.0	57.0	18.0	31.6%	55.1
Ordinary income*	Consoli	97.0	74.0	23.0	31.1%	62.6
	Non	75.0	56.0	19.0	33.9%	49.7
Net income	Consoli	57.0	46.0	11.0	23.9%	33.2
	Non	46.0	34.0	12.0	35.3%	24.5
Dividend	Non	¥15	¥10	+¥5	+50%	¥10
Exchange Rate	Average	¥109	¥108	-¥1	+1%	¥113.97
Bunker Price	Average	\$185	\$170	+\$15	+8.8%	\$170.00

Assumption for 2H: Exchange rate ¥110/1\$, Bunker price \$190/Kton

* Ordinary income is income before income taxes and extra-ordinary items.

I. Trend of division-wise Prospects for 2H FY2004

<Container Business> **Slightly exceeding previous prospect**

Stable cargo movement from China to North America/Europe, Decreased loaded containers caused by seasonal effects, Reduced margin due to hike in bunker-oil price

<Bulk&Car Carrier Service> **Below prospects because of hike in bunker-oil price**

Bulker : Decreased operating income compared with 1H FY2004 due to downward adjustment of bulk carrier market and hike in bunker-oil price, in spite of stable market freight level in long term

Car carrier : Decreased operating income in spite of positive cargo movement, efficient ship management, more cost cutting in response to rise in charterage, compared with 1H FY2004

<Energy Transport Service> **Stable achievement based on main fleet**

LNG carrier : Stable profitability with newly built vessels

Thermal coal carrier : Expansion with enhanced fleet, Elimination of loss due to hike in charterage

Tanker : Market freight level continuously favorable

J. Cost curtailing campaign

(Target for FY2004 : 5 Billion Yen)

(unit:billion yen)

Cost saving items	1H'04	2H'04	Total
Vessel cost reduction	0.5	0.4	0.9
Various cargo charges reduction	1.1	0.8	1.9
Service rationalization	0.2	0.8	1.0
Subsidiary company's various cost reduction	0.4	0.8	1.2
Administrative cost reduction	0.2	0.2	0.4
Container equipment related cost reduction	0.7	0.5	1.2
Total	3.1	3.5	6.6
(Division wise result/prospect)			
Container Business(Inc. overseas subsidiaries)	2.0	2.0	4.0
Others (Inc. overseas subsidiaries)	0.7	0.7	1.4
Subsidiaries in Japan	0.4	0.8	1.2

2.9 billion of the above figures is included in the prospects.

K. Vision2008 Achievement Goals (Management Indices)

(unit: billion yen)

	FY2003 Results	FY2004 Prospects	FY2004 Plan	FY2005 Plan	FY2008 Final Target
Operating Revenue	724.7	790.0	760.0	790.0	870.0
Ordinary Income*	62.6	97.0	74.0	75.0	87.0
Shareholders' Equity	121.0	172.0	160.0	200.0	340.0
Interest Bearing L i a b i l i t i e s	281.8	260.0	260.0	240.0	260.0
R O E	32.7%	39%	33%	26%	17%
R O A	11.6%	18%	13%	13%	11%
E q u i t y R a t i o	21.6%	30%	27%	33%	43%
Cash Flows From Operating Activities	78.6	83.0	80.0	80.0	55.0
Free Cash Flows	26.8	31.0	25.0	23.0	10.0
Debt Equity Ratio	233%	151%	162%	118%	77%

*Ordinary income is income before income taxes and extra-ordinary items.

Profit-related data hugely exceeded prospects.

L. Investment and Cash Flows

(unit: billion yen)

	F Y 2 0 0 3 R e s u l t s	F Y 2 0 0 4 P r o s p e c t s	F Y 2 0 0 4 P l a n
Investment*	53.8	69.4	73.2
Vessel	42.6	56.1	59.9
Others	11.2	13.3	13.3
(Non-consolidated)	11.8	4.2	4.2
Operating Cash Flow	78.6	83.0	80.0
(Depreciation)	(25.6)	(24.5)	(24.5)
Investment Cash Flow	-51.8	-52.0	-55.0
Free Cash Flow	26.8	31.0	25.0

* Investment for Vessel is amounted based on completion day of each vessel, including those even financed in operating lease scheme eventually. Therefore, total of Investment is not equal to Investment Cash Flow.