

# Financial Highlights

## Brief Report for 1st Half Fiscal 2003

November 2003

Kawasaki Kisen Kaisha, Ltd.

# A. Financial Highlights for 1H 2003F (Consolidated/Non-consolidated basis)

(unit: billion yen)

		03F 1H (Result) (a)	02F 1H (Result) (b)	Comparison (a)-(b)	Comparison (Ratio)	03F 1H (Prospect)* (c)	03F 1H Comparison (a)-(c)
Operating Revenues	Consoli	<b>362.1</b>	309.6	52.5	+17%	355.0	+7.1(2.0%)
	Non	<b>295.0</b>	244.3	50.7	+21%	286.0	+9.0(3.1%)
Operating income	Consoli	<b>34.3</b>	11.3	23.0	+204%	30.0	+4.3(14.3%)
	Non	<b>28.2</b>	7.2	21.0	+292%	24.0	+4.2(17.5%)
Ordinary income**	Consoli	<b>30.4</b>	7.8	22.6	+288%	28.0	+2.4(8.6%)
	Non	<b>25.1</b>	5.2	19.9	+383%	23.5	+1.6(6.8%)
Net income	Consoli	<b>15.9</b>	4.9	11.0	+224%	17.0	-1.1(6.5%)
	Non	<b>12.5</b>	2.8	9.7	+346%	11.5	+1.0(8.7%)
Exchange Rate	Average	<b>¥119.24</b>	¥123.77	+¥4.53	+3.7%	¥120	¥0.76(+0.6%)
Bunker Price	Average	<b>\$171.06</b>	\$152.21	+\$18.85	+12.4%	\$170	+1.06(+0.6%)

\*1H FY2003 prospect is as of 7 August 2003 upon announcement of 1Q 2003F financial close

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

Actual Bunker Cost / Consumption : 35.1 billion yen (+590million)/ 1.72 million tons (+19,000 tons)

## A-2. Financial Indicators for 1H 2003F

(unit:billion yen)

	'02F 1H End (Sept. '02)	'02F End (March '02) (a)	'03F 1H End (Sept. '03) (b)	Comparison (a)-(b)	2004F End (March '05) KV Target
Shareholders' E q u i t y	77.5	82.0	102.5	+20.5	110.0
Interest Bearing L i a b i l i t i e s	317.4	306.6	294.4	-12.2	275.0
R O E	12.7%	13.0%	34.5%	+21.5%	19%
R O A	3.0%	4.5%	11.6%	+7.1%	7%
Equity Ratio	14.9%	15.9%	19.2%	+3.3%	22%
Current Equity R a t i o	19.4%	30.0%	42.3%	+12.3%	-
Current DER	3.14	1.98	1.30	-0.68	-

Shareholders' Equity and Interest Bearing Liabilities are almost touching KV-Plan final targets.

ROE and ROA considerably over the KV-Plan final targets

## B. Business Environment for 1H 2003F

### **(Global Economy)**

- U.S.: Earlier end of the Iraq War, Stock price recovery,  
Positive tendency in the economy
- E.U.: Rather weak economic tendency
- Japan : Slight picking up from the bottom
- Other Asia: Limited effect from SARS, Rapid growth in China

### **(Our business)**

- Steep rise in value of Japanese Yen against U.S. Dollar from mid-September
- Slight increase in fuel-oil prices
- Positive container movements in various trades
- Freight restoration in container services realized in Asia-North America/  
Europe, and trans-Atlantic trade
- Bulkier and tanker market positive
- PCTC increase in volume for Europe and Australia

## C-1. Trend of Division-wise Results 1H 2003F (for Container Business)

### Container: 1H result exceeded prospect\*

(Loaded cargo volume: 1.03(1H'02F) >>>1.13 mil. TEU(1H'03F) (+9%))

- Positive cargo volume in Asia-North America/Europe trades mainly from China
- Number of containers carried exceeded prospects in every trade of Asia-North America/Europe, and inter-Asia.
- Freight restoration in container services realized in Asia-North America/Europe, and trans-Atlantic trades
- Reinforcement in Asia-Mediterranean Sea trade (April)
- Slight increase in Fuel-Oil Price

\*Prospect is as of 15 May 2003 upon announcement of 2002F financial close

## C-2. Trend of Division-wise Results 1H 2003F (for Bulker & Car Carrier Service)

### **Bulker & Car Carrier : 1H result exceeded prospect\***

Bulker : Market freight level favorable  
Remarkable increase in tonnage of every type of bulker,  
from ‘Cape-size’, ‘Panamax’ to ‘small handy’

**(Operating Tonnage : 54.86 (1H’02F) >>>68.9 mil.tons (1H’03F) (+26%))**

Car Carrier : Decreased volume carried for U.S.A. from both Far East and Europe  
Positive cargo movement in Far East-Europe/Australia trade  
Operational cost reduction with efficient ship deployment

**(Units carried: 777 (1H’02F) >>>773 thousand units (1H’03F) (flat))**

\*Prospect is as of 15 May 2003 upon announcement of 2002F financial close

## C-3. Trend of Division-wise Results 1H 2003F (for Energy Transportation)

### Energy Transportation : 1H result meets prospect

-LNG Carrier : Stable progress in each project

(Operating Tonnage : 2.76 (1H'02F) >>> 2.76 mil.tons (1H'03F) (flat))

-Thermal Coal Carrier : Increase of cargo volume with newly built vessels; Short-term chartered vessels in some trades under longer term freight contracts cause loss due to hike in charterage

(Operating Tonnage : 6.01 (1H'02F) >>> 7.46 mil.tons (1H'03F) (+24%))

-Tanker : Comparatively Stable

(Operating Tonnage : 10.97 (1H'02F) >>> 11.76 mil. (1H'03F) (+7%))

## C-4. Trend of Division-wise Results 1Q 2003F (for Consolidated Subsidiaries)

- Short Sea/Coastal Shipping: Stable
- Services Incidental to Transportation:  
Stable with increased container volume;  
Cargo volume in air freight forwarding  
decreased from effect of SARS.



## D. Outline of upward/downward Profit Factors for 1H 2003F

(unit: billion yen)

**Ordinary Income\* : 1H2003F prospect\*\*28.0, 1H2002F result 7.8,**

**>>>> 1H 2003F result 30.4 billion yen**

expected 1H2003F\*\* /comparison with 1F2002F

• Fluctuation in exchange rate	-0.6	-1.8
• Increase of Bunker Price	-0.1	-2.3
• Market improvement(Container, Bulker, Tanker)	+2.8	+19.3
• Business Expansion	+0	+2.4
• <u>Cost Reduction, others</u>	+0.3	+5.0
<b>Total</b>	<b>+ 2.4</b>	<b>+22.6</b>

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

\*\* 1H FY2003 prospect is precondition as of 7 Aug. 2003 upon announcement of 1Q2003F financial close

## E. Prospect for 2003F (Consolidated/Non-consolidated basis)

(unit: billion yen)

		<b>FY2003 Revised prospects (a)</b>	FY2003 Previous prospects**(b)	Compara- son (a)-(b)	<b>1Q-3Q Total</b>	FY2002 Results (c)	Compara- son (a)-(c)
Operating Revenues	Consoli	<b>700.0</b>	700.0	-	<b>530.0</b>	632.7	+67.3
	Non	<b>565.0</b>	560.0	+5.0	<b>430.0</b>	499.8	+65.2
Operating Income	Consoli	<b>60.0</b>	55.0	+5.0	<b>48.0</b>	29.3	+30.7
	Non	<b>47.0</b>	43.0	+4.0	<b>38.0</b>	19.8	+27.2
Ordinary Income*	Consoli	<b>53.0</b>	51.0	+2.0	<b>43.0</b>	23.7	+29.3
	Non	<b>43.0</b>	41.0	+2.0	<b>35.0</b>	16.4	+26.6
Net Income	Consoli	<b>30.0</b>	30.0	-	<b>22.0</b>	10.4	+19.6
	Non	<b>21.0</b>	19.0	+2.0	<b>17.0</b>	6.5	+14.5
Dividend	Non	<b>¥10.00</b>	¥6.00	¥4.00	-	¥5.00	+¥5.00
Exchange Rate	Average	<b>¥115</b>	¥120	¥5	<b>¥115</b>	¥122.29	+¥7.29
Bunker Price	Average	<b>\$169</b>	\$165	+\$4.00	<b>\$169</b>	\$161.60	+\$7.4

Precondition for 2H : Exchange rate ¥110/\$, Bunker Price \$166/Kton

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

\*\* FY2003 previous prospect is as of 7 August 2003 upon announcement of 1Q 2003F financial close

## F. Trend of Division-wise Prospects for Fiscal 2003

Containership : A hike in fuel-oil price, Concern about rise in value of Yen against U.S. Dollar, Efficient vessel operation along with demand, Further cost reduction by service reorganization, and Further freight rate restoration

➤➤➤ **Exceeding prospect\***

Bulker/Car Carriers : Stable bulk market in high level, Stable car/truck movement with more efficient vessel operation and cost reduction

➤➤➤ **In line with prospect\***

Energy Transportation : Expansion in Thermal Coal Carrier Service, Stable Tanker Market in 2H 2003F

➤➤➤ **Stable in general**

\* FY2003 previous prospect is as of 7 August 2003 upon announcement of 2000F financial close.

# G-1. Outline of upward/downward Profit Factors for 2003F

(unit: billion yen)

**Ordinary Income\* 2003F prospect\*\* 51.0, 2002F result 23.7, >>53.0**

comparison with 2003F prospect\*\*, 2002F result

• Fluctuation in exchange rate	- 4.0	- 5.8
• Increase of Bunker Price	- 0.5	- 1.9
• Market improvement(Container, Bulker, Tanker)	+ 5.5	+25.0
• Enhancement of operations	+ 0.5	+ 3.0
• <u>Cost Reduction, others</u>	+ 0.5	+ 9.0
<b>Total</b>	<b>+ 20.0</b>	<b>+29.3</b>

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

\*\* FY2003 prospect is precondition as of 7August 2003 upon announcement of 1Q 2000F financial close

# G-2. Factors of P/L Volatility

(FY2003 yearly Ordinary Income\* basis)

- Rise/fall of 1 Yen in exchange rate
  - >>>Non-consolidated -/+0.7 billion yen
  - >>>Consolidated -/+0.8 billion yen
- Increase/decrease of Bunker Price at \$10/MT
  - >>>Non-consolidated -/+2.3 billion yen
  - >>>Consolidated -/+2.4 billion yen
- Market Fluctuation
  - Container +/--\$10 >>>Non consolidated +/-2.25 billion yen
  - Bulk +/-10% >>>Non consolidated +/-0.9 billion yen
  - Tankers +/-WS10 >>>Non consolidated +/-0.6 billion yen
  - >>>Consolidated +/-0.9 billion yen

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

# H-1. Updated Status of KV-Plan

(unit: billion yen)

		Result for 2002F	Prospect for 2003F	KV-Plan for 2004F	KV-Plan achievement ratio
Exchange Rate	/US\$	¥122	¥115	¥130	+¥15
Bunker Price	/MT	\$162	\$169	\$130	+\$39
Non-	Revenues	499.8	565.0	500.0	113%
Consolidated	Operating Income	19.8	47.0	27.0	174%
	Ordinary Income*	16.4	43.0	24.0	179%
	Net Income	6.5	21.0	13.0	162%
Consolidated	Revenues	632.7	700.0	650.0	108%
	Operating Income	29.3	60.0	40.0	150%
	Ordinary Income*	23.7	53.0	35.0	151%
	Net Income	10.4	30.0	20.0	150%

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

The revised prospects for FY2003 exceed the final targets set for the third year of "KV-Plan" for all main P/L items, prevailing over exchange loss and a hike in bunker price compared to original plan

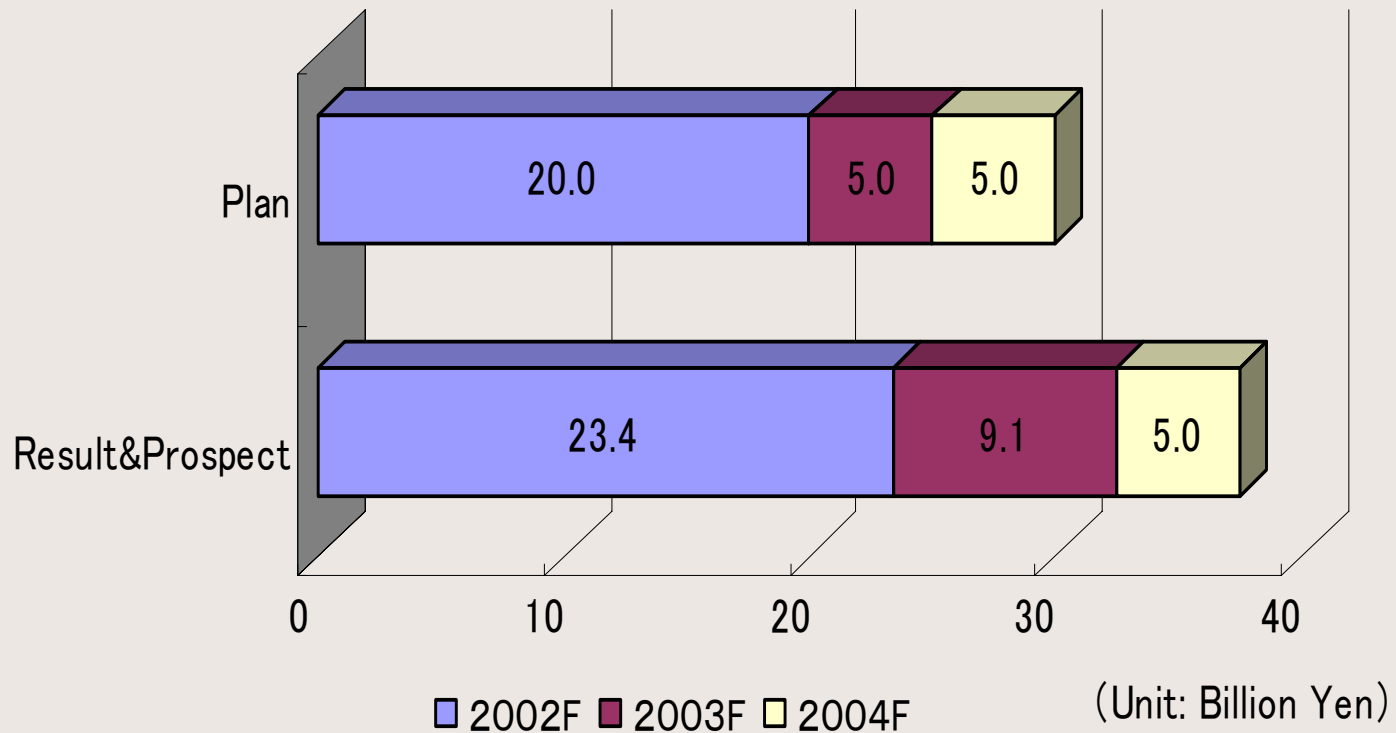
## H-2. Transition of “KV-Plan” Numerical Targets on Consolidated basis

(unit: billion yen)

	2 0 0 1 F R e s u l t s	2 0 0 2 F R e s u l t s	2 0 0 3 F <i>P r o s p e c t s</i>	2 0 0 3 F K V T a r g e t	2 0 0 4 F K V T a r g e t
Operating Revenue	571.0	632.7	700.0	630.0	650.0
Ordinary Income	12.0	23.7	53.0	23.0	35.0
Shareholders' Equity	77.7	82.0	115.0	95.0	110.0
Interest Bearing L i a b i l i t i e s	335.6	306.6	295.0	295.0	275.0
R O E	6.5%	13%	30%	13%	19%
R O A	2.3%	4.5%	10%	5%	7%
Equity Ratio	14.6%	15.9%	21%	19%	22%
Cash Flows From Operating Activities	33.1	32.9	65.0	45.0	55.0
Free Cash Flows	14.6	9.2	18.0	22.0	20.0
Interest Bearing Liability Ratio	79.8%	77%	72%	74%	70%

## H-3. Updated Status of CS-300

### (Cost Slash-300/Cost curtailing plan in KV-Plan)



The entire target for the 3-year plan is expected to be achieved within two years



# I-1. Updated status of “KV-Plan” Fundamental Assignments

## <Fundamental Assignments>

- 1. Further strengthening of Company’s overall financial aspects through cost reductions and profitable use of IT, etc.**
- 2. Enhancement of those aspects of globalization that are firmly based on regional communities and are consistent with the pursuit of business synergy among different business sectors.**
- 3. Redoubling efforts for implementing logistics business.**
- 4. Pursuit of technical innovations in marine transport, perfection of safety in navigation/cargo operations and contributing to environmental preservation.**
- 5. Strengthening of corporate governance aiming at more transparency and greater effectiveness in management.**

## I-2. Updated status of “KV-Plan” Fundamental Assignments

### <Fundamental Assignment No.1> Cost reductions & IT

- Cost reduction of ¥9.1 billion is expected to be achieved, well over the targeted ¥5.0 billion for 2003F
- Start of world-wide port information database, “K” Line - Port Information Archive (K-PIA). (May 2003)

### <Fundamental Assignment No.2>

#### Globalization firmly based on regional communities

- Opening Business Base in U.S. for Natural Gas Transport Services (May 2003)
- Start Short Sea car carrier services in Europe by ourselves dissolve existing J/V company (June 2003)
- Opening “K”LINE (CHINA) LTD. Chongqing Representative Office (July 2003), Wuhan (November 2003), and Beijing (to be opened in January 2004)

### <Fundamental Assignment No.3>

#### Redoubling efforts for implementing logistics business

- Logistics J/V company established in Indonesia (May 2003)
- Governmental permission obtained to establish new logistics J/V company in Shanghai (November 2003)

## I-3. Updated status of “KV-Plan” Fundamental Assignments

### <Fundamental Assignment No.4> Technical innovations in marine transport, perfection of safety in navigation/cargo operations and environmental preservation.

- Compressed natural gas (CNG) carrier design received “Class Approval in Principle” from ABS (American Bureau of Shipping) (May 2003)
- A handling guide for dangerous cargo became operational on the in-house intra-network (July 2003)
- Environmental Report 2003 Issued (August 2003)
- Tanker fleet heading for 100% double hull with selling the last single hull tanker (September 2003)
- Expansion of "K" LINE's ISO 14001 Certification to its long-term chartered tonnage in addition to the group's own fleet (September 2003)
- Included in the “Dow Jones Sustainability World Indexes”(DJSI World). (September, 2003)

### <Fundamental Assignment No.5>

#### Strengthening of corporate governance

- Establishment of Compliance Committee (April 2003)
- Issue of Stock Options (July 2003)