

Financial Highlights

Brief Report for 1Q FY2003

August 2003

Kawasaki Kisen Kaisha, Ltd.

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

(unit: billion yen)

		03F 1Q (Result) (a)	03F 1Q (Prospect)* (b)	Comparison (a) - (b)	Comparison (Ratio)	02F 1Q(Result)
Operating Revenues	Consoli	174.5	170.0	4.5	+3%	150.1
	Non	141.3	135.0	6.3	+5%	118.7
Operating income	Consoli	12.1	8.5	3.6	+42%	5.2
	Non	9.9	6.5	3.4	+52%	3.4
Ordinary income**	Consoli	11.5	8.0	3.5	+44%	2.8
	Non	9.9	6.0	3.9	+65%	1.6
Net income	Consoli	5.9	3.5	2.4	+69%	-
	Non	5.5	3.0	2.5	+83%	-
Exchange Rate	averag	¥119	¥120	+¥1	-	¥128
Bunker Price	averag	\$171	\$175	-\$4	-	\$145

*1Q FY2003 prospect is precondition as of 15 May 2003 upon announcement of 2000F financial close

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

B. Business Environment for 1Q FY 2003

(Global Economy)

- Earlier end of the Iraq War
- Stock prices recovery
- Negative forecast of U.S. economy toned down
- Effect by spread of SARS (Severe Acute Respiratory Syndrome) against shipping business has been limited

(Our own business)

- Positive container volumes in various trades
- Freight restoration in container services realized in Asia-North America/Europe, and trans-Atlantic trades
- Bulkier and tanker markets were positive
- PCTC had volume increases for both Europe and Australia

C-1. Trend of division-wise results in 1Q FY2003 for Container Business

Container: 1Q result exceeded prospect

(Loaded cargo volume:497 >>>556 thousand TEU (+12%))

- Positive cargo volume in Asia-North America/Europe trades mainly from China beyond our prospect
- Freight restoration in container services realized in Asia-North America/Europe, and trans-Atlantic trades
- Enhanced capacity in Asia-Mediterranean Sea trade (April)
- Hike in Bunker Oil Price

C-2. Trend of division-wise results in 1Q FY2003 for Bulker & Car Carrier Service

Bulker & Car Carrier: 1Q result exceeded prospect

Bulker : Market freight level favorable

Remarkable increase of tonnage in every type of bulkers,
from 'Cape-size', 'Panamax', to 'small handy'.

(Operating Tonnage : 270 >>>348 thousand tons (+29%))

Car Carrier : Decreased transportation for U.S.A. both from Far East and
Europe

Positive cargo movement in Far East-Europe/Australia trade
Operational cost reduction with efficient ship deployment

(Carried units: 384 >>>381 units (flat))

C-3. Trend of division-wise results in 1Q FY2003 for Energy Transportation

Energy Transportation : 1Q result exceeded prospect

-LNG Carrier : Stable progress in each project

(Operating Tonnage : 1370 thousand tons (stable))

-Thermal Coal Carrier: Increase of cargo volume with newly build vessels, Short-term chartered vessels in some trades under longer term freight contract cause loss because of hike in charterage

(Operating Tonnage : 2860 >>>3110 thousand tons (+9%))

-Tanker : Stable market level

(Operating Tonnage : 5390 >>>5850 thousand tons (+9%))

C-4. Trend of division-wise results in 1Q FY2003 for Consolidated subsidiaries

- Short Sea/Coastal Shipping : Stable
- Air Freight Forwarding : Stable
- Port Terminal/Shipping Agency : Stable along with the increase in container handling volume

D. Outline of Upward/Downward Factors Affecting Profit Results for 1Q 2003F Compared with 1Q 2002F

(unit: billion yen)

**Ordinary Income* : 1Q2002F result 2.8, 1Q2003F prospect 8.0,
>>> 1Q 2003F result 11.5 billion yen**

comparison with 1Q 2002F result / expected 1Q2003F**

• Fluctuation in exchange rate	-0.2	-1.7
• Bunker Oil Price	+0.2	-1.5
• Market improvement(Container, Bulker, Tanker)	+2.5	+9.0
• Business Expansion	+0.5	+1.0
• <u>Cost Reduction, others</u>	+0.5	+1.9
Total	+ 3.5	+8.7

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

** 1Q FY2003 prospect is precondition as of 15 May 2003 upon announcement of 2000F financial close

E. Prospect for 1H FY2003 (Consolidated/Non-consolidated basis)

(unit: billion yen)

		1H FY2003 Revised prospects (a)	1H FY2003 Previous prospects(b)**	Comparison (a)-(b)	Comparison (Ratio)	1H FY2002 results
Operating Revenues	Consoli	355.0	340.0	15.0	4.4%	309.6
	Non	286.0	270.0	16.0	5.9%	244.3
Operating income	Consoli	30.0	23.0	7.0	30.4%	11.3
	Non	24.0	18.0	6.0	33.3%	7.2
Ordinary income*	Consoli	28.0	21.0	7.0	33.3%	7.8
	Non	23.5	17.0	6.5	38.2%	5.2
Net income	Consoli	17.0	9.0	8.0	88.9%	4.9
	Non	11.5	7.0	4.5	64.3%	2.8
Interim Dividend	Non	¥3.00	¥3.00	-	-	-
Exchange Rate	Average	¥118.89	¥120	+¥1.11	-	¥123.77
Bunker Price	Average	\$170.83	\$165	+\$5.83	-	\$152.21

Assumption for 2Q 2003F : Exchange rate ¥120/\$, Bunker Price \$170/Kton

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

** FY2003 previous prospect is as of 15 May 2003 upon announcement of 2000F financial close

F. Prospect for FY2003

(Consolidated/Non-consolidated basis)

(unit: billion yen)

		FY2003 Revised prospects (a)	FY2003 Previous prospects**(b)	Comparison (a)-(b)	Comparison (Ratio)	FY2002 Results
Operating Revenues	Consoli	700.0	675.0	25.0	3.7%	632.7
	Non	560.0	530.0	30.0	5.7%	499.8
Operating income	Consoli	55.0	43.0	12.0	27.9%	29.3
	Non	43.0	32.0	11.0	34.4%	19.8
Ordinary income*	Consoli	51.0	39.0	12.0	30.8%	23.7
	Non	41.0	30.0	11.0	36.7%	16.4
Net income	Consoli	30.0	16.5	13.5	81.8%	10.4
	Non	19.0	11.0	8.0	72.7%	6.5
Dividend	Non	¥6.00	¥6.00	-	-	¥5.00
Exchange Rate	Average	¥120	¥120	¥-	-	¥122.29
Bunker Price	Average	\$165	\$160	+\$5.00	-	\$161.60

Precondition : Exchange rate ¥120/\$, Bunker Price \$165/Kton

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

** FY2003 previous prospect is as of 15 May 2003 upon announcement of 2000F financial close

G. Trend of division-wise Prospects for Fiscal 2003

Container : Expectation for U.S. economy recovery, Stable cargo movement from China to North America /Europe, Freight rate stabilization, and Further cost reduction by service reorganization, etc.

>>>> Exceeding previous prospect*

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

>>>>Exceeding previous prospect*

Energy Transportation : Expansion in Thermal Coal Carrier Service, Stable Tanker Market in second half of the year

>>>> Stable in general

* FY2003 previous prospect is as of 15 May 2003 upon announcement of 2000F financial close.

H-1. Outline of Upward/Downward Factors Affecting Profit Prospects** for 1H 2003F Compared with 1H 2002F

Ordinary Income* 1H2003F prospect 21.0, 1H2002F result 7.8,
 >>28.0

(unit: billion yen)

comparison with 1H 2002F result, expected 1H 2003F**

• Fluctuation in exchange rate	- 0.2	- 0.8
• Bunker Oil Price b	- 1.3	- 2.2
• Market improvement(Container, Bulker, Tanker)	+7.0	+17.5
• Business Expansion	+1.0	+2.0
• <u>Cost Reduction, others</u>	+0.5	+3.7
Total	+ 7.0	+20.2

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

** 1H FY2003 prospect is precondition as of 15 May 2003 upon announcement of 2000F financial close

H-2. Outline of Upward/Downward Factors Affecting Profit Prospects** for 2003F Compared with 2002F

(unit: billion yen)

Ordinary Income* 2003F prospect 39.0, 2002F result 23.7, >>>51.0

comparison with 1Q 2002F result, expected 1Q2003F**

• Fluctuation in exchange rate	- 0.0	-1.6
• Bunker Oil Price	- 1.2	-0.8
• Market improvement(Container, Bulker, Tanker)	+10.5	+22.7
• Enhancement of operation	+1.5	+2.0
• <u>Cost Reduction, others</u>	+1.2	+5.0
Total	+ 12.0	+27.3

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

** FY2003 prospect is precondition as of 15 May 2003 upon announcement of 2000F financial close

H-3. Factor in P/L volatility

(FY2003 yearly Ordinary Income* basis)

- Rise/fall of 1 Yen in exchange rate
 - >>>Non-consolidated -/+0.6 billion yen
 - >>>Consolidated -/+0.7 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

I-1. Updated Status of KV-Plan

(unit: billion yen)

		Result in 2002F	Prospect in 2003F	KV-Plan in 2003F	KV-Plan in 2004F
Exchange Rate	/US\$	¥122	¥120	¥130	¥130
Bunker Price	/MT	\$162	\$165	\$130	\$130
Non-Consolidated	Revenues	499.8	560.0	480.0	500.0
	Operating Income	19.8	43.0	16.0	27.0
	Ordinary Income*	16.4	41.0	13.0	24.0
	Net Income	6.5	19.0	7.0	13.0
Consolidated	Revenues	632.7	700.0	630.0	650.0
	Operating Income	29.3	55.0	29.0	40.0
	Ordinary Income*	23.7	51.0	23.0	35.0
	Net Income	10.4	30.0	12.0	20.0

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

The prospects for FY2003 exceed our final targets in the "KV-Plan" set for FY2004 in all main items of P/L.

Prevailing over exchange loss and hike in bunker price compared to original plan

I-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 P r o s p e c t s	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
Ordinal Income	12.0	23.7	51.0	23.0	35.0
Share Holders' Equity	77.7	82.0	110.0	95.0	110.0
Interest Bearing Liability	335.6	306.6	295.0	295.0	275.0
R O E	6.5%	13%	31%	13%	19%
R O A	2.3%	4.5%	9.8%	5%	7%
E q u i t y R a t i o	14.6%	15.9%	21.1%	19%	22%
Cash Flows From Operating Activities	33.1	32.9	59.0	45.0	55.0
Free Cash Flows	14.6	9.2	17.0	22.0	20.0
Interest Bearing Liability R a t i o	79.8%	77%	72%	74%	70%