

# Financial Highlights Brief Report for FY2008

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Kawasaki Kisen Kaisha, Ltd

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## A. Financial Highlights for FY2007

# A-1. Financial Results for FY2007



(Unit : billion yen)

		FY2007	FY2006	Y o Y Comparison	Y o Y Comparison (%)	Prospects	Comparison
Operating Revenues	Consolidated	<b>1,331.0</b>	<b>1,085.5</b>	<b>245.5</b>	<b>23%</b>	<b>1,300.0</b>	31.0
	Non-consolidated	<b>1,063.7</b>	<b>857.3</b>	<b>206.4</b>	<b>24%</b>	<b>1,050.0</b>	13.7
Operating Income	Consolidated	<b>129.6</b>	<b>61.4</b>	<b>68.3</b>	<b>111%</b>	<b>128.0</b>	1.6
	Non-consolidated	<b>89.7</b>	<b>28.1</b>	<b>61.6</b>	<b>219%</b>	<b>86.0</b>	3.7
Ordinary Income	Consolidated	<b>125.9</b>	<b>63.9</b>	<b>62.0</b>	<b>97%</b>	<b>128.0</b>	▲ 2.1
	Non-consolidated	<b>88.4</b>	<b>31.9</b>	<b>56.5</b>	<b>177%</b>	<b>89.0</b>	▲ 0.6
Net Income	Consolidated	<b>83.0</b>	<b>51.5</b>	<b>31.5</b>	<b>61%</b>	<b>84.0</b>	▲ 1.0
	Non-consolidated	<b>58.9</b>	<b>25.3</b>	<b>33.7</b>	<b>133%</b>	<b>59.0</b>	▲ 0.1
Dividened		<b>¥26</b>	<b>¥18</b>	<b>¥8</b>	-	<b>¥25</b>	¥1
Exchange Rate	Average	<b>¥115.29</b>	<b>¥116.91</b>	<b>▲¥1.62</b>	-	<b>¥114.43</b>	¥0.86
Bunker Price	Average	<b>\$407</b>	<b>\$319</b>	<b>\$88</b>	-	<b>\$408</b>	▲\$1

Rise 1.62 Yen / US\$ in exchange rate resulted in approx. ▲1.9 billion yen, Y o Y  
 Increase of fuel oil price \$88 per met. Ton resulted in approx. ▲22.9 billion yen, Y o Y

## A-2. Key Points for FY2007

< Y o Y comparison > Revenues increase +245.5 billion yen  
Profits increase +62.0 billion yen

Revenue increase factors:

- Business expansion in all divisions  
27 new ships delivered
- Positive bulker market

Profit increase factors:

- Recovery of freight rate in containership  
Asia/Europe trade
- Positive bulker market

< Comparison with forecast >

Revenues increase (+31.0 billion yen)

Profits decrease (▲ 2.1 billion yen)

('07F 125.9 bil.yen ⇒ '06F 63.9 bil. yen / prospects as of Jan '08, '07F 3Q release, 128.0 bil.yen

Variation Factors	Comparison with '06F results (Y o Y)	Comparison to Prospects as of Jan. '08
Fluctuation in Exchange Rate	▲ 1.9	1.0
Buker Oil Price	▲ 22.9	0.3
Market Volatility	78.6	2.7
Business Expansion	25.8	0.0
Cost Increase / Decrease	▲ 4.6	▲ 1.8
Others	▲ 1.2	▲ 4.3
Change in Accounting Standard	▲ 11.8	0.0
Total	62.0	▲ 2.1

# A-3-1. Outline of Division-wise Results for FY2007 - for Container Business -



< Y o Y Comparison > Revenues increase / Profits increase

Operating Revenues 599.8 billion yen (Revenues increase +96.3 billion yen)

Ordinary Profits 4.7 billion yen (Profits increase + 12.5 billion yen)

## Revenue increase factors

### • Business expansion

Start -up two new services to U.S. East Coast, two new routes in ‘North-South’ trade,  
Deployment of larger ships into a trade from Asia to South Africa, Contribution of 8,000 TEU type

• Total loaded cargo volume (3,219 thousand TEU) : Steady cargo movements (+ 9.5 % , Y o Y)

## Profit increase factors

### • Freight rates ( Y o Y )

	Asia- N.America	Asia- Europe	Trans- Atlantic	Intra- Asia	North- South
Dominant	+4%	+30%	▲6%	+15%	+9%
Return	+3%	+3%	+12%	+2%	+1%

### • Cost increase / decrease

Cost up with Bunker oil price, Cargo handling charge, Rail fee in North America, etc.

> Cost reduction effect

## A-3-2. Outline of Division-wise Results for FY2007 - for Dry Bulk Business -



< Y o Y Comparison > Revenues increase / Profits increase

### Revenue increase factors

- Business Expansion Delivery of new ships ( 10 ships delivered in FY2007)
- Operating Tonnage : 187.4 mil. Ton ⇒ 202.3 mil. Ton ( +8.0% ( Y o Y) )

### Profit increase factors

- Market for large-size: Continuous unprecedented buoyant phase, exceeded FY2006
- Market for mid-size: Demand steady, market stayed in the stratosphere surpassed FY2006
- Market for small-size: Staying higher level with increase demand for cement, steel products, etc.

Market (Pacific Round)	FY2006			FY2007			Yearly Comparison	
	1H	2H	Yearly	1H	2H	Yearly	Amount	Ratio
Cape (170 type)	\$42,000	\$67,000	\$54,500	\$100,500	\$144,000	\$122,250	\$67,750	124.3%
Panamax (74 type)	\$23,500	\$34,500	\$29,000	\$52,000	\$67,000	\$59,500	\$30,500	105.2%
Handy (53 type)	\$24,000	\$34,500	\$29,250	\$43,000	\$56,000	\$49,500	\$20,250	69.2%

## A-3-3. Outline of Division-wise Results for FY2007 - for Car Carrier Business -



< Y o Y Comparison > Revenues increase / Profits Increase

Revenue increase factors

- Business expansion

Delivery of 5 new ships in FY2007, 8 ships delivered in FY2006 in full operation.

- Strong demand on Japanese and Korean automobiles, Steady cargo movements with developing overseas production by auto manufacturers
- Increase cargo from Japan / Far East to Latin America and Caribbean area, and also to Middle East and Africa, and cross transport
- Expansion of transportation intra-Europe region

- Total units carried (inc. intra-Europe): 3,115 thousands units => 3,382 thousands units (+8.6% ( Y o Y))

Profit increase factors:

- Loaded volume growth with reinforcement in transport capacity
- Proper allotment of ships depending on cargo movement for each trade
- Taking positive cargo demand for Latin America and Caribbean area from Japan / Far East, and cross transport



## A-3-4. Outline of Division-wise Results for FY2007 - for Energy Transportation -



### < Y o Y Comparison > Revenues flat / Profits decrease

LNG Carrier : Delivery of two new ships,

Stable operation in each project (total 33 vessels) including a short-term chartered ship based on the positive spot cargo movements

Tanker : Business expansion ( delivery of new ships VLCC x 1 / Ammonia Carrier x 2)

Operating Tonnage: 32.40 mil. Ton ⇒ 42.20 mil. Ton (+30.2%(Y o Y))

#### Profit decrease factors

- Weakened Aframax tanker and Clean tanker market

Tanaker Market (WS)	FY2006			FY2007			Yearly Comparison	
	1H	2H	Yearly	1H	2H	Yearly	Amount	Ratio
VLCC (M.East / Jpn)	WS 105	WS 67	WS 86	WS 60	WS 127	WS 94	WS 8	8.7%
Aframax (S.Asia / Jpn)	WS 180	WS 148	WS 164	WS 137	WS 165	WS 151	▲ WS 13	▲ 7.8%
Clean 70,000 type (M.East / Jpn)	WS 205	WS 149	WS 177	WS 140	WS 157	WS 148	▲ WS 29	▲ 16.2%

## A-3-5. Outline of Division-wise Results for FY2007 - for Other Business -



### (Heavy Lifter )

Reentry into heavy lift shipping by capital participation April 2007

- Secured profit based on positive transportation demand for heavy cargo

### (Short Sea / Coastal Shipping )

<Y o Y Comparison > Revenues increase / Profits increase

- Positive demand and business expansion
- Escalating bunker oil price

### (Logistics)

<Y o Y Comparison> Revenues increase / Profits increase

- Stable cargo movement but escalating bunker oil price somewhat offsets profit growth
- Seamless cargo transportation service by air, sea and land provided by “K” Line Logistics, Ltd.

## B. Prospects for FY2008

## B-1. Prospects for FY2008

(Unit: billion yen)

		<b>08FY 1H Prospects</b>	<b>08FY Prospects</b>	07FY Results	Yearly Comparison	Yearly Comparison (%)
Operating Revenues	Consolidated	<b>670.0</b>	<b>1,340.0</b>	1,331.0	9.0	0.7%
	Non-consolidated	<b>520.0</b>	<b>1,040.0</b>	1,063.7	△ 23.7	△ 2.2%
Operating Income	Consolidated	<b>67.0</b>	<b>124.0</b>	129.6	△ 5.6	△ 4.4%
	Non-consolidated	<b>42.0</b>	<b>75.0</b>	89.7	△ 14.7	△ 16.4%
Ordinary Income	Consolidated	<b>64.0</b>	<b>121.0</b>	125.9	△ 4.9	△ 3.9%
	Non-consolidated	<b>45.0</b>	<b>80.0</b>	88.4	△ 8.4	△ 9.5%
Net Income	Consolidated	<b>41.0</b>	<b>78.0</b>	83.0	△ 5.0	△ 6.0%
	Non-consolidated	<b>28.0</b>	<b>50.0</b>	58.9	△ 8.9	△ 15.2%
Dividend	Non-consolidated	<b>¥13.5</b>	<b>¥27</b>	¥26	¥1	-
Exchange Rate	Average	<b>¥100.00</b>	<b>¥100.00</b>	¥115.29	△¥15.29	-
Bunker Price	Average	<b>\$520</b>	<b>\$520</b>	\$407	\$113	-

- Fall / Rise 1Yen in exchange rate affects Ordinary Income by approx. +/- 1.4 billion yen
- Decrease / Increase of fuel oil prices at \$10 per met. Tons does by approx. +/- 2.6 billion yen

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



(Unit:billion yen)

Business Segment		FY2008			FY2007			Comparison	
		1H	2H	Yearly	1H	2H	Yearly	1H	Yearly
Container Business *	Operating Revenues	310.0	306.0	616.0	300.8	299.0	599.8	9.2	16.2
	Ordinary Profit /Loss	6.0	▲ 2.5	3.5	8.1	▲ 3.4	4.7	▲ 2.1	▲ 1.2
Other Marine Business	Operating Revenues	300.0	310.0	610.0	289.4	326.4	615.8	10.6	▲ 5.8
	Ordinary Profit /Loss	54.7	56.3	111.0	52.4	62.9	115.3	2.3	▲ 4.3
Others	Operating Revenues	60.0	54.0	114.0	56.4	59.1	115.5	3.6	▲ 1.5
	Ordinary Profit /Loss	3.3	3.2	6.5	3.2	2.7	5.9	0.1	0.6
Total	Operating Revenues	670.0	670.0	1,340.0	646.6	684.4	1,331.0	23.4	9.0
	Ordinary Profit /Loss	64.0	57.0	121.0	63.7	62.2	125.9	0.3	▲ 4.9

\*Container Business includes agency and terminal business

## B-3. Key Points for FY2008 Prospects

### < Y o Y Comparison >

Revenues increase (+9.0 billion yen) / Profits decrease (+4.9 billion yen)

Premises : Fuel oil price \$407⇒\$520, Exchange rate ¥115.29⇒¥100.

Market improvement, Business expansion

(07F Results 125.9 bln. yen => 08F prospects 121.0 bln. yen)

Variation Factors	Y o Y Comparison
Fluctuation in Exchange Rate	▲ 21.4
Bunker Oil Price	▲ 29.4
Market Volatility	22.7
Business Expansion	26.9
Cost Increase / Decrease	▲ 15.6
Group Company	▲ 0.1
Others	0.2
Change in Accounting Standard	11.8
Total	▲ 4.9

Fall / Rise 1Yen in exchange rate affects Ordinary Income by approx. +/- 1.4 billion yen

Decrease / Increase of fuel oil prices at \$10 per met. Tons does by approx. +/- 2.6 billion yen

## B-4-1. Division-wise Trends for FY2008 Prospects - for Container Business -



### < Container business >

**Y o Y Comparison : Operating Revenues 616.0 billion yen(+13.9 billion yen)  
Ordinary Income 3.5 billion yen (▲1.2 billion yen)**

Cargo trend, S/D situation : Firm cargo volume, continuing tight S/D situation

Expected our loading volume : 3.5 mil. TEU (+ 9%, YoY)

Freight Rate : Keep recovering based on tight S/D situation

Service route enhancement and reorganization:

Start-up Japan-China-Vietnam trades,

Deployment of new 8,000TEU type vessels into a existing trade from Asia to Europe

Freight recovery, Business expansion, Loading volume up < Cost rising, Fuel oil price hike  
=> Profits decrease

## B-4-2. Division-wise Trends for FY2008 Prospects

- for Dry Bulk and Car Carrier Business -



### <Dry Bulk Business > Revenues and Profits decrease

Increasing demand to transport material mainly by China, or other emerging countries:

While markets remain in the stratosphere in general, that for large-size is to be softened.

Delivery of newbuildings(10 in FY2007, 13 in FY2008) : Business expanding

Yen appreciation, Fuel oil price hike : Transportation costs increase

Dry Bulk Market (Pacific Round)	Current Market	FY2008 1H Prospects	FY2008 2H Prospects	FY2008 Yearly Prospects	FY2007 Yearly Results
Cape (170 type)	US\$133,000	US\$100,000	US\$100,000	US\$100,000	US\$122,250
Panamax (74type)	US\$63,000	US\$60,000	US\$60,000	US\$60,000	US\$59,500
Handy (53type)	US\$43,000	US\$50,000	US\$50,000	US\$50,000	US\$49,500

### <Car Carrier Business> Revenues and Profit increase

Steady cargo movement with growth of completed car trade : Steady market

Delivery of newbuildings(5 in FY2007, 4 in FY2008) : Business expanding

Service enhancement : Improve transport efficiency with optimal ship allotment

Yen appreciation, Fuel oil price hike : Transportation costs increase



## B-4-3. Division-wise Trends for FY2008 Prospects - for Other Business -



### <Energy Transportation> Revenues increase/Profits decrease

LNG Carriers 14 newbuildings to be delivered, expanding our fleet to a total of 47 ships

Each project operated steadily, but negative effects with yen appreciation

Tankers 4 newbuildings to be delivered

Positive market depending on global oil demand growth and trend to value ship quality

Profits decrease due to Yen appreciation, Fuel oil price hike

Tanker Market (WS)	Current Market	FY2008 1H Prospects	FY2008 2H Prospects	FY2008 Yearly Prospects	FY2007 Yearly Results
VLCC (A.Gulf/Japan)	WS 125	WS 100	WS 100	WS 100	WS 94
AFRA Max (South Asia/Japan)	WS 160	WS 150	WS 150	WS 150	WS 151
Clean 70,000type(AGulf/Japan)	WS 140	WS 180	WS 180	WS 180	WS 148

### < Heavy lifter > Business expansion

176t ype (2 x 700t, 1 x 350t crane equipped) x 3 newbuildings to be delivered

Secure profits with competitive fleet

### <Short Sea / Coastal Shipping > Profits improvement

Assure stable profits with 2 newbuildings for domestic secondary coal transportation

### <Logistics> Profit improvement

Aiming for revenue increase through efforts for widening target customers