

Financial Highlights

Brief Report for 1st Half FY2007

30 October 2007

Kawasaki Kisen Kaisha, Ltd.

Agenda

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A. Financial Highlights for 1st Half FY2007

A-1. Financial Results

(Unit : billion yen)

		07F			06F	Y o Y	Y o Y
		1H Results	Prospects as of July '07	Comparison	1H Results	Comparison	Comparison (%)
Operating Revenues	Cons.	646.6	630.0	16.6	518.0	128.6	25%
	Non.	523.7	500.0	23.7	410.0	113.7	28%
Operating Income	Cons.	61.6	55.0	6.6	23.5	38.0	162%
	Non.	42.8	35.0	7.8	8.9	33.9	379%
Ordinary Income	Cons.	63.7	59.0	4.7	24.6	39.1	159%
	Non.	43.8	38.0	5.8	12.0	31.8	266%
Net Income	Cons.	44.0	43.0	1.0	20.6	23.5	114%
	Non.	29.8	26.0	3.8	10.2	19.6	192%
Dividened	Non.	¥12	¥11	¥1	¥9	¥3	33%
Exchange Rate	Average	¥119.64	¥120.00	▲¥0.36	¥115.26	¥4.38	-
Bunker Price	Average	\$353	\$351	\$2	\$337	\$16	-

Fall 4.38 Yen / US\$ in exchange rate resulted in approx. + 2.6 billion yen, Y o Y

Decrease of fuel oil price \$16 per met. Ton resulted in approx. ▲2.1 billion Y o Y

A-2. Key Points

<YoY Comparison> Revenues Increase +128.6 billion yen

Profits Increase +39.1 billion yen

<Comparison with prospects as of July '07>

Revenues Increase +16.6 billion yen

Profits Increase + 4.7 billion yen

<YoY Comparison>

Revenue and profit increase factors :

- Business expansion in all divisions
47 vessels delivered in '06F in full operation
12 newbuildings delivered in 1H
- Recovery of freight rate in containership
Asia/Europe trade
- Steep rise in bulk market
- Weakened yen, etc

(06F1H 24.6, 07F1H prospects as of Jul.'07 59.0 => results 63.7bn. yen)

Variation Factors	YoY Comparison	Comparison to prospects as of Jul. '07
Fluctuation in Exchange Rate	+2.6	▲ 0.2
Bunker Oil Price	▲ 2.1	▲ 0.3
Market Volatility	+38.5	+4.9
Business Expansion	+16.2	+1.2
Cost Increase/Decrease	▲ 3.6	+0.0
Others	+1.5	▲ 0.9
Change in Accounting Standard	▲ 14.0	+0.0
Total	+39.1	+4.7

A-3. Outline of Division-wise Results for 1H FY2007 (for Container Business)



<Y o Y comparison> Operating revenues 300.8 billion yen (Revenues increase +56.9 billion yen)
Ordinary profits +8.1 billion yen (Profits increase +11.3 billion yen)

<Comparison with prospects as of July '07> Revenues increase +10.8 billion yen.
Profits increase +5.1 billion yen

Revenue and profit increase factors :

- Business expansion - Enhancement in 'East – West' trades

(Delivery of 8,000 TEU-type ships, the largest in our fleet, Start-up new service from South East Asia, India, to U.S. East Coast via Suez Canal, etc.)

- Enlargement in ' North – South' trades.

(Start-up two new services from Europe to East Coast South America, and from Asia to East Coast, South America)

- Total loaded cargo volume (1,634 thousand TEU) - Steady cargo movements (+ 11.6 % , Y o Y)
- Load factor for trunk lines to the U.S. & E.U. over 95%.

- Freight rates (improvement (Y o Y), exceeding our prospects)

	Asia– N.America	Asia– Europe	Trans– Atlantic	Intra– Asia	North– South
Dominant	+3%	+29%	▲ 8%	+11%	+12%
Return	+2%	▲ 14%	+9%	-	-

- Change in accounting standard to “Percentage of complex transportation method” : ▲14.0 billion yen.

A-3. Outline of Division-wise Results for 1H FY2007 (for Dry Bulk Business)



< Y o Y > Revenues increase / Profits increase

Revenue increase factors :

- Business expansion : Delivery of 8 new ships during 1H 07F.
(Operating Tonnage: 92.5 mil. Ton \Rightarrow 104.1 mil. Ton (+12.5%(Y o Y))

Profit increase factors :

- Market for large-size : Continued rising from the end of FY2006, Market once entered a correction phase in June, but again rising in much stronger momentum after September. It is at the record high level recently.
- Market for mid-size : Strong note due to steady demand. Upward tone these days as same as large-size vessels.
- Market for small-size : Staying higher level with demand increase for cement, steel products, etc.

Market (Pacific round)	06F 1H Results	07F			Y o Y comparison	
		1Q Results	2Q Results	1H Results	Amount	Ratio(%)
Cape (170 type)	\$42,000	\$88,000	\$113,000	\$100,500	\$58,500	139.3%
Panamax (74 type)	\$23,500	\$44,000	\$60,000	\$52,000	\$28,500	121.3%
Handy (53 type)	\$24,000	\$40,000	\$46,000	\$43,000	\$19,000	79.2%

A-3. Outline of Division-wise Results for 1H FY2007 (for Car Carriers)



<Y o Y> Revenues increase / Profits increase

Revenue increase factors :

- Business expansion: 8 ships delivered in '06F in full operation
- Total units carried (inc. intra-Europe): 1,522 => 1,664 thousand (+9.3%, (Y o Y))
 - 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.

Profit increase factors :

- Loaded volume growth with reinforcement in transport capacity
- Proper allotment of ships depending on cargo movement for each trade
- Started new service to link China, India, Middle East and South Africa, where demand growth is fast.
- Taking positive cargo demand for Latin America and Caribbean area from Japan/Far East.

A-3. Outline of Division-wise Results for 1H FY2007 (for Energy Transportation)



< Y o Y > Revenues increase / Profits decrease

Revenue increase factors

- LNG Carrier : Stable operation in each project (total 32 vessels)
- Tanker : One new VLCC, two LPG carriers delivered during 1H
: 4 ships delivered in '06 2H in full operation.
(Operating Tonnage : 15.60 mil. Ton ⇒ 20.00 mil. Ton (+28.2% (Y o Y)))

Profit decrease factors

- Weakened Tanker market

Tanker Market (WS)	06F 1H Results	07F			Y o Y comparison	
		1Q Results	2Q Results	1H Results	Amount	Ratio(%)
VLCC (M.East / Jpn)	105	63	57	60	△ 45	△ 43.0%
Aframax (South Asia / Jpn)	180	153	122	137	△ 43	△ 23.7%
Clean 70,000 type (M.East / Jpn)	205	134	146	140	△ 65	△ 31.7%

A-3. Outline of Division-wise Results for 1H FY2007 (for Other Business)



(Short Sea/Coastal Shipping)

<YoY> Revenues increase/ Profits increase

- Positive demand for both liner and non-liner service
- Bunker cost save with navigation in most economical speed/ Restructuring service

(Logistics)

<YoY> Revenues increase/ Profits increase

- Steady cargo movements, Intermodal transport service by marine, land and air, by “K” Line Logistics, Ltd. contributed to profits

B. Prospects for FY2007

B-1. Prospects for 2H and Yearly FY2007

(Unit:billion yen)

		07F				
		1H Results	2H Prospects	07FY Prospects (a)	Prospects as of July '07 (b)	Comparison (a) - (b)
Operating Revenues	Cons.	646.6	653.4	1,300.0	1,230.0	70.0
	Non.	523.7	526.3	1,050.0	970.0	80.0
Operating Income	Cons.	61.6	66.4	128.0	99.0	29.0
	Non.	42.8	43.2	86.0	60.0	26.0
Ordinary Income	Cons.	63.7	64.3	128.0	103.0	25.0
	Non.	43.8	45.2	89.0	64.0	25.0
Net Income	Cons.	44.0	40.0	84.0	71.0	13.0
	Non.	29.8	29.2	59.0	42.0	17.0
Dividend	Non.	¥12	¥13	¥25	¥22	¥3
Exchange Rate	Average	¥119.64	¥112.50	¥116.07	¥117.50	▲¥1.43
Bunker Price	Average	\$353	\$420	\$387	\$371	\$16

(Unit:billion yen)

06F		
06FY Results (c)	Comparison (a) - (c)	Comparison (%)
1,085.5	214.5	20%
857.3	192.7	22%
61.4	66.6	109%
28.1	57.9	206%
63.9	64.1	100%
31.9	57.1	179%
51.5	32.5	63%
25.3	33.8	134%
¥18	¥7	39%
¥116.91	▲¥0.84	-
\$319	\$68	-

- Annual dividend for FY2007 : 25 yen per share, Dividend ratio : 20%
- Fall/Rise 1 yen in exchange rate affects Ordinary Income by approx. +/- 1.2 billion yen per year
- Decrease / Increase of fuel oil prices at \$10 per met. Tons does approx. +/- 2.6 billion yen per year

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



(Unit:billion yen)

Business segment		07FY			06FY			Comparison	
		1H	2H	Yearly	1H	2H	Yearly	1H	Yearly
Container Business	Operating Revenues	300.8	309.2	610.0	243.9	259.5	503.5	56.9	106.5
	Ordinary Profit/Loss	8.1	5.9	14.0	▲ 3.2	▲ 4.7	▲ 7.8	11.3	21.8
Other Marine Business	Operating Revenues	289.4	297.6	587.0	220.4	248.0	468.4	69.0	118.6
	Ordinary Profit/Loss	52.4	55.1	107.5	25.4	40.7	66.0	27.0	41.5
Others	Operating Revenues	56.4	46.6	103.0	53.7	59.9	113.6	2.7	▲ 10.6
	Ordinary Profit/Loss	3.2	3.3	6.5	2.4	3.3	5.7	0.8	0.8
Total	Operating Revenues	646.6	653.4	1,300.0	518.0	567.5	1,085.5	128.6	214.5
	Ordinary Profit/Loss	63.7	64.3	128.0	24.6	39.3	63.9	39.1	64.1

Container Business includes agency and terminal business

B-3 Key Points for FY2007 Prospects

< Y o Y comparison >

Revenues increase (+214.5 billion yen), Profits increase (+64.1 billion yen)

Pre-conditions : Fuel oil price \$319⇒\$387/KT, Exchange rate ¥116.91⇒¥116.07

Market improvement, Business expansion.

< Comparison with prospects as of July '07 >

Revenues increase (+70.0 billion yen), Profits increase (+25.0 billion yen)

Pre-conditions: Fuel oil price \$371⇒\$387/KT, Exchange rate ¥117.50⇒¥116.07

Market improvement.

(06F results 63.9 bln. yen, 07F prev.prospects 103.0 bln.yen => 07F 128.0 bln.yen)

Variation Factors	Comaparitson with '06FY Results	Comparison with '07FY Prospects as of July
Fluctuation in exchange rate	▲ 1.0	▲ 1.7
Bunker oil price	▲ 17.7	▲ 4.2
Market volatality	76.3	24.5
Business expansion	28.0	9.3
Cost increase/decrease	▲ 10.8	▲ 1.9
Others	3.3	▲ 1.0
Change of the accounting standard	▲ 14.0	0.0
Total	64.1	25.0

Fall/Rise 1 yen/U.S.\$ in exchange rate affects Ordinary Income by approx. +/- 1.2 billion yen per year.

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

B-4. Outline of Division-wise FY 2007 Prospects



< Container Business >

(Y o Y comparison)

Operating Revenues 610.0 billion yen (Revenues increase +106.5 billion yen)

Ordinary Income 1.4 billion yen (Profits increase +21.8 billion yen)

(Comparison with prospects as of July '07)

Revenues increase +30.0 billion yen

Profits increase +14.5 billion yen

Market overview : still strong cargo volume expected in 2H, Tight S/D situation continue.

Expected our loading volume : 3.24 mil. TEU per year (+10% increase, Y o Y)

Freight rate :	Y o Y	Asia- N.America	Asia- Europe	Trans- Atlantic	Intra-Asia	North- South
	Dominant	+3%	+34%	▲5%	+12%	+6%
	Return	+2%	▲3%	+9%	+1%	+2%

B-4. Outline of Division-wise FY 2007 Prospects

< Car Carriers > Stable

Firm cargo movements continuously.

Proper allotment of ships depending on cargo movements, Business expansion, Service enhancement

< Dry Bulk Carriers > Profits increase

Market rising in high level due to tight demand on ships.

Business expansion due to delivery of newbuildings. (FY2007 total : 10 ships)

Dry Bulk Market (Pacific Round)	1H Results	Current Market	2H Prospects
Cape (170 type)	US\$100,000	US\$190,000	US\$112,500
Panamax(74 tyepe)	US\$52,000	US\$95,000	US\$60,000
Handy (53 type)	US\$43,000	US\$73,000	US\$45,000

< Energy Transportation > Sluggish

LNG Carriers: Existing vessels are in continuously stable operation. Accounting for non-operating loss due to docking in 2H.

Tanker: Business expansion together with newbuildings. (FY2007 total : 3ships)

Performance of Aframax , and product tankers are in slump due to sluggish market.

Tanker Market (WS)	1H Results	Current Market	2H Prospects
VLCC (A.Gulf / Japan)	WS 60	WS 60	WS 70
Aframax (South Asia / Australia)	WS 137	WS 115	WS 120
Clean 70,000 type (A.Gulf / Japan)	WS 140	WS 120	WS 135

C. “K” LINE Vision 2008⁺

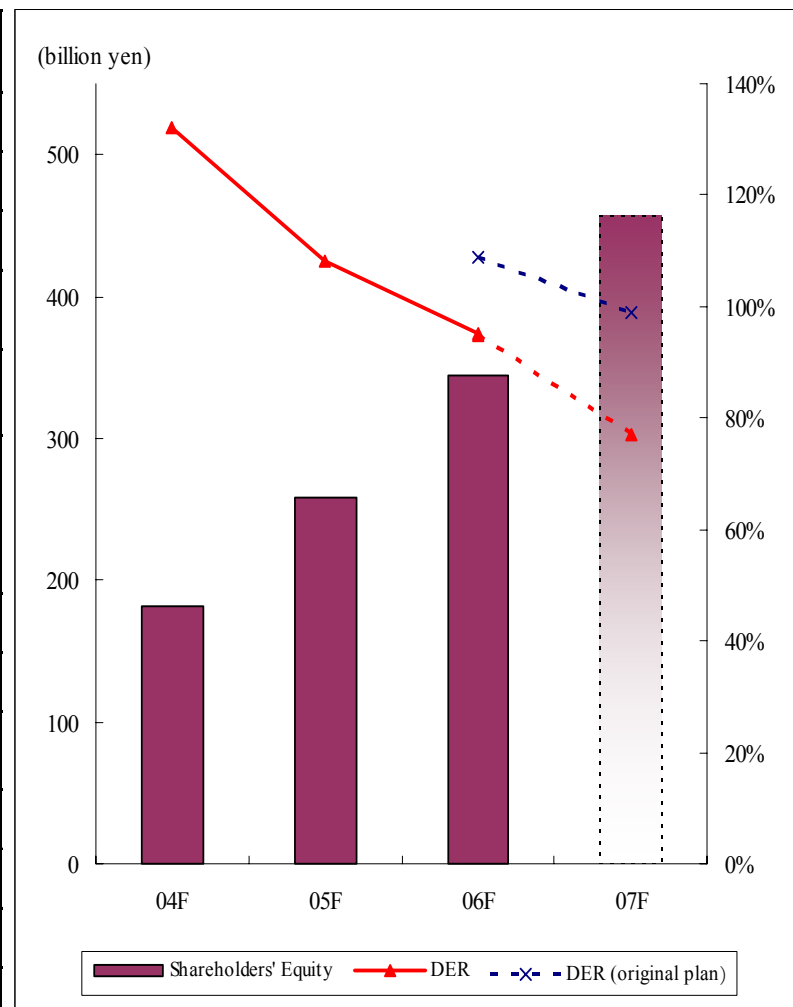
C-1. Actions to Business Assignments

Establishment of systematic expansion of business scale and ship management structure supporting safety in navigation and cargo operation

- Business expansion and developing framework for the purpose
 - Enter into heavy lift shipping business through a new joint venture with German-based SAL Group (April '07)
 - Establishment of “K” LINE BRASIL LTDA, our subsidiary in Brazil. (June '07)
 - Start-up new services from Asia to East Coast South America <Enhancement in ‘North-South’ trades> (June '07)
 - Opening our liaison office in India (July '07)
 - Placing an order for 10 new 4500TEU-type containerhips (July '07)
 - Launching a new container service between Asia and Black Sea (October '07)
- Ship management structure supporting safety in navigation and cargo operation
 - Establishment of “K” Line Maritime Academy (India) at Mumbai City of India (June '07)
 - Started partnership with education institute for ship engineers in India (July '07)
 - The annex of “K”Line Training Center was completed (October '07)
 - Our training program for seafarers on LNG carriers accredited for SIGTTO Standards. (October '07)

C-2. Transition of Management Indices

	2006F Results	2007F 1H Results	2007F Prospects
Operating Revenues	1,085.5	646.6	1,300.0
Ordinary Income	63.9	63.7	128.0
Net Income	51.5	44.0	84.0
Cash Flows from Operating Activities	66.5	66.8	130.0
Cash Flows from Investment Activities	▲ 102.9	▲ 47.1	▲ 160.0
Vessels	▲ 187.0	▲ 77.3	▲ 170.0
Others	▲ 38.0	▲ 11.8	▲ 35.0
Asset Disposal	122.1	41.9	45.0
Free Cash Flow	▲ 36.6	19.7	▲ 30.0
Shareholders' Equity	344.5	398.9	457.7
Interest Bearing Liabilities	326.2	300.9	331.8
ROE	17%	22%	18%
ROA	8%	13%	12%
Equity Ratio	38%	42%	42%
DER	0.95	0.75	0.72



C-3. Progress of Fleet Upgrading Plan



Fleet Upgrading Plan

No. of vessels to be received FY07-09

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

-FY2006 : 47 new ships delivery

-FY2007 : 25 new ships to be delivered

(12 ships already delivered in 1H FY2007)

	2007F		2008F	2009F
	To be delivered		To be delivered	To be delivered
Containership	3	(1)*	5	16
1700TEU	2		3	4
2400TEU	0		1	2
3500TEU	0		0	4
4500TEU	0		0	1
5500TEU	0		0	0
6400TEU	0		0	2
8000TEU	1	(1)*	1	3
Dry Bulkers	10	(8)*	13	17
Capesize	2	(2)*	4	7
Panamax	4	(2)*	0	5
Handymax	2	(2)*	2	1
SmallHandy	1	(1)*	3	2
Chip/Pulp	0		3	0
Corona	1	(1)*	1	2
PCTC	4	(0)*	5	9
2000 Cars	0		0	0
3800 Cars	1		0	1
4300 Cars	0		0	2
5000 Cars	0		0	3
6000 Cars	3		5	3
LNG	3	(0)*	13	1
TANKER	3	(3)*	3	5
VLCC	1	(1)*	0	3
AFRAMAX	0		1	1
LR II	0		1	1
LPG	2	(2)*	1	0
Coastal	2	(0)*	2	0
Total	25	(12)*	41	48

* Already delivered by the end of 2Q FY2007