

# Financial Highlights

## Brief Report for 1<sup>st</sup> Quarter FY2007

26 July 2007

Kawasaki Kisen Kaisha, Ltd.

# Agenda

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## A. Financial Highlights for 1<sup>st</sup> Quarter FY2007

# A-1. Financial Results



(Unit:billion yen)

		1Q FY2007 Results	1Q FY2006 Results	Y o Y Comparison	Y o Y Comparison (%)
Operating Revenues	Cons.	<b>309.2</b>	<b>252.3</b>	56.9	22.6%
	Non.	<b>250.1</b>	<b>197.9</b>	52.2	26.4%
Operating Income	Cons.	<b>32.3</b>	<b>10.0</b>	22.3	222.5%
	Non.	<b>22.9</b>	<b>1.0</b>	21.8	2118.9%
Ordinary Income	Cons.	<b>36.1</b>	<b>10.1</b>	26.0	257.7%
	Non.	<b>26.8</b>	<b>3.3</b>	23.5	712.4%
Net Income	Cons.	<b>25.8</b>	<b>9.7</b>	16.1	166.0%
	Non.	<b>19.6</b>	<b>2.2</b>	17.3	775.1%
Exchange Rate	Average	<b>¥120</b>	<b>¥115</b>	¥5	-
Bunker Price	Average	<b>\$332</b>	<b>\$338</b>	-\$6	-

(Unit:billion yen)

Business Segment		1Q FY2007 Results	1Q FY2006 Results	Y o Y Comparison
Container	Operating Revenues	<b>147.5</b>	<b>117.0</b>	<b>30.4</b>
	Ordinary Profit and Loss	<b>8.0</b>	<b>▲ 3.4</b>	<b>11.4</b>
Other marine business	Operating Revenues	<b>134.1</b>	<b>108.5</b>	<b>25.6</b>
	Ordinary Profit and Loss	<b>26.5</b>	<b>12.5</b>	<b>14.0</b>
Others	Operating Revenues	<b>27.6</b>	<b>31.5</b>	<b>▲ 3.9</b>
	Ordinary Profit and Loss	<b>1.5</b>	<b>0.9</b>	<b>0.6</b>
Total	Operating Revenues	<b>309.2</b>	<b>252.3</b>	<b>56.9</b>
	Ordinary Profit and Loss	<b>36.1</b>	<b>10.1</b>	<b>26.0</b>

Fall 5 Yen/US\$ in exchange rate resulted in approx. + 1.5 billion yen, Y o Y

Decrease of fuel oil price \$6 per met. Ton resulted in approx. +0.4 billion, Y o Y

## A-2. Key Points

< Y o Y comparison > Revenues Increase +56.9 billion yen

Profits Increase 26.0 billion yen

Revenues and Profit increase factors :

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

(06F 10.1 bil.yen => 07F 36.1 bil.yen)

Variation Factors	Y o Y comparison
Fluction in Exchange Rate	1.5
Bunker Oil Price	0.4
Marlet Volatility	14.6
Business Expansion	9.3
Cost Increase or Decrease	▲ 1.8
Others	2.0
Total	26.0

# A-3. Outline of Division-wise Results for 1Q FY 2007 ( for Container Business)



<YoY comparison> Operating Revenues 147.5 billion yen  
 (Revenues increase +30.5 billion yen)  
 Ordinary profit +8.0 billion yen  
 (Profits increase +11.4 billion yen)

Revenue and Profit increase factors:

- Business expansion :
  - Enhancement in 'East-West' trades  
 (Deliver of 8,000TEU-type ships, the largest in our fleet, delivered, Start-up new service from South East Asia, India, to U.S. East Coast via Suez Canal, etc)
  - Enlargement in 'North-South' trade (Start-up two new services from Europe to East Coast South America and from Asia to East Coast South America)
- Total loaded cargo volume (808 thousand TEU):
  - Steady cargo movements (+13.7%(YoY))
  - Load factor for trunk lines to the U.S. & E.U. over 90%
- Freight rates ( improvement (Y o Y) , exceeding our prospect)

	Asia- N.America	Asia- Europe	Trans- Atlantic	Intra-Asia	North-South
Dominant	-	+21%	▲6%	+6%	+15%
Return	+2%	▲15%	+8%	▲2%	▲4%

## A-3. Outline of Division-wise Results for 1Q FY2007 (for Dry Bulk Carriers)



<YoY Comparison> Revenues increase/ Profits increase

Revenue increase factors:

- Business expansion: Delivery of 5 new ships  
(Operating Tonnage: 45.7 mil. Ton => 49.0 mil. Ton, + 7.1%(YoY))

Profit increase factors:

- Market for large-size: Continued rising from the end of FY2006, Market once entered a correction phase in June, but again in the stratosphere recently.
- Market for mid-size: Strong note due to steady demand. Upward tone these days.
- Market for small-size: Staying higher level with demand increase for cement, steel products, etc.

Market (Pacific round)	1 Q 2007F	1Q 2006F	Y o Y	
			Comaparison	Comaparison(%)
Cape (170 type)	\$87,667	\$30,000	\$57,667	192.2%
Panamax (74 type)	\$43,917	\$18,450	\$25,467	138.0%
Handy max (54 type)	\$39,333	\$22,100	\$17,233	78.0%

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



<YoY comparison> Revenues increase/ Profits increase

Revenue increase factors:

- Business expansion: 8 ships delivered in '06F in full operation.
- Total units carried (inc. intra-Europe): 764 => 846 thousand(+10.8%, (Y o Y))
  - Strong demand on Japanese and Korean automobiles, Steady cargo movements with developing overseas production.
  - 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 is growing fast.



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



<YoY comparison> Revenue flat /Profits decrease

Revenue flat factors

- LNG Carrier: Stable operation in each project (total 31 vessels)
- Tanker: One new VLCC, another new LPG delivered during 1<sup>st</sup> Quarter  
: 4 ships delivered in '06F 2H in full operation  
(Operating Tonnage: 7.793 mil. Ton => 8.944 mil. Ton, + 14.8%(Y o Y))

Profit decrease factors:

- Weakened Tanker market

Tanker Market (WS)	1 Q 2007F	1Q 2006F	Y o Y	
			Comaparison	Comaparison(%)
VLCC (M.East/Jpn)	63	80	-17	-21.3%
Aframax (South Asia/Jpn)	153	130	23	17.7%
Clean 70,000 type(M.East/Jpn)	134	175	-41	-23.4%

## A-3. Outline of Division-wise Results for 1Q FY2007 (for Other business)

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- Short sea/Coastal Shipping

<YoY comparison> Revenues increase/ Profits increase

- Strong demand and business expansion
- Bunker cost save by restructuring service with navigation in most economical speed.

- Logistics

<YoY comparison> Revenues increase/ Profits increase

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

## B. Prospects for FY2007

# B-1. Prospects for 1H/Yearly FY2007



		(Unit:billion yen)					(Unit:billion yen)		
		07F 1H		Comparison (a)-(b)	06 1H	Y o Y (a) - (c)	07FY	06FY	Y o Y (d)-(e)
		Current Prospects (a)	as of May (b)		1H Results (c)		Yearly Prospects (d)	Yearly Results (e)	
Operating Revenues	Cons.	630.0	600.0	30.0	518.0	112.0	1230.0	1085.5	144.5
	Non.	500.0	470.0	30.0	410.0	90.0	970.0	857.3	112.7
Operating Incomes	Cons.	55.0	47.0	8.0	23.5	31.5	99.0	61.4	37.6
	Non.	35.0	31.0	4.0	8.9	26.1	60.0	28.1	31.9
Ordinary Incomes	Cons.	59.0	48.0	11.0	24.6	34.4	103.0	63.9	39.1
	Non.	38.0	33.0	5.0	12.0	26.0	64.0	31.9	32.1
Net Income	Cons.	43.0	32.0	11.0	20.6	22.4	71.0	51.5	19.5
	Non.	26.0	20.0	6.0	10.2	15.8	42.0	25.3	16.8
Dividened	Non.	¥11	¥10	¥1	¥9	¥2	¥22	¥18	¥4
Exchange Rate	Average	¥120	¥115	¥5	¥115	¥5	¥118	¥117	¥1
Bunker Price	Average	\$351	\$340	\$11	\$337	\$14	\$371	\$319	\$52

-Prospected annual dividend for FY2007:22yen per share, Dividend ratio:20%

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

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

## B-2. Business-wise Revenues/Profits



(Unit: billion yen)

Business Segment		07FY			06FY			Comparison	
		1H	2H	Yearly	1H	2H	Yearly	1H	Yearly
Container Business	Operating Revenues	290.0	290.0	580.0	243.9	259.6	503.5	46.1	76.5
	Ordinary Profit/Loss	3.0	▲ 3.5	▲ 0.5	▲ 3.2	▲ 4.7	▲ 7.8	6.2	7.3
Other Marine Business	Operating Revenues	288.0	251.0	539.0	220.4	248.0	468.4	67.7	70.6
	Ordinary Profit/Loss	52.5	44.5	97.0	25.4	40.7	66.0	27.1	31.0
Others	Operating Revenues	52.0	59.0	111.0	53.7	59.9	113.6	▲ 1.7	▲ 2.6
	Ordinary Profit/Loss	3.5	3.0	6.5	2.4	3.3	5.7	1.1	0.8
Total	Operating Revenues	630.0	600.0	1230.0	518.0	567.5	1085.5	112.0	144.5
	Ordinary Profit/Loss	59.0	44.0	103.0	24.6	39.3	63.9	34.4	39.1

Container Business includes agency and terminal business

## B-3. Key Points for 1<sup>st</sup> Half FY2007



**<YoY comparison> Revenues increase (+112), Profits increase (+34.4) ( billion yen)**

Pre-conditions: Fuel oil price \$337 => \$351/KT, Exchange rate ¥115 => ¥120/U.S. dollar

Market improvement, Business expansion

**<Comparison with Prospects as of May 2007>**

**Revenues increase (+30.0), Profits increase (+11)**

Pre-conditions: Fuel oil price \$340 => \$351/KT, Exchange rate ¥115 => ¥120/U.S. dollar

Market improvement

(06F 1H 24.6 bn.yen, 07F 1H as of May 48.0 bn.yen => 07F 1H prospects 59.0 bn.yen) (Ref. 06F 63.9 bn.yen => 07F prospects 103.0 bn.yen)

Variation Factors (basis Ordinary Income)	Comparison with 06FY 1H	Comparison with Prospects as of May '07	Comparison with yearly Results
Fluctuation in Exchange Rate	3.1	3.3	1.2
Bunker Oil Price	▲ 1.7	▲ 1.2	▲ 13.5
Market Volatility	33.9	16.2	43.1
Business Expansion	15.5	5.7	28.2
Cost Increase/Decrease	▲ 3.6	▲ 0.2	▲ 7.6
Others	▲ 12.8	▲ 12.8	▲ 12.3
<b>Total</b>	<b>34.4</b>	<b>11.0</b>	<b>39.1</b>

Fall/Rise 1Yen/US\$ in exchange rate affects Ordinary Income by approx. +/-0.6 billion yen, per half year

Decrease/Increase of fuel oil prices at \$10 per met. Tons does by approx. +/-1.3 billion yen, per half year

## B-4. Division-wise Trends for 1<sup>st</sup> Half FY2007



<Container Business> (YoY) Operating Revenues 290.0 (+44.3 bn. yen increase),  
Ordinary Income 3.0 (+6.2 bn. yen increase )

- Steady cargo movements for peak season in summer
- Estimation for high loading factor expected in 'East-West' trades

-Expected our loading volume : 1.64mln. TEU  
(over 12% increase Y o Y, over 2% from prospects as of May)

-Freight rate:

(Y o Y)

	Asia- N.America	Asia- Europe	Trans- Atlantic	Intra-Asia	North-South
Dominant	+2%	+26%	▲7%	+7%	+9%
Return	+1%	▲16%	+8%	+1%	▲4%

-Planning to change the accounting standard ('Percentage of complex transportation method')

Decrease 14.0 bn yen in operating revenue, operating income, ordinary income and net income before taxes and other adjustments.

## B-4. Division-wise Trends for 1<sup>st</sup> Half FY2007



### <Car Carriers> Stable

- Continuous steady cargo volume
- Proper allotment of shipping depending on cargo volumes, Business expansion, Enlargement of service.

### <Dry Bulk Carriers> Profits increase

- Positive market trends based on stable cargo volumes
- Business expansion by delivery of newbuildings. ( 9 ships delivered in 1H FY2007)

Dry Bulk Market (Pacific Round)	Current Market	2Q FY2007 Presumption	1H FY2007 Presumption	Original Presumption (1H/2H)
Cape (170 types)	\$87,000	\$85,000	\$86,333	\$60,000
Panamax (74 types)	\$51,500	\$45,000	\$44,458	\$30,000
Handy max (53 types)	\$41,000	\$40,000	\$39,667	\$27,000

### <Energy transportation> Stable

- LNG Carriers : Fleet of existing 31 vessels in continuous steady operation.
- Oil Tankers : Stable cargo flow mainly for China, U.S.A, and India. Solid market trend expected for demand season with moods to emphasize double-hull type, quality of ships. Business expansion by delivery of newbuildings.( 3 ships in FY2007 1H)

Tanker Market (WS)	Current Market	2Q FY2007 Presumption	1H FY2007 Presumption	Original Presumption (1H/2H)
VLCC (Middle East/Jpn)	WS 60	WE 75	WS 69	WS 70
Aframax (South Asia/Jpn)	WS 135	WS 140	WS 146	WS 140
Clean 70,000 type (Middle East/Jpn)	WS 135	WS 150	WS 142	WS 150

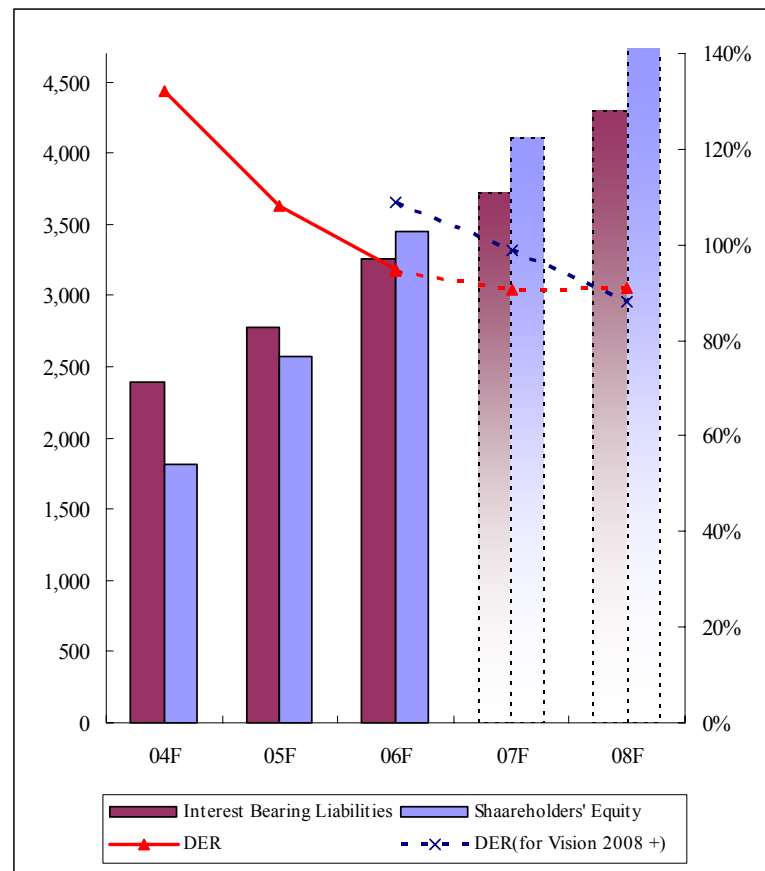


## C. “K” LINE Vision 2008<sup>+</sup>

# C-1. Transition of Management Indices

(Unit: billion yen)

	2006F Results	2007F Prospects	2008F Original Plan *
Operating Revenues	1085.5	1230.0	1100.0
Ordinary Income	63.9	103.0	110.0
Net Income	51.5	71.0	70.0
Cash flows from Operating Activities	66.5	120.0	—
(Depreciation)	32.3	34.5	—
Cash flows from Investment Activities	▲ 102.9	▲ 160.0	—
Free cash flow	▲ 36.6	▲ 40.0	—
Investment amount	102.9	160.0	—
Vessels	▲ 187.0	▲ 145.0	—
Others	▲ 38.0	▲ 47.0	—
Asset Disposal	122.1	32.0	—
Shareholders' Equity **	344.5	411.4	400.0
Interest Bearing Liabilities	326.2	372.8	350.0
ROE	17%	19%	19%
ROA	8%	11%	11%
Equity ratio	38%	39%	39%
DER	0.95	0.91	0.88



\*Figures for 2008F is as of Mar '06 upon "K" Line Vision 2008+ announcement. \*\*Share holders' Equity = Net Asset-Minority shareholders' interest

## C-2. Progress of Fleet Upgrading Plan



### Fleet Upgrading Plan

No. of vessels to be received FY07-09

In the “K” Line Vision 2008<sup>+</sup>, we will  
achieve fleet of 500 ships at the end of  
FY2008

-FY2006 : 47 new ships delivery

-FY2007 : 25 new ships delivery

(8 ships already delivered in 1Q FY2007)

	2007F		2008F	2009F
	To be delivered		To be delivered	To be delivered
<b>Containership</b>	<b>3</b>	<b>(1)*</b>	<b>6</b>	<b>15</b>
1700TEU	2		4	3
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
<b>Dry Bulkers</b>	<b>10</b>	<b>(5)*</b>	<b>13</b>	<b>16</b>
Capesize	2		4	6
Panamax	4	(2)*	0	5
Handymax	2	(1)*	2	1
SmallHandy	1	(1)*	3	2
Chip/Pulp	0		3	0
Corona	1		1	2
<b>PCTC</b>	<b>4</b>	<b>(0)*</b>	<b>5</b>	<b>9</b>
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
<b>LNG</b>	<b>3</b>	<b>(0)*</b>	<b>13</b>	<b>1</b>
<b>TANKER</b>	<b>3</b>	<b>(2)*</b>	<b>2</b>	<b>4</b>
VLCC	1	(1)*	0	3
AFRAMAX	0		1	1
LR II	0		0	0
LPG	2	(1)*	1	0
<b>Coastal</b>	<b>2</b>	<b>(0)*</b>	<b>2</b>	<b>0</b>
<b>Total</b>	<b>25</b>	<b>8</b>	<b>41</b>	<b>45</b>

\* Already delivered in 1Q FY2007

## C-3. Cost Reduction Plan

(Unit: billion yen)

Cost Saving items	F2006	F2007
Operating cost reduction	8.6	5.2
Container equipment related cost reduction	1.4	1.0
Vessel cost reduction	0.6	1.3
Administrative cost reduction	0.2	0.6
<b>Total</b>	<b>10.8</b>	<b>8.1</b>
(Division wise results/prospects)		
Container Business (Inc. overseas subsidiaries)	10.0	6.0
Other divisions (Inc. overseas subsidiaries)	0.8	2.1