

Financial Highlights Brief Report for FY2009

27 April 2010

Kawasaki Kisen Kaisha, Ltd.

Agenda

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A. Financial Highlights for FY2009

A-1-1. Financial Results

Operating Income Turning into Black in 4Q of FY2009

(Unit: billion yen)

	FY2009					Comparison with Previous Estimate		Comparison with FY2008	
	1Q	2Q	3Q	4Q	FY (a)	Estimate as of Jan'10 (b)	Balance (a)-(b)	2008 FY (c)	Balance (a)-(c)
Operating Revenues	191.9	208.5	212.5	225.1	838.0	830.0	8.0	1,244.3	▲ 406.3
Operating Income	▲ 22.1	▲ 20.4	▲ 10.4	0.8	▲ 52.1	▲ 58.0	5.9	71.6	▲ 123.7
Ordinary Income	▲ 22.7	▲ 27.2	▲ 14.6	▲ 1.8	▲ 66.3	▲ 71.0	4.7	60.0	▲ 126.3
Net Income	▲ 14.9	▲ 28.4	▲ 18.7	▲ 6.7	▲ 68.7	▲ 70.0	1.3	32.4	▲ 101.1
Exchange Rate	¥97.50	¥94.74	¥89.49	¥90.43	¥93.04	¥93.11	¥▲ 0.07	¥100.82	¥▲ 7.78
Bunker Price	\$304	\$399	\$447	\$473	\$407	\$411	▲ \$4	\$504	▲ \$97

Excluding Containership business structural reform cost

Ordinary Income	▲ 22.7	▲ 22.0	▲ 14.6	▲ 1.8	▲ 61.1
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Decrease of fuel oil price \$97 per met. Ton resulted in approx. 17.8 billion yen (YoY)

Increase 7.78 Yen / US\$ in exchange rate resulted in approx. ▲ 3.3 billion yen (YoY)

A-1-2. Financial Results

(Business-wise Operating Revenues/Ordinary Income)



In 4Q of FY2009 Container business improved considerably and Other Marine Business returned into Black

(Unit: billion yen)

Business Segment		FY2009					Comparison with Previous Estimate		Comparison with FY2008	
		1Q	2Q	3Q	4Q	FY (a)	Estimate as of Jan'10 (b)	Balance (a)-(b)	2008 FY (c)	Balance (a)-(c)
Container Business	Operating Revenues	86.2	92.1	90.6	95.0	364.0	360.0	4.0	530.1	▲ 166.1
	Ordinary Income	▲ 20.0	▲ 27.1	▲ 15.5	▲ 4.4	▲ 67.0	▲ 72.0	5.0	▲ 37.3	▲ 29.7
Other Marine Business	Operating Revenues	86.1	97.1	102.1	109.5	394.8	390.0	4.8	609.1	▲ 214.3
	Ordinary Income	▲ 4.2	▲ 0.4	▲ 0.2	1.9	▲ 2.9	1.0	▲ 3.9	92.9	▲ 95.8
Others	Operating Revenues	19.6	19.3	19.7	20.6	79.3	80.0	▲ 0.7	105.2	▲ 25.9
	Ordinary Income	1.5	0.3	1.1	0.8	3.7	0.0	3.7	4.4	▲ 0.7
Total	Operating Revenues	191.9	208.5	212.5	225.1	838.0	830.0	8.0	1,244.3	▲ 406.3
	Ordinary Income	▲ 22.7	▲ 27.2	▲ 14.6	▲ 1.8	▲ 66.3	▲ 71.0	4.7	60.0	▲ 126.3

* ▲ 5.2 billion yen was posted as a part of Container Business Structural Reform cost in Ordinary Income of 2Q FY2009

A-2. Key Points

<Comparison with Previous Estimate> Revenue increase 8.0 bln yen, Income increase 4.7 bln yen

Variation Factors	Comparison with Previous Estimate	
Exchange Rate	0.0	Almost in line with Previous Estimate
Bunker Oil Price	0.4	For 4Q \$12/mt lower than Previous Estimate
Market Volatility	4.6	Rate Restoration for Containership Asia-N.America/ Europe and North-South trades
Business Expansion	0.7	Cargo Volume of Container and Car Carriers slightly increase
Cost Increase/Decrease	▲ 0.8	-
Related Companies	0.8	-
Others	▲ 1.0	-
Total	4.7	-

<Comparison with FY2008> Revenue decrease 406.3 bln yen, Income decrease 126.3 bln yen

Variation Factors	Comparison with FY2008	
Exchange Rate	▲ 3.3	FY'09 ¥93.04/\$ ¥7.78/\$ higher than FY2008
Bunker Oil Price	17.8	FY'09 \$407/mt \$97/mt higher than FY2008
Market Volatility	▲ 153.5	Freight downturn in general market
Business Expansion	▲ 36.7	Cargo Volume decreased due to stagnation of market
Cost Increase/Decrease	63.5	-
Related Companies	▲ 5.9	-
Others	▲ 8.2	-
Total	▲ 126.3	-

B. Estimate for FY 2010

B-1. Estimate for Yearly FY2010

Container business turn into black and Resumption of Dividend

(unit : billion yen)

	FY2010 Estimate			FY2009			Balance
	1H	2H	FY	1H	2H	FY	
Operating Revenues	470.0	480.0	950.0	400.5	437.6	838.0	112.0
Operating Income	17.0	15.0	32.0	▲ 42.5	▲ 9.6	▲ 52.1	84.1
Ordinary Income	14.0	12.0	26.0	▲ 49.9	▲ 16.4	▲ 66.3	92.3
Net Income	11.0	7.0	18.0	▲ 43.3	▲ 25.5	▲ 68.7	86.7
Exchange Rate	¥90.00	¥90.00	¥90.00	¥96.12	¥89.96	¥93.04	¥▲ 3.04
Bunker Price	\$500	\$500	\$500	\$353	\$459	\$407	\$93

(unit : billion yen)

Business Segment		FY2010 Estimate		
		1H	2H	FY
Container Business	Operating Revenues	210.0	210.0	420.0
	Ordinary Income	4.0	1.0	5.0
Tramper Business	Operating Revenues	220.0	225.0	445.0
	Ordinary Income	11.0	10.5	21.5
Others	Operating Revenues	40.0	45.0	85.0
	Ordinary Income	▲ 1.0	0.5	▲ 0.5
Total	Operating Revenues	470.0	480.0	950.0
	Ordinary Income	14.0	12.0	26.0

【Dividend Plan】

Annual Dividend 5.5 yen (Interim Dividend 2.5 yen)

Payout Ratio 24%

【Premises】

Exchange Rate ¥90.00/\$

Bunker Price \$500/mt

【Sensitivity against Ordinary Income】

Exchange Rate: ¥1/\$ => ±1.1 billion yen

Bunker Price : \$10/mt => ±1.2 billion yen

B-2. Key Points

Revenue Increase 112.0 billion yen , Income Increase 92.3 billion yen

Variation Factors	Comparison with FY2009	
Exchange Rate	▲ 3.3	FY'10 ¥90.00/\$ ¥3.04/\$ higher than FY2009
Bunker Oil Price	▲ 11.0	FY'10 \$500/mt \$93/mt higher than FY2009
Market Volatility	70.0	Freight restoration in Container, market upwards in Tanker
Business Expansion	13.0	Cargo Volume of Car carriers increase
Cost Increase/Decrease	22.0	Structural Reform, Eco Slow Steaming and Rationalization in Container
Related Companies	1.0	-
Others	0.6	-
Total	92.3	

B-3-1(1). Division-wise Trends of Operating Revenue/Ordinary Income

-Container Business-



<FY 2009 Results>

Comparison with FY2008 : Operating Revenue Decrease / Ordinary Income Decrease

Comparison with Previous Estimate* : Operating Revenue Increase / Ordinary Loss Shrank

- Freight restoration has made progress in Asia-Europe and North-South trade from 3Q and in Asia-N.America trade from 4Q

<FY 2010 Estimate>

Comparison with FY2009 : Operating Revenue Increase/ Ordinary Income Turning into Black

Operating Revenue 420.0 billion yen 56.0 billion yen increase

Ordinary Income 5.0 billion yen 72.0 billion yen increase=>Turning into Black

Total Lifting 3.27 mil TEU 0.19 mill TEU increase

-Profitability improvement by freight restoration of SC for North America trade

-Freight restoration in Asia-Europe, North-South and Inter Asia trade

-Cost decrease by Service rationalization and Eco Slow Steaming

} ⇒ **Turning into Black from 1Q**

		FY2008					FY2009					FY2010
		1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	Estimate
Operating Revenues (billion yen)		148.8	166.0	134.3	81.0	530.1	86.2	92.1	90.6	95.0	364.0	420.0
Ordinary Income (billion yen)		▲ 1.0	▲ 4.9	▲ 14.4	▲ 17.0	▲ 37.3	▲ 20.0	▲ 27.1	▲ 15.5	▲ 4.4	▲ 67.0	5.0
Trend of Freight Index FY'08 1Q=100	Asia-North America	100	102	99	87	-	71	66	70	79	-	89
	Asia-Europe	100	93	75	47	-	46	61	76	97	-	97
Lifting (10,000 TEU)	Asia-North America	18.6	20.2	17.0	13.9	69.7	15.9	18.0	16.8	16.0	66.7	66.0
	Asia-Europe	14.3	15.3	13.4	11.7	54.7	11.1	12.1	10.3	9.9	43.4	47.9
	All Trades	85.9	86.5	75.1	62.8	310.3	72.9	81.0	78.9	75.3	308.1	327.0
Capacity(10,000 TEU)	Asia-North America	22.5	23.1	21.3	17.4	84.2	17.8	18.4	17.4	16.6	70.1	69.2
	Asia-Europe	15.4	16.6	15.2	12.4	59.7	12.3	12.4	10.7	10.5	46.1	51.4
Utilization	Asia-North America	83%	88%	80%	80%	83%	89%	98%	97%	97%	95%	95%
	Asia-Europe	93%	92%	88%	94%	92%	90%	98%	96%	94%	94%	93%

Yearly figures are average for Freight/Utilization, accumulated total for Lifting/Capacity

* Previous Estimate = Estimate as of Jan 2010

B-3-1(2). Division-wise Trends of Operating Revenue/Ordinary Income

-Container Business-

【 Business Strategy 】

-Aim for necessary freight rate restoration to sustain business

-Freeze on new investments until real balance between supply and demand

-Business deployment emphasizing Asia and North-South route regions

-Deepening rationalization of ship allocation, further cost saving, and environmental measures centered on the ‘Green’ alliance

(thorough cost-cutting including Eco Slow Steaming)

(Note)

Containership Business Structural Reform Costs
(FY2009: 44.3 billion yen)

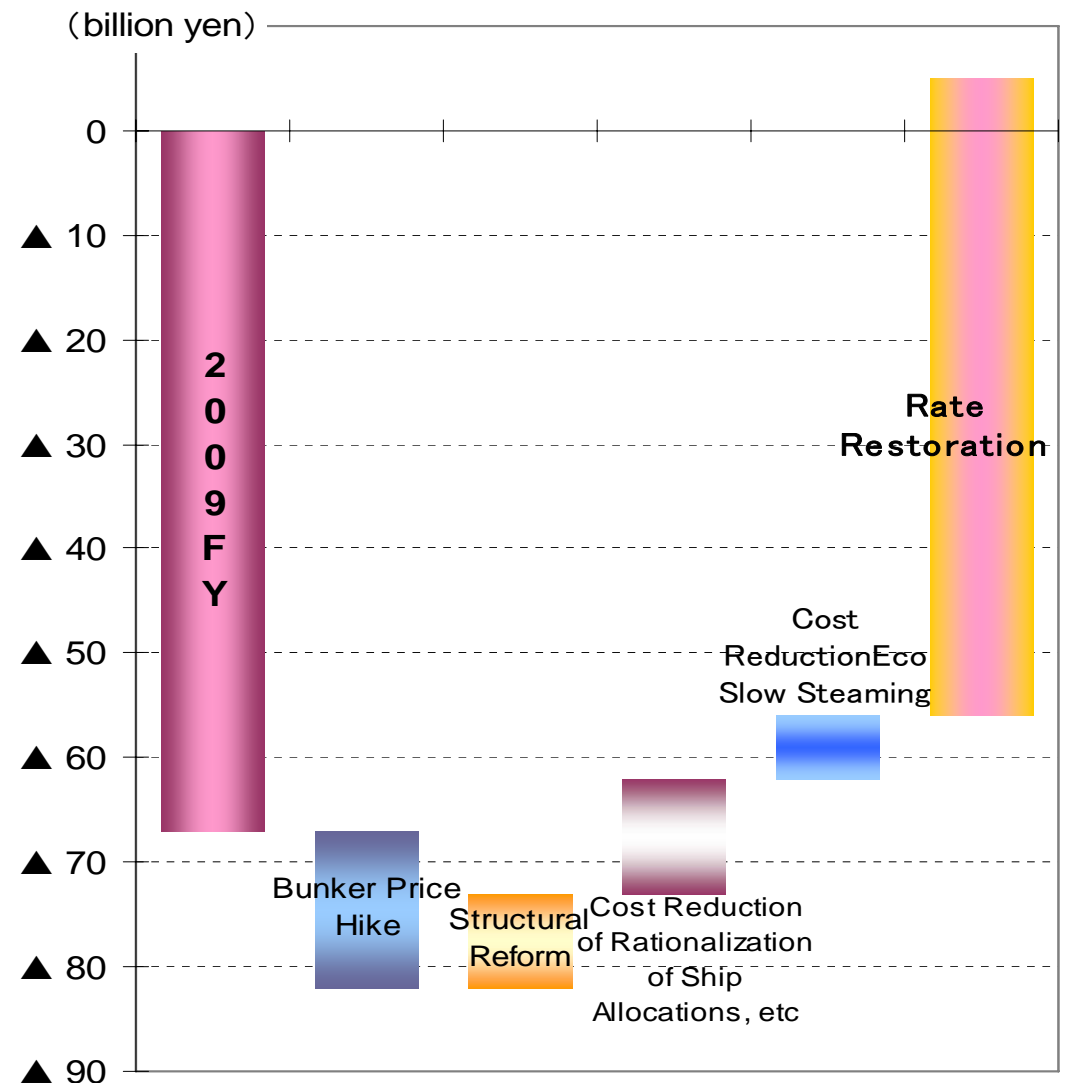
Newbuildings – Alteration of ship types

Existing Fleet – Cancellation of charter contracts

Liquidation of overseas related companies

Impairment loss on fixed assets

Approaches Returning Containership Business to Break-even



B-3-2. Division-wise Trends of Operating Revenue/Ordinary Income -Dry Bulk Business-



<FY 2009 Results>

Comparison with FY2008 : Operating Revenue Decrease / Ordinary Income Decrease

Comparison with Previous Estimate* : Almost as expected

Operating Tonnage: 213 mil. Ton , + 1.0% (Y o Y)

In spite of buoyant market trend, comparing with Previous Year when the market hiked, posted Revenue & Income Decrease

<FY 2010 Estimate>

Comparison with FY2009 : Operating Revenue Increase / Ordinary Income Increase

Operating Tonnage: 242 mil. Ton , + 3.8% (Y o Y)

Market of 2010 is firm mainly for Panamax and smaller size vessel, steady for Cape size.

Dry Bulk Market (**)	FY2008					FY2009					FY2010 Estimate
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	
Cape(170type)	\$165,000	\$115,000	\$5,700	\$19,000	\$73,000	\$46,000	\$40,500	\$53,000	\$30,600	\$42,500	\$35,000
Panamax(74type)	\$67,000	\$48,000	\$3,500	\$7,000	\$28,650	\$16,000	\$18,500	\$27,000	\$27,250	\$22,200	\$20,000
Handy(53type)	\$57,500	\$40,500	\$4,750	\$6,400	\$25,800	\$12,500	\$15,000	\$20,500	\$21,500	\$17,500	\$18,000

* Previous Estimate = Estimate as of Jan 2010

** Till FY2009 Pacific Round basis, From FY 2010, 4 T/C average

B-3-3. Division-wise Trends of Operating Revenue /Ordinary Income -Car Carrier Business-

<FY2009 Results>

Comparison with FY2008 : Operating Revenue Decrease / Ordinary Income Decrease

Comparison with Previous Estimate* : Operating Revenue Increase / Reduction of deficit

Total units carried (inc. intra-Europe) : 2.13 million units (approx. ▲30 %(Y o Y))

Cargo movement bottomed out in May, and then gradually recovered

Fleet-size adjustment completed

<FY2010 Estimate>

Comparison with FY2009 : Operating Revenue Increase / Turning into Black

Cargo movement gradually recovers

Outbound cargo is estimated to recover upto approx. 70% level of 08F

		FY2008					FY2009					FY2010
		1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	Estimate
Loading Results (1,000 units)	Outbound	409	375	384	229	1,397	140	185	251	226	802	990
	Homebound/Others	309	312	304	158	1,083	150	153	258	247	809	1,010
	Intra-Europe	188	170	135	96	590	96	115	117	188	517	640
	Total	905	857	823	484	3,069	386	454	626	661	2,127	2,640
Number of Operating vessels		101	100	100	93	-	84	86	82	78	-	-

* Previous Estimate = Estimate as of Jan 2010

B-3-4. Division-wise Trends of Operating Revenue /Ordinary Income -Energy Transportation-

<FY2009 Results>

Comparison with FY2008 : Operating Revenue Decrease / Ordinary Income Fall into Red

Comparison with Previous Estimate* : Operating Revenue Decrease / Ordinary Income Downturn

【LNG】 Short-term charter market in soft mood

【Tanker】 Market for middle/small size oil tankers and product tankers in downturn

<FY2010 Estimate>

Comparison with FY2009 : Operating Revenue Increase / Ordinary Income Improving

【LNG】 Market level slightly improve, effect of surplus vessel adjustment

【Tanker】 Market level gradually recovers

Tanker Market (WS)	FY2008					FY2009					FY2010 Estimate
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	
VLCC (M.East / Jpn)	174	133	79	47	108	35	35	50	93	53	80
Aframax (*)	195	235	165	70	166	60	60	80	127	82	70
Clean 70,000 type (M.East / Jpn)	193	325	191	79	203	63	83	110	130	97	150

*: S.Asia/Jpn until FY2009, S.Asia/Aus in FY2010

* Previous Estimate = Estimate as of Jan 2010

B-3-5. Division-wise Trends of Operating Revenue /Ordinary Income -Others-

【Heavy Lifter】

<FY2009 Results> **Comparison with FY2008 : Operating Revenue Decrease / Ordinary Income Decrease**

Comparison with Previous Estimate* : Almost as expected

Cargo movements declined affected by postponement of major projects due to economic slowdown

<FY2010 Estimate> **Comparison with FY2009 : Operating Revenue Decrease / Ordinary Income Fall into Red**

Full-swing cargo recovery is expected after 2nd Half

【Logistics / Harbor Transportation】

<FY2009 Results> **Comparison with FY2008 : Operating Revenue Decrease / Ordinary Income Decrease**

Comparison with Previous Estimate* : Almost as expected

In spite of trend to recover in market, cost up put pressure on margin

Soft mood in the business of container transportation by land

<FY2010 Estimate> **Comparison with FY2009 : Operating Revenue Increase / Ordinary Income Increase**

Cargo volume is in recovery trend

【 Short Sea / Coastal Shipping 】

<FY2009 Results> **Comparison with FY2008 : Operating Revenue Decrease / Ordinary Income Decrease**

Comparison with Previous Estimate* : Almost as expected

In spite of market downturn due to economic slowdown, after 2nd Half recovery trend

and cargo volume increased

<FY2010 Estimate> **Comparison with FY2009 : Almost flat**

Freight rate market is expected to be stable

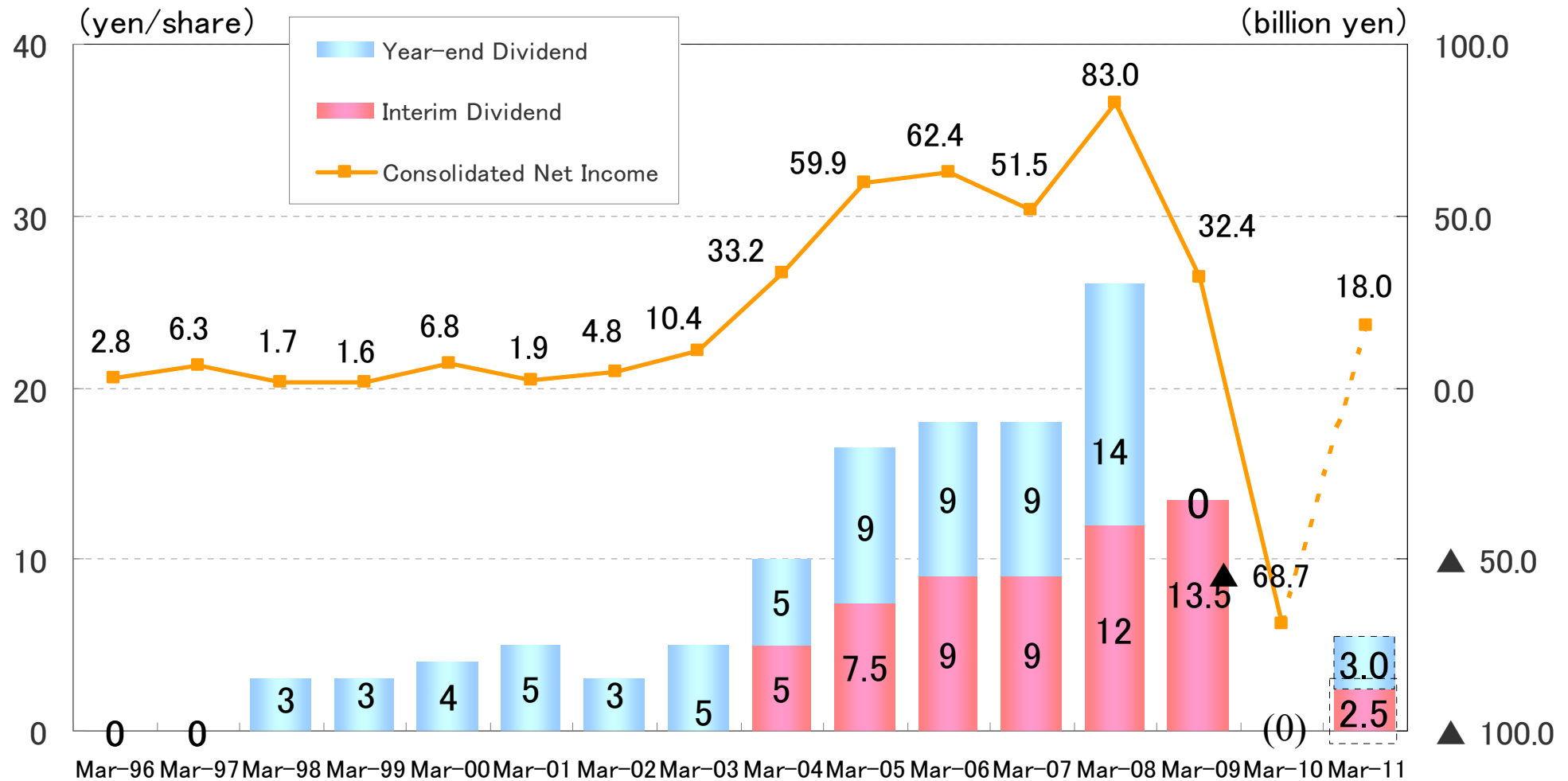
* Previous Estimate = Estimate as of Jan 2010

C. Financial Indices and Dividend Policy

C-1. Financial Indices

		FY2009 (Results)	FY2010 (Estimate)	FY2010 (Previous Estimate as of KV2010)	Mid-2010s
Revenue	Billion YEN	838.0	950.0	1,000.0	1,300.0
Ordinary Profit	Billion YEN	-66.3	26.0	11.0	110.0
Net Profit	Billion YEN	-68.7	18.0	7.5	700.0
Shareholders' Equity	Billion YEN	308.1	326.1	270.0	4,500.0
Interest-bearing Debt	Billion YEN	516.0	528.7	560.0	3,800.0
Operating Cash Flow	Billion YEN	-23.9	78.0	58.0	-
Investing Cash Flow	Billion YEN	-63.7	-86.0	-85.0	-
DER	【Multiple】	1.67	1.62	2.07	Below 0.95
ROA		-	2%	1%	Above 8%
Equity Capital Ratio		30%	29%	24%	Above 40%
DEBT to Operating Cash Flow	【Multiple】	-	6.8	9.7	Below 4.5
Dividend Ratio		-	24%	24%	30%
【Assumption】					
Drybulk Market (Pacific Round Voyage)					
CAPE	【US\$ / day】	42,500	35,000	35,000	
PMAX	【US\$ / day】	22,200	20,000	20,000	
HMAX	【US\$ / day】	17,500	18,000	17,500	
Small	【US\$ / day】	12,000	13,000	13,000	
Exchange Rate	【YEN / US\$】	93.04	90.00	90.00	
Bunker Price	【US\$ / MT】	407	500	500	

C-2. Dividend Policy



Dividend Policy: Set target of payout ratio for FY10 (Mar-11) 24% of the consolidated net profit, then we will gradually improve to 30% in the mid- 2010' s