

# Financial Highlights

## Brief Report for 1st Quarter FY2012

31 July 2012

Kawasaki Kisen Kaisha, Ltd.

# Agenda

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# A. Financial Highlights for 1st Quarter FY2012

# A-1. Financial Results for 1st Quarter FY2012

(Unit: billion yen)

	FY2012 1Q	FY2011 1Q	Comparison with FY2011
Operating Revenues	273.6	244.2	29.4
Operating Income	4.1	▲ 9.9	14.0
Ordinary Income	7.2	▲ 8.8	16.0
Net Income	▲ 0.7	▲ 3.7	3.0
Exchange Rate	¥80.77	¥82.04	▲¥ 1.27
Bunker Price	\$716	\$644	\$72

Increase 1.27 Yen / US\$ in exchange rate resulted in approx. ▲ 0.4 billion yen (YoY)

Increase of bunker price \$72 per met.ton resulted in approx. ▲2.3 billion yen (YoY)

(Unit: billion yen)

		FY2012 1Q	FY2011 1Q	Comparison with FY2011
<b>Containership Business</b>	Operating Revenues	133.2	122.6	10.6
	Ordinary Income	0.6	▲ 7.2	7.8
<b>Bulk Shipping Business</b>	Operating Revenues	125.0	105.3	19.7
	Ordinary Income	6.0	▲ 1.0	7.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	5.2	4.8	0.4
	Ordinary Income	0.5	▲ 1.0	1.5
<b>Other</b>	Operating Revenues	10.2	11.5	▲ 1.3
	Ordinary Income	1.2	1.3	▲ 0.1
<b>Adjustment</b>	Operating Revenues	-	-	-
	Ordinary Income	▲ 1.1	▲ 0.9	▲ 0.2
<b>Total</b>	Operating Revenues	273.6	244.2	29.4
	Ordinary Income	7.2	▲ 8.8	16.0

## Change of Business Segment

Logistic Business :

“Others” => “Containership Business”

Energy Transportation , Offshore Support Vessels and Heavy Lifter

“Bulk Shipping Business ” => “Offshore Energy E&P Support & Heavy Lifter ” (Newly Created)

# A-2. Estimate for 1st Half FY2012

(Unit:billion yen)

	FY2012			FY2011	Comparison with FY2011	Previous Estimate*	Comparison with Previous Estimate
	1Q	2Q	1H	1H		1H	
<b>Operating Revenues</b>	273.6	276.4	550.0	497.0	53.0	540.0	10.0
<b>Operating Income</b>	4.1	0.9	5.0	▲ 18.4	23.4	▲ 1.0	6.0
<b>Ordinary Income</b>	7.2	▲ 3.2	4.0	▲ 20.3	24.3	▲ 2.0	6.0
<b>Net Income</b>	▲ 0.7	▲ 4.3	▲ 5.0	▲ 18.6	13.6	1.0	▲ 6.0
<b>Exchange Rate</b>	¥80.77	¥79.77	¥80.27	¥80.24	¥0.03	¥80.00	¥0.27
<b>Bunker Price</b>	\$716	\$640	\$678	\$656	\$22	\$720	▲\$42

\*Previous Estimate as of Apr 2012

(Unit:billion yen)

		2012		
		1Q	2Q	1H
<b>Containership Business</b>	<b>Operating Revenues</b>	133.2	136.8	270.0
	<b>Ordinary Income</b>	0.6	1.4	2.0
<b>Bulk Shipping Business</b>	<b>Operating Revenues</b>	125.0	125.0	250.0
	<b>Ordinary Income</b>	6.0	▲ 2.0	4.0
Offshore Energy E&P Support & Heavy Lifter	<b>Operating Revenues</b>	5.2	4.8	10.0
	<b>Ordinary Income</b>	0.5	▲ 2.5	▲ 2.0
<b>Other</b>	<b>Operating Revenues</b>	10.2	9.8	20.0
	<b>Ordinary Income</b>	1.2	0.8	2.0
<b>Adjustment</b>	<b>Operating Revenues</b>	-	-	-
	<b>Ordinary Income</b>	▲ 1.1	▲ 0.9	▲ 2.0
<b>Total</b>	<b>Operating Revenues</b>	273.6	276.4	550.0
	<b>Ordinary Income</b>	7.2	▲ 3.2	4.0

### 【Premises】

Exchange Rate 2Q ¥ 79.77/\$

Bunker Price 2Q \$ 640/MT

# A-3. Estimate for Yearly FY2012

(Unit:billion yen)

	2012			2011			Comparison with FY2011	Previous Estimate*		
	1H	2H	FY	1H	2H	FY		1H	2H	FY
<b>Operating Revenues</b>	550.0	580.0	1,130.0	497.0	475.3	972.3	157.7	540.0	580.0	1,120.0
<b>Operating Income</b>	5.0	22.0	27.0	▲ 18.4	▲ 22.2	▲ 40.6	67.6	▲ 1.0	17.0	16.0
<b>Ordinary Income</b>	4.0	18.0	22.0	▲ 20.3	▲ 28.7	▲ 49.0	71.0	▲ 2.0	14.0	12.0
<b>Net Income</b>	▲ 5.0	13.0	8.0	▲ 18.6	▲ 22.8	▲ 41.4	49.4	1.0	10.0	11.0
<b>Exchange Rate</b>	¥80.27	¥80.00	¥80.13	¥80.24	¥77.89	¥79.06	¥1.07	¥80.00	¥80.00	¥80.00
<b>Bunker Price</b>	\$678	\$720	\$699	\$656	\$689	\$672	\$27	\$720	\$720	\$720

\*Previous Estimate as of Apr 2012

(Unit:billion yen)

		2012		
		1H	2H	FY
<b>Containership Business</b>	<b>Operating Revenues</b>	270.0	270.0	540.0
	<b>Ordinary Income</b>	2.0	1.0	3.0
<b>Bulk Shipping Business</b>	<b>Operating Revenues</b>	250.0	260.0	510.0
	<b>Ordinary Income</b>	4.0	17.0	21.0
<b>Offshore Energy E&amp;P Support &amp; Heavy Lifter</b>	<b>Operating Revenues</b>	10.0	20.0	30.0
	<b>Ordinary Income</b>	▲ 2.0	▲ 1.0	▲ 3.0
<b>Other</b>	<b>Operating Revenues</b>	20.0	30.0	50.0
	<b>Ordinary Income</b>	2.0	3.0	5.0
<b>Adjustment</b>	<b>Operating Revenues</b>	-	-	-
	<b>Ordinary Income</b>	▲ 2.0	▲ 2.0	▲ 4.0
<b>Total</b>	<b>Operating Revenues</b>	550.0	580.0	1,130.0
	<b>Ordinary Income</b>	4.0	18.0	22.0

## 【Dividend Plan】

Interim/Year-end : Not yet determined.

## 【Premises】 No change from as of Apr 2012

Exchange Rate 2H ¥ 80.00/\$

Bunker Price 2H \$720/MT

## 【Sensitivity against Ordinary Income in 2H】

Exchange Rate : ± ¥1/\$ ⇒ ± 0.7 billion yen

Bunker Price : ± \$10/MT ⇒ ± 0.7 billion yen

## A-4. Key Points

### <Y on Y Comparison>

1Q :Revenue Increase(+ 29.4 billion yen) / Profit Increase(+ 16.0 billion yen)

1H :Revenue Increase(+ 53.0 billion yen) / Profit Increase(+ 24.3 billion yen)

(Unit:billion yen)

Variation Factors	12F 1Q Comparison with 2011	12F 1H Comparison with 2011	
Exchange Rate	-0.4	0.0	1Q ¥1.27/\$ lower than FY'11, 1H almost as expected
Bunker Oil Price	-2.3	-1.4	1Q Bunker Price \$72/MT higher than FY'11, 1H \$22/MT Higher
Market Volatility	4.4	9.0	Freight Restoration in Container business , Downturn in Dry Bulk
Business Expansion	1.6	3.4	Cargo demand of Container gradually increased
Effect of the Earthquake	7.8	7.8	Cargo volume of Car Carrier recovered in 1Q
Depreciation	1.3	2.7	Improvement due to change of depreciation period
Cost Increase/Decrease	5.8	12.4	Expect to achieve cost saving target in 1H
Related Companies	0.6	-3.4	—
Others	-2.9	-7.0	—
Total	16.0	23.6	

### <Comparison with Previous Estimate as of Apr 2012>

1H :Revenue Increase(+10.0 billion yen) / Profit Increase(+ 6.0 billion yen)

Variation Factors	12F1H Comparison with Previous Estimate as of Apr'12	
Exchange Rate	0.2	Almost as expected
Bunker Oil Price	2.7	1H Bunker Price \$0.27/MT Lower
Market Volatility	-5.7	Market downturn in Dry Bulk
Business Expansion	-0.4	Gradual cargo recovery in Container and Car Carrier
Depreciation	2.7	Improvement due to change of depreciation period
Cost Increase/Decrease	4.5	—
Related Companies	1.4	—
Others	0.0	—
Total	5.4	

# A-5. Progress of Cost Saving Plan

- We have set Cost Saving Target at ¥28 billion in FY2012 at the beginning of this year.
- ¥5.8 billion of Cost saving and Improving profitability was achieved in 1Q (21% achievement rate)
- It is expected to achieve Target ¥28 billion through the year.

		(Unit: billion yen)				
		Target through the year	Result in 1Q	Achievement rate	Estimate through the year	Achievement rate
Containership Business	Business Restructuring	10.5	2.2	21%	10.5	100%
	Operational Cost Saving / Earning Improvement	10.0	1.8	18%	9.5	95%
Non-Containership Business and Others		6.0	1.3	22%	6.5	108%
Head Office	Reduction of General & Administration Expenses	1.5	0.4	26%	1.5	100%
<b>Total</b>		<b>28.0</b>	<b>5.8</b>	<b>21%</b>	<b>28.0</b>	<b>100%</b>



## B. Division-wise Trends

# B-1. Division-wise Trends

## -Containership Business-



**<12F1Q Result> Y on Y Comparison: Revenue Increased/Turned into Black**

**Comparison with Previous Estimate\*: Revenue Increased/Turned into Black**

Achieved large profit improvement by Freight Restoration and Service Rationalization.

\*Previous Estimate= Estimate as of April 2012

### (Focus for the Future)

- Further freight restoration in summer peak season.
- Cost reduction including fuel cost down by further slow steaming.

(Unit: billion yen)

		FY2011					FY2012
		1Q	2Q	3Q	4Q	FY	1Q
<b>Operating Revenues (billion yen)</b>		104.7	105.5	93.0	92.3	395.5	133.2
<b>Ordinary Income (billion yen)</b>		▲ 7.8	▲ 10.5	▲ 13.4	▲ 10.1	▲ 41.8	▲ 0.6
<b>Trend of Freight Index FY'08 1Q= 100</b>	Asia-North America	94	94	91	94	93	100
	Asia-Europe	71	68	62	69	68	97
<b>Lifting (10,000 TEU)</b>	Asia-North America	16.3	17.0	15.6	14.3	63.1	18.4
	Asia-Europe	13.0	13.5	11.0	10.4	47.9	13.6
<b>Capacity(10,000 TEU)</b>	Asia-North America	17.6	17.8	17.0	15.8	68.2	19.1
	Asia-Europe	13.4	14.1	11.8	11.8	51.3	14.3
<b>Utilization</b>	Asia-North America	93%	96%	91%	91%	93%	96%
	Asia-Europe	97%	96%	93%	88%	93%	95%

## B-2. Division-wise Trends

### -Dry Bulk Business-



<12F1QResult> Y on Y Comparison: Revenue Increased/Profit Decreased

Comparison with Previous Estimate\*: Revenue Increased/Profit Increased

\*Previous Estimate= Estimate as of April 2012

Market of Capesize : Steady cargo volume of Iron ore to China.

Although there is sign of increasing scrap and lay up, market slump continues due to over supply of new-buildings.

Market of Panamax and under : Severe business environment continues affected by Indonesian mineral export restrictions ,etc in addition to supply-demand gap by new-buildings.

#### (Focus for the Future)

Market of Capesize : Supply pressure of new-buildings still concerns, major recovery of the market will be delayed.

Market of Panamax and under : Although firm cargo demand mainly grains is expected, severe business environment continues due to over supply of new-buildings and effect of downturn trend of Capesize market.

Dry Bulk Market	FY2011					FY2012		
	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
Cape(170type)	\$8,600	\$17,000	\$28,800	\$7,000	\$15,350	\$6,000	\$8,000	\$7,000
Panamax(74type)	\$13,800	\$12,900	\$14,600	\$8,000	\$12,325	\$10,000	\$9,000	\$9,500
Handy(53type)	\$14,600	\$14,000	\$15,600	\$8,700	\$13,225	\$11,000	\$9,000	\$10,000
Small	\$11,800	\$10,100	\$10,600	\$7,800	\$10,075	\$9,000	\$9,000	\$9,000

## B-3. Division-wise Trends

### -Car Carrier Business-

<12F1Q Result> **Y on Y Comparison: Revenue Increased/Turned into Black**  
**Comparison with Previous Estimate\*: Revenue Increased/Profit Increased**

\*Previous Estimate= Estimate as of April 2012

Total units carried (including intra-Europe) : 905 thousand units (+23% Y on Y)

Profit recovered by steady cargo volume exported from Asia and Others.

#### (Focus for the Future)

Action for expanding overseas production of Japanese car makers.

Trying to increase shipping more high and heavy cargo and Non Self-Propelled Vehicles.

		FY2011					FY2012
		1Q	2Q	3Q	4Q	FY	1Q
Loading Results (1,000 units)	Outbound	162	252	292	310	1,016	301
	Homebound	76	72	77	66	290	84
	Others	281	282	304	281	1,148	309
	Intra-Europe	214	204	231	203	852	212
	Total	732	810	904	860	3,306	905
Number of Operating vessels		88	97	94	97	-	100

## B-4. Division-wise Trends

### -LNG Carrier and Oil Tanker-

<12F1Q Result> Y on Y Comparison: Revenue Almost Same/Profit Increased

**Comparison with Previous Estimate\*:** Revenue Increased/Turned into Black

\*Previous Estimate= Estimate as of April 2012

【LNG】 Secured stable profit under firm demand for LNG.

【Tankers】 VLCC: Market slump due to decreased demand in China and U.S.

Aframax tankers: Profit improved due to decreased fleet, although market remained depressed due to excess supply of vessels.

**(Focus for the Future)**

【LNG】 Steady performance of mid and long term contracts.

【Tankers】 Major recovery of the market will be delayed due to supply pressure of new-buildings.

Tanker Market (WS)	FY2011					FY2012		
	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
VLCC (M.East / Jpn)	54	47	56	67	56	52	45	49
Aframax (S.Asia / Aus)	105	95	100	107	102	84	87	86
Clean 70,000 type (M.East / Jpn)	119	123	115	101	115	91	85	88

## B-5. Division-wise Trends



### - Offshore Energy E&P Support & Heavy Lifter Segment -

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#### 【 Offshore Energy E&P Support 】

<12F1Q Result> **Y on Y Comparison: Revenue Almost Same/Profit Increased**

**Comparison with Previous Estimate\*: Revenue Increased/Turned into Black**

\*Previous Estimate= Estimate as of April 2012

【Offshore Support Vessels】 Despite low operating rate of some vessels, profit improved with the valuation profit of the exchange rate.

#### (Focus for the Future)

【 Offshore Energy E&P Support 】 Trying to secure steady profit by mid and long term contracts.

【Drillship】 Start operation in 2Q 2012 and make profit. Contribute as long term steady source of profit.

#### 【 Heavy Lifters 】

<12F1Q Result> **Y on Y Comparison: Revenue Decreased/ Deficit Almost as expected**

**Comparison with Previous Estimate\*: Revenue Decreased/ Deficit Increased**

\*Previous Estimate= Estimate as of April 2012

Although there is sign of upturn market according to recovery of cargo demand, it will take more time for major recovery.