Revision of Mid-Term Management Plan

"K"LINE Vision 100

Bridge to the Future

～ Structural Reforms for Building a Stable Earnings Base ～

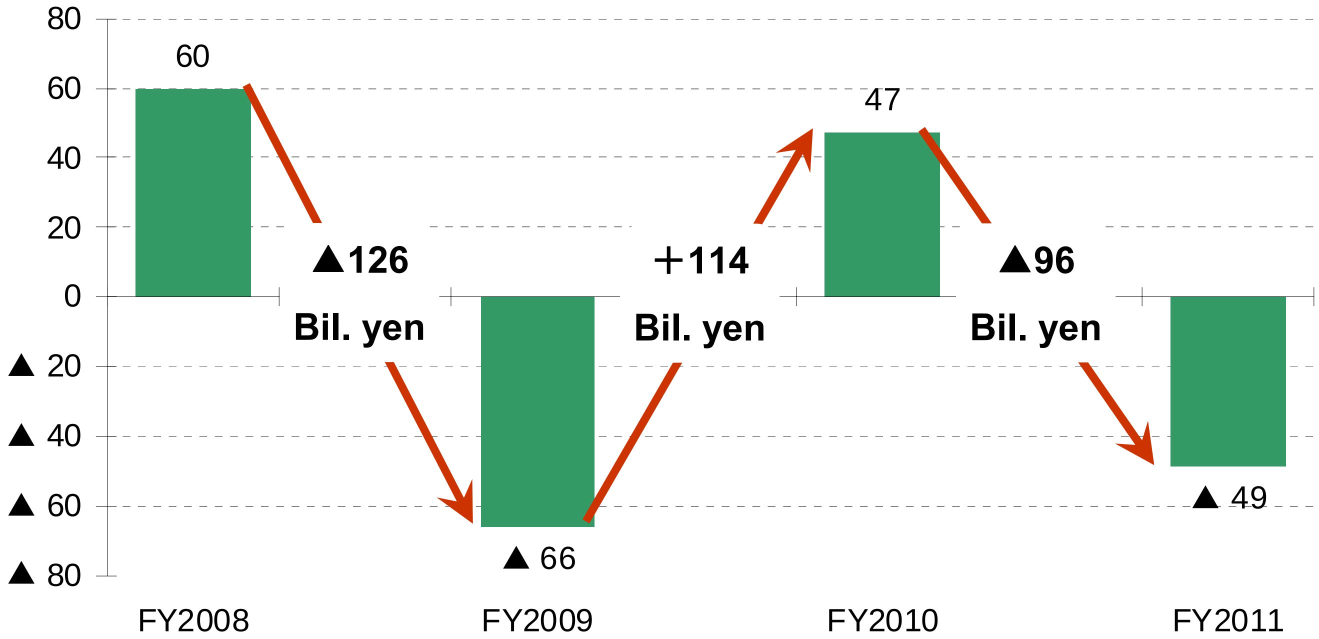
Kawasaki Kisen Kaisha, Ltd.

April, 2012

Contents

Review of Developments of Financial Results

Ordinary Income/Loss since first "K"LINE Vision 100 in April 2008



	FY2008	FY2009	FY2010	FY2011
Exchange Rate (JPY / US$)	100.82	93.04	86.04	79.06
Bunker (US$ / MT)	504	407	489	672

Revisions of "K"LINE Vision 100

- <u>April, 2008: "K"LINE Vision 100</u>
  Mid-Term Management Plan incorporating ideal image of the "K"LINE group to be achieved in the mid-2010s and as far beyond as 2019, the 100th Anniversary of "K"LINE; in correspondent to the steady growth of global economy that entails increased demand for the sea-bourn trade.

Cargo movement plunged drastically since October 2008
due to global recession triggered by the collapse of Lehman Brothers.
Credit uncertainty spread and the business environment rapidly deteriorated.

- <u>January, 2010: "K"LINE Vision 100 KV2010</u>
  Contingent revision of the first "K"LINE Vision 100 in reaction to the global recession started in September 2008 which changed our business environment drastically.

Following the decrease of cargo movement due to the global recession,
number of vessels were laid-up or scrapped.
But the growing demand from emerging market countries raised market,
and we could finish the year in black.

- <u>April, 2011: "K" LINE Vision 100 – New Challenges</u>
  A new management plan to respond to structural changes in the market including energy demand and the rise of emerging market countries, as well as to achieve an increase in stable earnings and sustainable growth in light of recovery of FY2010.

The market plunged again due to tonnage oversupply and
stagnant recession in Europe and US. In addition, sky-high fuel oil prices
and strong yen worsened our financial result.

- **<u>April, 2011: "K"LINE Vision 100 Bridge to the Future</u>**
  Counter-measure against volatile market and unclear prospect for the development of business environment. We conduct structural reforms so as to have more sources of stable profit and make us endurable against market fluctuations.

Analysis of Current Position & Our Goals

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Analysis of Our Position:

- Our profit is largely susceptible and sensitive toward market fluctuations, especially in Container Ship Business
  - Financial results deteriorated due to market fluctuations by ▲¥58 billion (FY2010 to FY2011)
- Heavy capital burden of investment due to aggressive expansion of our fleet has become substantial to our financial positions
  - Interest-bearing debt increased by ¥153 billion (¥440 billion in FY2008 to ¥593 billion in FY2011)
- Financial standings deteriorated in the aftermath of bad results in FY2009 & FY2011
  - Decrease in Shareholders' Equity by ▲¥92 billion (¥335 billion in FY2008 vs ¥243 billion in FY2011)

Current Three Missions:

- Generate ordinary income in FY2012
- Build a stable earnings structure
- Reinforce financial standing

Targets under the New Mid-Term Management Plan

- Building a corporate structure that can retain black even in the time of market downturn.
  - Container Ship Business: Improving profitability through the continuous business restructuring
  - Dry Bulk Carrier Business & Car Carrier Business:

    Cores of earning centers in the group that can generate stable earnings
- Target Financial Indices
  - Operating Income turning into black in FY2012

Unit: billion yen

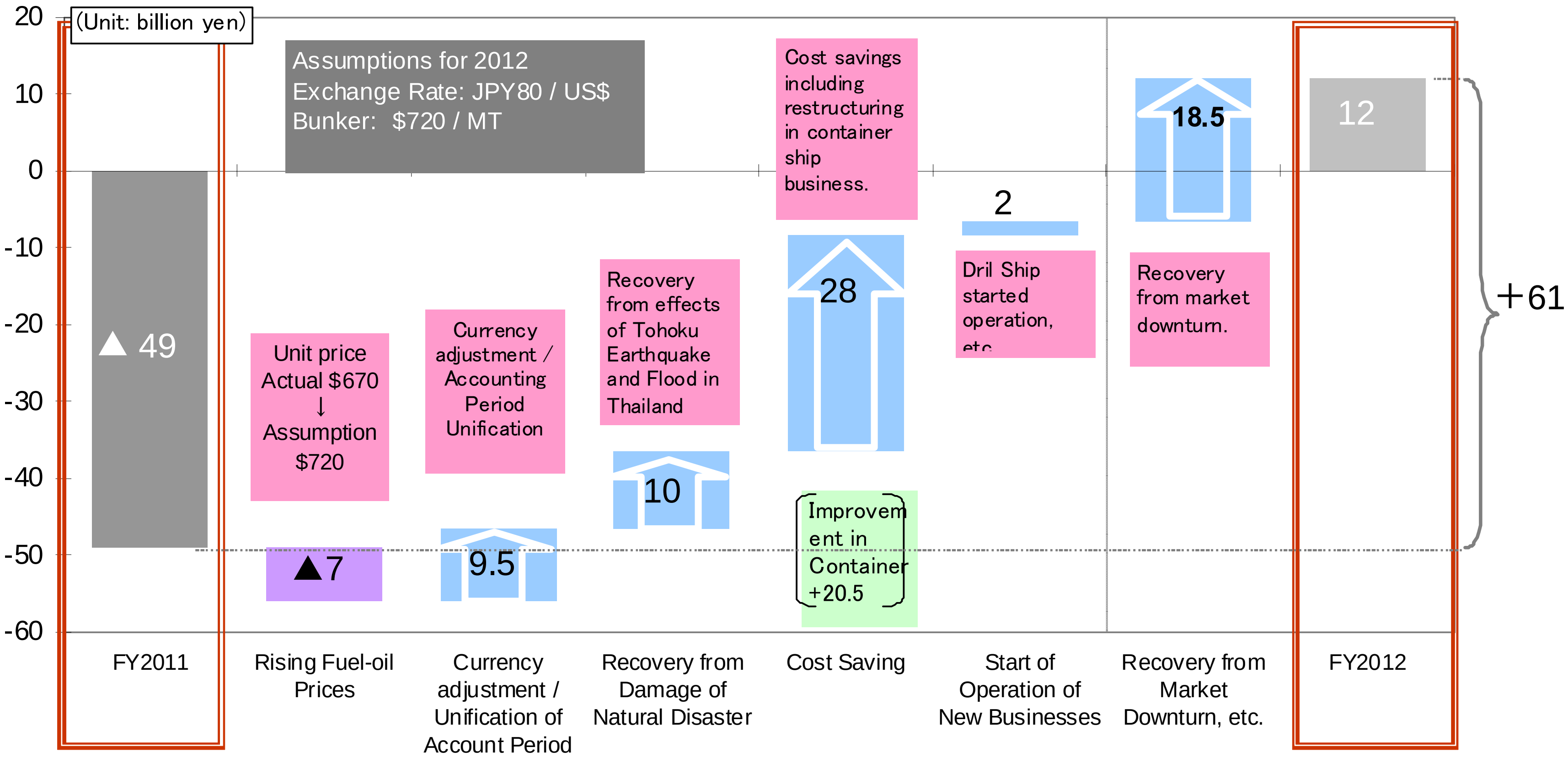
	FY2011	FY2012	FY2013	FY2014
Operating revenues	972	1,120	1,070	1,110
Ordinary income	▲49	12	39	60
EBITDA	14	100	110	135
DER	244%	223%	193%	148%
ROA	-5%	1%	4%	6%
Equity Ratio	23%	23%	26%	30%
Interest-bering Debt / Operating CF	-	8.7	6.0	4.3

Action Plans to Achieve Targets

1. Implement sweeping cost reductions and report ordinary income in FY2012
2. Make structural reform in the containership business
3. Expand stable earnings in the dry bulk business and car carrier business
4. Generate stable earnings in the energy resource transport business and new businesses
5. Strengthen financial standing through limits on investment

Achieving “Black” in Ordinary Income in FY2012

- We will achieve “black” in ordinary income in FY2012 (12 billion yen) by implementation of the cost saving targets under the business restructuring plan, recovery from the damage of natural disaster, and recovery from market downturn.



Full Enforcement of Cost Saving Targets

- We saved ¥22 billion in FY2011
- We have set our cost saving target at ¥28 billion in FY2012

(Unit: billion yen)

	Item	FY2011 Saved Costs	FY2012【comparison with the previous fiscal year】	
			Saving Target	Items
Container Business	Business Restructualing	2.8	**10.5**	Reduction of unit cost of containers by realignment of service routes to larger size vessels in connection with deployment of new-built large size energy-efficient container ships (3); Withdrawal from loss-making trade routes; Disposal of loss-making vessels (3.5); reduction of fuel cost through slow-steaming (4)
	Operational Cost Saving / Earning Improvement	12.2	**10**	Operational cost (cargo charges, port charges, feeder cost, etc.) (4); earning improvement of subsidiary companies (4); selling of owned containers (2)
	Sub Total	15	**20.5**	-
Non-Container Business	Operational Cost Saving	5.3	**2.5**	Reduction of fuel cost through slow-steaming (0.5); Reduction of operating expenditures, charter hire (2)
	Cost saving throughout entire "K"Line Group companies	1.4	**3.5**	Reduction of sales cost (1.5); reduction of administration & general expenses (salary & other benefit, equipment cost) (2)
	Sub Total	6.7	**6**	-
Head Office	Reduction of General & Administration Expenses	0.3	**1.5**	Personnel expenses (remuneration for executive officers, bonus payment for employees); other expenses (equipment cost, travel expenses, entertainment cost, etc.)
Total		22	**28**	-

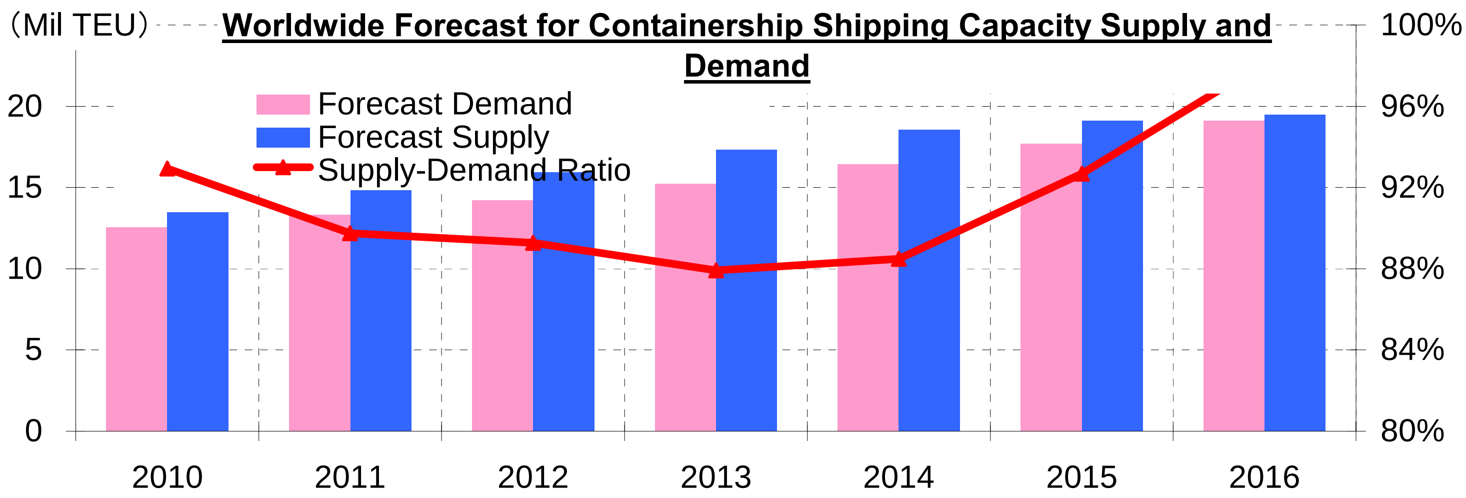
- We will continue our cost saving effort in FY2013 and beyond.

Restructuring of Container Ship Business

- The Container Ship Business in Our Group
  - We see the containership business as the growing industry with the continuous demand increase.
  - Having containership business in our Group, we can provide wide range of shipping services which adds value to our company.
    - Expect synergy effects with our other business fields including the car carrier business and the logistics business

- Business Strategy going forward
  - Sustain the current business scale
  - Shift to the profit-oriented strategy from the market share-oriented strategy
  - Conduct business operations that can limit risks of expanding losses

- Market Outlook
  - In 2012, global containership demand will increase by about 7% compared to the year 2011:
    Asia-Europe Route 2-3% increase, Asia-North America Route 4-5% increase
  - Supply and demand will remain at the same level until 2014. The market will bottom out in 2014.



(Source: Drewry, Alphaliner, and other, and by K Line's outlook)

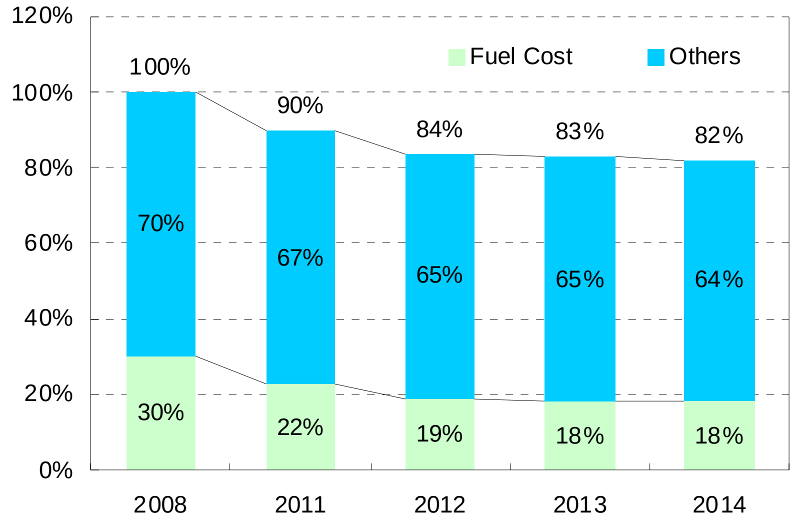
Container Ship Business: Action Plans for Restructuring

"K" LINE KAWASAKI KISEN KAISHA, LTD.

- **Large size energy-efficient new buildings / Restructuring of loss-making trade routes**
  - Increase number of large size energy-efficient vessels
    - +¥3 billion in ordinary income
      - In 2012, five new energy-efficient 8600TEU vessels will be in operation. Will allocate the new buildings to Europe route, and shift the existing large size fleet to North America route and the North-South route. →Subsequently, operated fleet size for each route will increase. The cost per container will decrease, raising competitiveness.
  - Withdrawal from or reduction in trade amounts in loss-making trade routes
    -+¥3.5billion in net income
      - In FY2012 to 2016, by reducing operations /withdrawing from unprofitable Asia and North-South routes, and by redelivery or disposition of uneconomic vessels to reduce vessel costs and minimize the risks of expanding losses.
  - Cost reduction - +¥4billion in net income
    ･Reduction of fuel cost by enlargement of slow steaming measures

Effects of large size energy-efficient fleet operation

Change in unit price of container TEU（avg of all routes, with 2008 as 100）



Container Business Size	FY2008	FY2011	FY2012	FY2013	FY2014
Number of Vessels	98	79	74	72	66
Space Capacity (mil TEUs)	328	346	367	358	330
Loading Volume (mil TEUs)	3,103	3,091	3,134	3,403	3,404

- **Expand the energy-efficient fleet and reduce the number of vessels through reorganization of routes to raise cost competitiveness**
- **Reduce space capacity to improve filling ratio, and increase high-yield cargoes.**
- **With these measures implemented over 5 years from FY2012 to 2016, become stronger in terms of financial standing to minimize the risks of declining earnings.**

Containership Business: Effect of Restructuring

"K" LINE KAWASAKI KISEN KAISHA, LTD.

- Effect of Restructuring: +¥37billion in ordinary income (2012 to 2014, cumulative)

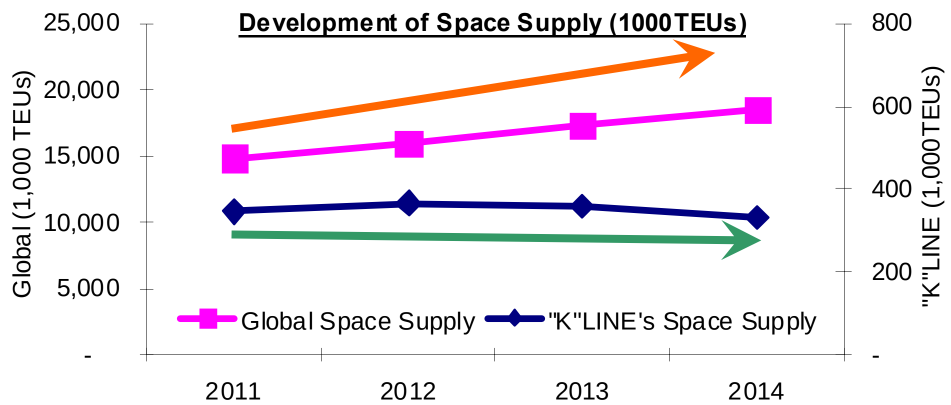
(unit: billion yen)

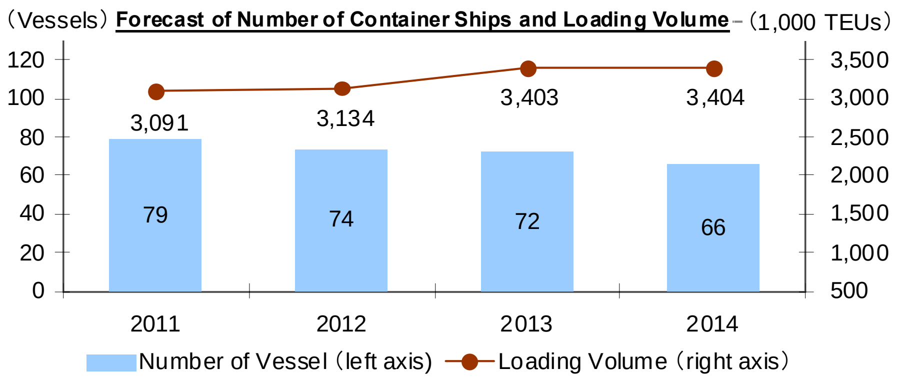
Improvement by Cost Saving (comparison with FY2011)	FY2012	FY2013	FY2014	Total 2011-2014
Reduction of unit cost of containers by deployment of large size energy-efficient vessels	3	4	4	**11**
Restructuring of loss-making trade routes	3.5	4	6.5	**14**
Enlargement of slow-steaming measures	4	4	4	**12**
Total	10.5	12	14.5	**37**

- Effect of business size down

In contrast to the pace of expansion of global fleet scale, "K" Line will limit shipping capacity.
＝ Limit the effects of market changes on income
＝ Maintain high slot utilization and select high-yield freight

Reduce the number of vessels, shift to larger vessels, and raise efficiency to reduce costs per container and maintain the number of TEUs transported
＝ Higher profitability

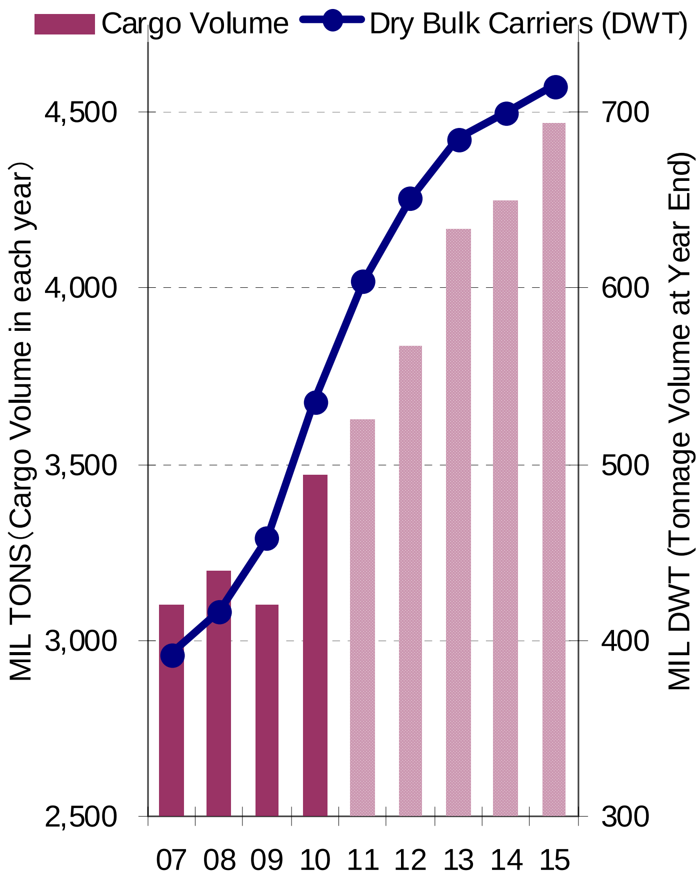




Dry Bulk Carrier Business: Business Environment Outlook

- Number of deliveries of new-building vessels reached its peak in 2011, and will gradually decrease.
- Market will recover from 2H of FY2012.

	Market Outlook	Basic Strategies
Cape Size	Demand for iron ore and coking coal will increase following the expansioin of production capacity in Australia and Brazil.	✓ Maintain stable earnings through existing contracts. ✓ Pursue new mid- & long-term contracts to expand sources of stable profit and earnings.
Panamax / Handy / Small Handy	Demands for coal, grain, feedstuff are expected to expand in emerging markets like China and India. The trade range is also expected to expand in mid- & long term perspective, due to the expansion of the Panama Canal.	✓ Operate mainly with spot contracts ✓ Catch up growing demand in the EM countries. ✓ Pursue more inbound cargoes to raise efficiency of usage of vessels ✓ Catch up demand raised from Expanded Panama Canal ✓ Hedge market exposure risks by mid-term contracts and freight derivatives
Thermal Coal Carrier / Wood Chip Carrier	Demand for transporting thermal coal is expected to remain solid globally. Demand for wood chip is anticipated to increase in China.	✓ Secure stable earnings through existing contracts. ✓ Sales of Corona Series to obtain contracts with global customers ✓ Pursue new business opportunities in emerging countries.



（Source：Clarkson, "K"LINE's Outlook

Dry Bulk Carrier Business: Roles & Action Plan

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

- Sources of Stable Profit & Earning
  - Enlarge business scale and fleet size while maintaining current level of ratio of cargoes under long-term contract being around 80%; and keep the business less susceptible and sensitive to the market fluctuations.
    - Stabilize existing business basis

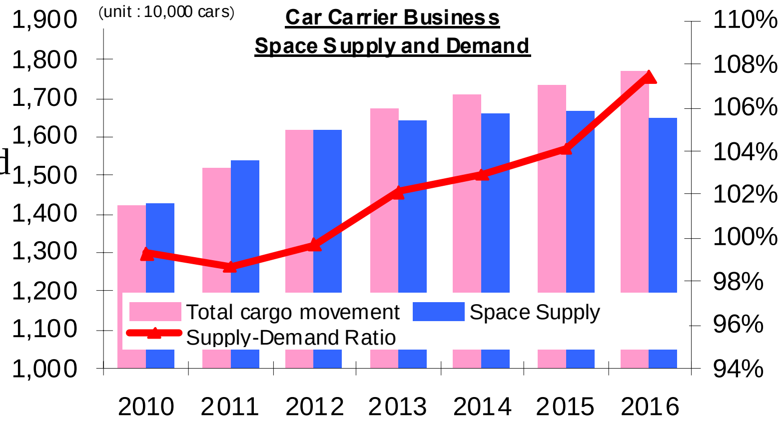
      ・・・Secure and maintain existing contracts and customers (domestic & global)
    - Expand business basis

      ・・・Launch new businesses in overseas, and increase trade volume through long-term contracts with new customers from both domestic and overseas particularly emerging market countries.

- Fleet Policy
  Target: 300 vessels (end of FY2016) from 236 vessels (end of FY2011)
  - However, this is not a target that we need to achieve at any cost.
  - Fleet expansion is made through combination of building new vessels at low price, and chartering from our amicable ship owners; both on condition that these vessels are associated with long-term contract which will generate stable profit and earnings.

Car Carrier Business

- Business Environment
  - Steady growth in sales of complete cars particularly in the emerging countries
  - The supply & demand environment will remain firm: Expect diversification of trade patterns - Increasing trade demand by emerging countries, increasing offshore trades due to shifting of production bases overseas
  - In FY2012, effects from the 2011 Great East Japan Earthquake in Japan and the flood in Thailand will be eliminated. A recovery and increase in shipment volume is expected



- Action Plans
  - Address the following issues with a focus on measures for complete cars exports from Japan

Action Plans toward Changing Market Environment

Trade Route	Requirements	Our Plans
Offshore Trade Service	Dealing with diversification of trade patterns. Sihfting of production bases to the EM countries such as Thailand, India, Mexico, etc., creats more demand for offshore trade between the EM countries and global market.	- Improvement of profitability and efficiency of vessel employment through restructuring of our trade routs. - More effort on freight restoration
Inbound Service	- Pursuit of rapidly increasing inbound cargoes from Europe and North America to China and Asia	- Filling vacant spaces with more inbound cargoes

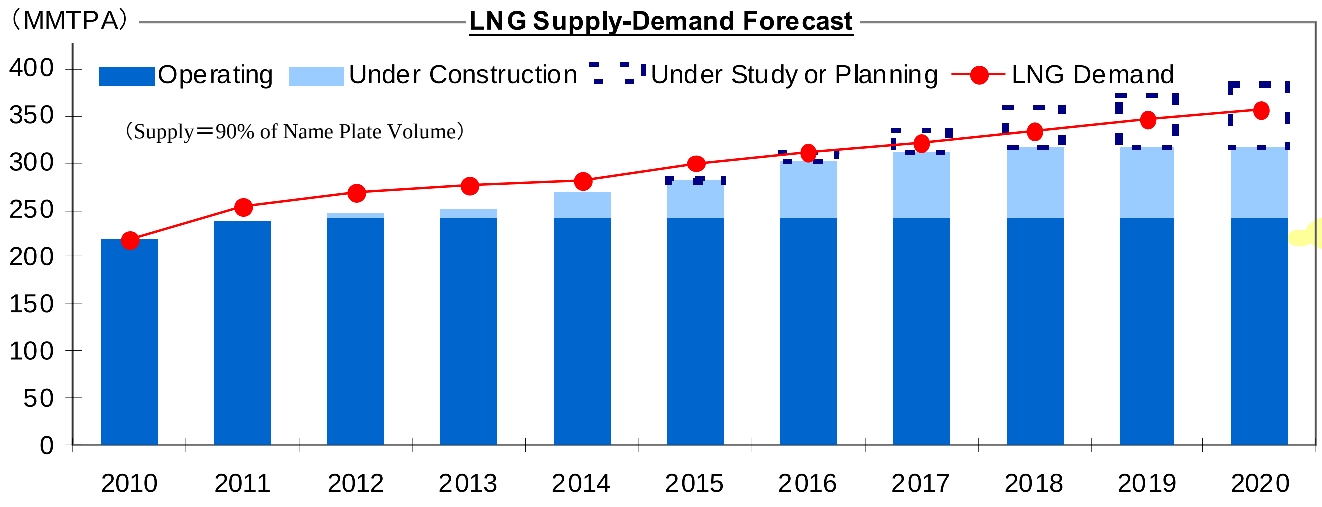
Develoment of New Business Model and Enlargement of Business Base

Non Self-Propelled Vehicles Business	- Dealing with the growing demand for the shipping of construction and mining machines, and non self-propelled vehicles to resource-rich countries. - Shipping more cargoes other than complete cars.	- Inauguration of a specialised sales team - Utilising our sales network of container ship and heavy lifter business - Improve our vessel line-ups to suit non self-propelled vehicles.

Energy Transportation Business

• Continue measures to secure stable earnings

LNG Tankers	Business Environment	− Strong spot market thanks to undersupply of tonnage whereas the global demand for LNG is ever-growing. − Tonnage syupply by speculative orders recently made are expected to be absorbed into far more growing demand.
	Activities	− Ensuring stable profit in long & mid-term range through stable and maximised utilization of vessels under long & mid-term contracts. − Pursuing new business opportunities with domestic utilities, and global oil & gas majors.
Oil Tankers	Business Environment	− It is expected to take some more time that supply-demand relations restores its normal level in spite of the positive prospect on growing demand of oil tankers, because the tonnage supply is far more strong than demand in 2012. − For chemical & product tankers, the supply-demand relation is expected to be leveled because the ton-miles in one shipment has become prolonged since Middle East & India started exporting products to North America.
	Activities	− VLCC Fleet is engaged in long-term contracts. − We will pursue further optimization of employment of Mid-size tankers. Disposal of loss-making vessels is one option.



Demand of LNG as clean energy will increase gradually

(Avg growth rate 2010 - 2020: 5.0%)

(Source: RIM "The LNG Annual"、Poten & Partners、CERA)

New Business/Logistics Business

- **Investment in resource development businesses, including offshore development, is expected to increase as a result of increasing resource prices**
  - **Increase from US$ 400B in 2010 to US$ 600B in 2013 (forecast by Barclays Capital)**
- **Steady increases are expected in business opportunities for areas in which the "K" Line Group is active, including drill ships, offshore support vessels and heavy lifters**

Energy Transportation Business	Business Environment	More off-shore development projects are expected to start especially in Brazil. In mid- to long-term perspective, we pursue business opportunities in off-shore development project near/around Japan.
	Activities	- One new-build drill ship was delivered in December 2011, and started operation in 2012. The vessel is expected to generate stable profit during her long-term contract. - Investment and participation in new projects will be studied, and decided upon suitable profitability.
Offshore Support Vessel Business	Business Environment	Demand for OSVs is expected to increase together with increase of operational ratio of oil rigs and starting of new off-shore E&P projects based upon high crude oil prices.
	Activities	- Of 7 vessels of our fleet (5 PSVs & 2 AHTSs), 4 PSVs are in long-term contract with Petrobras and ConocoPhilips. - We will pursue business opportunities of long-term contract for remaing 3 vessels which are in operation under spot contracts.
Heavy Lifter Business	Business Environment	- Demand for Heavy Lifters is expected to increase in line with the demand for the shipment of huge volumes of plant cargoes for E&P or other resource development projects to which more investment will be made globally..
	Activities	- Pursuit of shipping contract of plant & project cargoes.

Losistics Business	Business Environment	- The logistics services market is expected to be enlarged in Asia.
	Activities	- Enforcement of NVOCC business, and Consolidation business. - Building up stable business basis which is endurable even in economic downturn by the enlargement of locally-rooted general logistics service including land transportation.

Summary: Road Map for Restructuring

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

	FY2011	FY2012	FY2013	FY2014	FY2015 and beyond

—Busines Restructuring— FY2012-16

Container Ship Business

Downsize Fleet

Inmrove Profittability by deploying large size vessels

Cost Saving Measures

FY2011: 79 Vessels

- Earning improvement effects from energy efficient new build 8600TEU, thereby reducing cost per container.
- Restructure loss-making service routs
- Increase slow steaming
- Full enforcement of cost saving measures

- While reducing space capacity by realignment of loss-making service routes, and disposal of uneconomic vessels, loading volume will be maintained through large size vessels' service-in and efficient use of fleet.
- Restructure business to be more profitable.
- Continue cost saving measures.

FY2014 : 66 Vessels

FY2016: 61 Vessels

Bry Bulk Carriers Business

Enlarge Stable & Profittable Contracts

FY2011: 236 Vessels

Expansion of stable earnings through long-term contracts
- Maintain existing contracts with domestic and global customers, and increase trade volume with new customers around the world.
- Manage market exposure by means of freight derivatives
- Increase profitability by deploying energy-efficient vessels, and reduce environmental load.

Enlarge Stable Earnings

End 2016: 300 Vessels

Car Carriers Business

Improve Earnings in Tri-Partite & Inbound Trade

Enlarge Non Self-Propelled Vehicles Business

- Reconstruction of offshore trade
- Expansion of trade from Europe, N.America, and to China/Asia (inbound services)

- Expansion of cargo volume for Non Self-Propelled Vehicles
- Inauguration of specialized sales team (April 2012)
- Improve vessel line-ups to suit non self-propelled vehicles

Increase stable earnings by appropriate fleet allocations
Increase profitability by business expansion

Continued action

Energy Transport Business

LNG Tankers
Participate in New Projects
Oil Tankers
Pursue Stable & Profittable Contracts
OSVs & Heavy Lifters
Stabilise newly-started business operation

- Obtain long term contracts mainly of LNG projects of domestic utilities

- Maintain/extend existing contract
- Disposition of loss making vessels

- Participation in offshore development projects

Stabilizing profit

Enlarge stable earings

Other Business

Logistics Business

- Seek for opportunities in enlarging logistics market in Asia
- Enlargement of local-rooted logistics services including land transportation

Build up stable business basis

Continued action

Investment Plan

- **Starting in FY2012, limit the investment level to ¥50 billion**
  - **By limiting investment, cash flows will be improved, interest-bearing debt reduced, and financial standing reinforced**
  - **Investment targets will be carefully selected in areas of stable earnings and high earnings**

	FY2011	FY2012	FY2013	FY2014
Investment CF (billion yen)	83	50	50	50
Previous Mid-Term Management Plan (Apr. 2011)	95	80	65	—
Difference from Previous Mid-Term Management Plan	▲ 12	▲ 30	▲ 15	—

(unit: vessels)

Fleet Size Development	FY2011 Deliveries	Nbr of Vessels at end of FY2011	FY2012 Deliveries	FY2013 Deliveries	FY2014 Deliveries	FY2012-FY2014 Deliveries	Nbr of Vessels at end of FY2014
Container Ship Business	6	80	4	0	0	4	66
Dry Bulk Carrier Business	34	236	23	25	11	59	279
Car Carrier Business	6	97	2	0	0	2	93
Energy Transportation Business	5	77	1	1	1	3	77
Heavy Lifer / Others	1	68	3	0	0	3	69
Total	52	558	33	26	12	71	584

(Showing vessels whose investment is decided only)

Income Projections

		Unit	FY2011	FY2012	FY2013	FY2014
Container Ships	Operating revenues	(billion yen)	396	460	460	460
	Ordinary income or loss	(billion yen)	▲42	▲3	10	15
Non-Container Ships	Operating revenues	(billion yen)	464	530	500	520
	Ordinary income or loss	(billion yen)	▲9	12	26	42
Others	Operating revenues	(billion yen)	113	130	110	130
	Ordinary income or loss	(billion yen)	7	7	6	7
Adjustment and Eliminations	Operating revenues	(billion yen)	0	0	0	0
	Ordinary income or loss	(billion yen)	▲5	▲4	▲3	▲4
Total	Operating revenues	(billion yen)	972	1,120	1,070	1,110
	Ordinary income or loss	(billion yen)	▲49	12	39	60

Assumptions	Exchange rate	(¥/US$)	79	80	80	80
	Bunker Price	(US$/MT)	672	720	650	650
	T/C Average					
	CAPE	(US$/Day)	15,350	18,750	23,000	25,000
	PMAX	(US$/Day)	12,325	13,500	17,000	20,000
	HMAX	(US$/Day)	13,225	13,500	15,000	18,000
	Small	(US$/Day)	10,075	10,750	12,000	14,000

Financial Indices

Item	Unit	FY2011	FY2012	FY2013	FY2014
Operating Revenues	(billion yen)	972	1,120	1,070	1,110
Ordinary Profit	(billion yen)	▲ 49	12	39	60
Net Profit	(billion yen)	▲ 41	11	25	42
EBITDA	(billion yen)	14	100	110	135
Shareholders' Equity	(billion yen)	243	260	280	330
Interest-bearing Debt	(billion yen)	593	580	540	490
Operating CF	(billion yen)	▲ 3	67	90	113
Investment CF	(billion yen)	▲ 83	▲ 50	▲ 50	▲ 50
DER	—	244%	223%	193%	148%
ROA	—	-5%	1%	4%	6%
Equity Ratio	—	23%	23%	26%	30%
Interest-bearing debt / Operating CF	(times)	-	8.7	6.0	4.3

Ultimate Objective of "K"LINE Vision 100

- In aim for achieving the ultimate objective of April 2008 "K"LINE Vision 100, "Synergy for All and Sustainable Growth", we will make efforts to meet our goals of this revised plan with the five fundamental agenda of "K"LINE Vision 100.

- Current three missions:
  - Return to black in FY2012
  - Building stable earnings structures
  - Reinforce financial standing

- Current five missions (to be continued)
  - Activities to promote environmental protection
  - Established safe ship operation and management structure
  - Borderless management through the best and strongest organization
  - Proper allocation of strategic investment and management resources
  - Improvement and strengthening of corporate value and complete risk management

Remarks concerning Future Projections

The “K” Line business projections and strategies set forth in this document include many uncertain factors including the future state of the global economy, shipping industry developments and exchange rates. Due to this, the Company’s actual results may differ substantially from the projections.