

Financial Highlights

Brief Report for 1st Quarter FY2011

29 July 2011

Kawasaki Kisen Kaisha, Ltd.

A. Financial Highlights for 1st Quarter FY2011

- A-1 Financial Results for 1st Quarter FY2011
- A-2 Estimate for 1st Half FY2011
- A-3 Estimate for Yearly FY2011
- A-4 Key Points

B. Division-wise Trends

- B-1 Containership Business
- B-2 Tramper Business – Dry Bulk Business
- B-3 Tramper Business – Car Carrier Business
- B-4 Tramper Business – Energy Transportation and Heavy Lifters

A. Financial Highlights for 1st Quarter FY2011

A-1. Financial Results for 1st Quarter FY2011



(Unit: billion yen)				(Unit: billion yen)				
	FY2011 1QResult	FY2010 1QResult	YoY Compasiron			FY2011 1QResult	FY2010 1QResult	YoY Compasiron
Operating Revenues	244.2	253.8	▲ 9.6	Containership Business	Operating Revenues	104.7	112.3	▲ 7.6
Operating Income	▲ 9.9	23.1	▲ 33.0		Ordinary Income	▲ 7.8	8.9	▲ 16.7
Ordinary Income	▲ 8.8	20.6	▲ 29.4	Bulk Shipping Business	Operating Revenues	110.1	118.4	▲ 8.3
Net Income	▲ 3.7	15.8	▲ 19.5		Ordinary Income	▲ 2.0	11.7	▲ 13.7
Exchange Rate	¥82.04	¥92.81	¥▲ 10.77	Others	Operating Revenues	29.4	23.1	6.3
Bunker Price	\$644	\$475	\$169		Ordinary Income	1.8	0.7	1.1
				Adjustment	Operating Revenues	-	-	-
					Ordinary Income	▲ 0.9	▲ 0.7	▲ 0.2
				Total	Operating Revenues	244.2	253.8	▲ 9.6
					Ordinary Income	▲ 8.8	20.6	▲ 29.4

Increase 10.77 Yen / US\$ in exchange rate resulted in approx. ▲ 3.0 billion yen (YoY)

Increase of bunker price \$169 per met.ton resulted in approx. ▲5.1 billion yen (YoY)

A-2. Estimate for 1st Half FY2011

(Unit: billion yen)

	FY2011			FY2010	YoY Comparison	Previous Estimate*	Comparison with Estimate
	1Q Result	2Q Est	1H	1H		1H	
Operating Revenues	244.2	255.8	500.0	520.4	▲ 20.4	530.0	▲ 30.0
Operating Income	▲ 9.9	▲ 5.1	▲ 15.0	50.0	▲ 65.0	▲ 4.0	▲ 11.0
Ordinary Income	▲ 8.8	▲ 5.2	▲ 14.0	42.8	▲ 56.8	▲ 5.0	▲ 9.0
Net Income	▲ 3.7	1.7	▲ 2.0	26.3	▲ 28.3	▲ 2.0	0.0
Exchange Rate	¥82.04	¥80.24	¥81.14	¥89.70	▲¥8.56	¥85.00	¥-3.86
Bunker Price	\$644	\$656	\$650	\$468	\$182	\$650	\$0

*Previous Estimate is Estimate as of April.2011

(Unit: billion yen)

		FY2011		
		1Q Result	2Q Est	1H
Containership Business	Operating Revenues	104.7	115.3	220.0
	Ordinary Income	▲ 7.8	▲ 3.7	▲ 11.5
Bulk Shipping Business	Operating Revenues	110.1	109.9	220.0
	Ordinary Income	▲ 2.0	▲ 1.5	▲ 3.5
Others	Operating Revenues	29.4	30.6	60.0
	Ordinary Income	1.8	1.2	3.0
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 0.9	▲ 1.1	▲ 2.0
Total	Operating Revenues	244.2	255.8	500.0
	Ordinary Income	▲ 8.8	▲ 5.2	▲ 14.0

【Premises】

Exchange Rate 2Q ¥ 80.24/\$

Bunker Price 2Q \$ 656/MT

【Other Point】

Profit of 6.8 Billion yen is posted due to share exchange by consolidated subsidiary as Extra Ordinary Profit in 2Q

A-3. Estimate for Yearly FY2011

(unit : Billion yen)

	2011			2010			YoY Comparison	Previous Estimate of 2011*	
	1H	2H	FY	1H	2H	FY		1H	FY
Operating Revenues	500.0	560.0	1,060.0	520.4	464.7	985.1	74.9	530.0	1,090.0
Operating Income	▲ 15.0	10.0	▲ 5.0	50.0	8.6	58.6	▲ 63.6	▲ 4.0	6.0
Ordinary Income	▲ 14.0	8.0	▲ 6.0	42.8	4.5	47.4	▲ 53.4	▲ 5.0	3.0
Net Income	▲ 2.0	4.0	2.0	26.3	4.3	30.6	▲ 28.6	▲ 2.0	2.0
Exchange Rate	¥81.14	¥85.00	¥83.07	¥89.70	¥82.39	¥86.04	▲ ¥2.97	¥85.00	¥85.00
Bunker Price	\$650	\$650	\$650	\$468	\$509	\$489	\$161	\$650	\$650

*Previous Estimate of FY2011 is Estimate as of April.2011

(Unit: billion yen)

		FY2011		
		1H	2H	FY
Containership Business	Operating Revenues	220.0	240.0	460.0
	Ordinary Income	▲ 11.5	1.0	▲ 10.5
Bulk Shipping Business	Operating Revenues	220.0	250.0	470.0
	Ordinary Income	▲ 3.5	6.0	2.5
Others	Operating Revenues	60.0	70.0	130.0
	Ordinary Income	3.0	3.0	6.0
Adjustment	Operating Revenues	0.0	0.0	0.0
	Ordinary Income	▲ 2.0	▲ 2.0	▲ 4.0
Total	Operating Revenues	500.0	560.0	1,060.0
	Ordinary Income	▲ 14.0	8.0	▲ 6.0

Estimate of 2H has not yet changed from original estimate as of April 2011.

At the time of announcement of 1H results, we will factor in our target of earnings recovery which we are working now.

- Additional earnings recovery/cost decrease target 5.0 billion yen + α
- Asset reduction plan by sell off old ships and disposal of securities

【Dividend Plan】

Interim : No dividend

Year-end : Not yet determined, to be reviewed.

【Premises】

Exchange Rate 2H ¥ 85.00/\$

Bunker Price 2H \$650/MT

【Sensitivity against Ordinary Income in 2H】

Exchange Rate : \pm ¥1/\$ \Rightarrow \pm 0.6 billion yen

Bunker Price : \mp \$10/MT \Rightarrow \pm 0.8 billion yen

A-4.Key Points

<Y on Y Comparison>

1Q :Revenue Decrease(▲ 9.6 billion yen) / Profit Decrease(▲ 29.4 billion yen)

1H :Revenue Decrease(▲ 20.4 billion yen) / Profit Decrease(▲ 56.8 billion yen)

Variation Factors	FY11 1Q Result Comparison YoY	FY11 1H Estimate Comparison YoY	Key Points
Fluctuation in Exchange Rate	▲ 3.0	▲ 4.0	Strong Yen 11F1Q ▲¥10.77 / 11F1H ▲¥8.56
Bunker Oil Price	▲ 5.1	▲ 11.6	High Bunker 11F1Q +\$169/MT 11F1H +\$182/MT
Market Volatility	▲ 15.9	▲ 31.8	Freight decline in Containership and Dry Bulk
Cargo Volume	▲ 5.3	▲ 4.1	Cargo volume of Car carriers decreased
Cost Increase/Decrease	▲ 4.7	▲ 7.4	—
Related Companies	▲ 1.1	▲ 1.8	—
Others	5.7	3.9	—
Total	▲ 29.4	▲ 56.8	

<Comparison with Previous Estimate>

1H :Revenue Decrease(▲ 30.0 billion yen) / Profit Decrease(▲ 9.0 billion yen)

Variation Factors	Comparison to Prev. Estimate	Key Points
Fluctuation in Exchange Rate	▲ 2.1	Strong Yen 11F1H ▲¥3.86 higher than Prev.Estimate
Bunker Oil Price	0.1	Bunker Price in line with Estimate
Market Volatility	▲ 6.2	Freight decline in Containership
Cargo Volume	▲ 4.8	Cargo volume of Car carriers and Containership decreased
Cost Increase/Decrease	3.0	—
Related Companies	0.0	—
Others	1.0	—
Total	▲ 9.0	

*Prev.Estimate is Estimate as of April 2011

B. Division-wise Trends

B-1. Division-wise Trends

-Containership Business-

<11F1Q Result> Y on Y Comparison: Revenue Decreased/Turned into Red Comparison with Previous Estimate*: Revenue Decreased/Deficit Increased

Spot freight market of Asia-Europe and North-South trade declined, High bunker price, Strong Yen ,etc

*Previous Estimate= Estimate as of April 2011

<Key Points after 2nd Quarter>

Freight restoration in summer peak season

		FY2010					FY2011
		1Q	2Q	3Q	4Q	FY	1QResult
Operating Revenues (billion yen)		112.3	128.4	105.0	99.2	445.0	104.7
Ordinary Income (billion yen)		8.9	16.7	5.7	▲ 2.3	29.0	▲ 7.8
Trend of Freight Index FY'08 1Q=100	Asia-North America	92	107	99	95	98	94
	Asia-Europe	105	107	94	86	98	71
Lifting (10,000 TEU)	Asia-North America	16.9	17.6	16.4	14.9	65.7	16.3
	Asia-Europe	12.6	13.1	11.8	11.6	49.1	13.0
Capacity(10,000 TEU)	Asia-North America	17.0	17.9	17.8	16.7	69.5	17.6
	Asia-Europe	13.1	13.5	12.4	12.3	51.3	13.4
Utilization	Asia-North America	99%	98%	92%	89%	95%	93%
	Asia-Europe	96%	97%	95%	94%	96%	97%

B-2. Division-wise Trends -Dry Bulk Business-

<11F1QResult> **Y on Y Comparison: Revenue Increased/Profit Decreased**

Comparison with Previous Estimate*: Revenue Increased/Profit Increased

Operating Tonnage 69 mil, Ton (+22% Y on Y)

Dry Bulk Market downturn due to imbalance of supply and demand

*Previous Estimate= Estimate as of April 2011

<Key Points after 2nd Quarter>

Although scrapping of vessels will increase,

Dry Bulk market will not recover to real recovery,

it is estimated that severe market conditions will continue in 2H.

Dry Bulk Market	FY2010					FY2011		
	1Q	2Q	3Q	4Q	FY	1Q Result	2Q Est	1H Est
Cape(170type)	\$40,000	\$26,300	\$34,400	\$8,400	\$27,300	\$8,600	\$15,000	\$11,800
Panamax(74type)	\$29,200	\$21,700	\$18,200	\$14,500	\$20,900	\$13,800	\$14,000	\$13,900
Handy(53type)	\$27,100	\$19,800	\$17,300	\$14,300	\$19,600	\$14,600	\$12,000	\$13,300

B-3. Division-wise Trends

-Car Carrier Business-

<11F1Q Result> Y on Y Comparison: Revenue Decreased/Turned into Red
Comparison with Previous Estimate*: Revenue as expected/Deficit decreased

Total units carried (including intra-Europe) : 732 thousand units (▲3% Y on Y)

Although cargo movement in Homebound and Others were firm,

Export cars from Japan decreased drastically due to effect of 3-11 earthquake.

*Previous Estimate= Estimate as of April 2011

<Key Points after 2nd Quarter>

Cargo volume will recover with recovery of Automaker's production after 3-11 earthquake.

		FY2010					FY2011
		1Q	2Q	3Q	4Q	FY	1Q
Loading Results (1,000 units)	Outbound	240	254	272	250	1,016	162
	Homebound/Others	311	291	314	299	1,215	357
	Intra-Europe	203	169	190	230	792	214
	Total	754	714	776	779	3,023	732
Number of Operating Vessels		83	84	87	87	-	88

B-4. Division-wise Trends

-Energy Transportation and Heavy Lifters-



【 Energy Transportation 】

<11F1Q Result> **Y on Y Comparison: Revenue/Profit almost same as last year**

Comparison with Previous Estimate*: as expected

【LNG】 Long-term contracts were performed well and some middle-term charter contracts were secured for some vessels operated in spot charter market

【Tankers】 Profit of VLCC was firm but market of Aframax and Product carriers turned downward

【Offshore Support Vessels】 Profit increased because of expansion of fleet and foreign exchange gain

< Key Points after 2nd Quarter >

【LNG】 Try to secure firm profit by long-term and middle-term contracts

【Tankers】 Recovery of market of Aframax and Product carriers will take some time

【Offshore Support Vessels】 Try to secure firm profit by most advanced new fleet of seven vessels

Tanker Market (WS)	FY2010					FY2011		
	1Q	2Q	3Q	4Q	FY	1Q Result	2Q Est	1H Est
VLCC (M.East / Jpn)	87	51	58	62	53	54	54	54
Aframax (S.Asia/Aus)	116	101	101	93	103	105	109	107
Clean 70,000 type (M.East / Jpn)	118	130	112	101	115	119	121	120

【 Heavy Lifters】 < 11F1Q Result / Key Points after 2nd Quarter >

Y on Y Comparison: Revenue Flat/Deficit Flat

Comparison with Previous Estimate*: Revenue Decreased/Deficit Increased

Restoration of freight will progress and cargo volume will recover due to recovery of global economies

Expect gradual rebound due to restart of major projects

*Previous Estimate= Estimate as of April 2011